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## **SUNCITY GROUP HOLDINGS LIMITED**

**太陽城集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **CONTINUING CONNECTED TRANSACTION:**

#### **O&M AGREEMENT**

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (6)” in the 1029 Announcement, the signing of the O&M Agreement, being part of the Main Hotel Casino Agreement, is a Condition Subsequent to the Shares Subscription Agreement. As disclosed in “Project Site Payment – Conditions Precedent” in the 1125 Announcement, the signing of the O&M Agreement is a condition precedent to the Project Site Payment.

Westside is a connected person of the Company at the subsidiary level as described in “Information of Westside” in this announcement. The transactions contemplated under O&M Agreement are on a recurring basis and constitute continuing connected transactions for the Company under Rule 14A.31.

In accordance with Rule 14A.52, the Company has appointed and was confirmed by the IFA that the O&M Agreement requires a longer period of more than 3 years and that it is normal business practice for agreements of this type to be of such duration.

Under Rule 14A.101, the O&M Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but are exempt from the independent Shareholders’ approval requirement of Chapter 14A under Rule 14A.101 as (a) the Board has approved the O&M Agreement; and (b) all the independent non-executive Directors have confirmed that the terms of the O&M Agreement are fair and reasonable, the O&M Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Reference is made to the 1st Announcement. Unless otherwise defined in this announcement, capitalised terms used in this announcement have the same meaning as defined in the 1st Announcement.

## **THE O&M AGREEMENT**

As disclosed in “Share Subscription by the Purchaser – Conditions Subsequent – (6)” in the 1029 Announcement, the signing of the O&M Agreement, being part of the Main Hotel Casino Agreement, is a Condition Subsequent to the Shares Subscription Agreement. As disclosed in “Project Site Payment – Conditions Precedent” in the 1125 Announcement, the signing of the O&M Agreement is a condition precedent to the Project Site Payment.

The Board is pleased to announced that the O&M Agreement has been entered into with the date, parties and principal terms and conditions of which set out below:

**Date of the O&M Agreement** : 4 May 2020

**Parties** : (1) Westside (as appointor)

Westside is an associate of Megaworld and a connected person of the Company at the subsidiary level as described in “Information of Westside” below in this announcement.

(2) SunTrust (as appointee)

**Appointment** : SunTrust is appointed by Westside as the sole and exclusive operator and manager of the Main Hotel Casino to:

(1) manage the development of the Main Hotel Casino;  
and

(2) operate and manage the operation of the Main Hotel Casino,

collectively, the “**Services**”.

**Term of the appointment** : For the remaining term of the Gaming Licence until 11 July 2033, and automatically extend or renew upon any extension or renewal of the Gaming Licence, unless terminated earlier in accordance with the provisions of the O&M Agreement.

In the event of extension or renewal of the Gaming Licence with amendments or modifications by PAGCOR, Westside and SunTrust agree to negotiate in good faith and agree on such necessary amendments to the O&M Agreement with the immediate goal of extending the O&M Agreement.

**Fee** : In consideration of the Services, SunTrust shall be entitled to a fee (“**Fee**”) equivalent to the entirety of the gross revenues of the Main Hotel Casino without any deduction, set off or otherwise save the following to which Westside retains the absolute right and entitlement:

- (1) one percent (1%) of the Gross Gaming Revenue on VIP of the Main Casino; and
- (2) three percent (3%) of the Gross Gaming Revenue on slot machines and mass market tables of the Main Casino,

which shall be disbursed to Westside on a monthly basis (or such other basis as SunTrust and Westside may agree from time to time) after the commencement of operation of the Main Hotel Casino (which is expected to commence prior to 2023), and in the event of delay in payment, shall carry interest at the rate of 10% per annum from the due date until payment in full.

All expenses of the Main Casino as well as fees (including regulatory fees), dues, penalty, charges, taxes payable on its operation, ancillary entertainment, commercial, retail and/or food & beverage establishments shall be for the account of SunTrust.

## **Termination**

: The O&M Agreement may be terminated, among other grounds:

- (1) at any time upon mutual written agreement of Westside and SunTrust; or
- (2) by either Westside or SunTrust if the Gaming Licence is terminated for any reason other than due to the default of either of them.

SunTrust shall be entitled to terminate the O&M Agreement by giving notice of such termination to Westside under certain circumstances as set out in the O&M Agreement, the major ones are as follows:

- (1) the Gaming Licence is not extended or is pre-terminated for any reason;
- (2) the Gaming Licence is (aa) suspended for a continuous period of three (3) months or more in any calendar year, not renewed, cancelled or revoked due to breach on the part of Westside and/or Travellers of the terms and conditions thereof and/or the Lot Nos. 4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession); or (bb) there shall be any breach on the part of Westside and/or Travellers of the terms and conditions thereof as to affect the rights and interests of SunTrust under the O&M Agreement and/or the Lease Agreement or any other agreement between Westside and SunTrust;
- (3) the Lot Nos. 4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession) is terminated due to the act, omission and/or default of the Westside and/or Travellers, or Westside and/or Travellers commits any breach or any act or omission giving rise to a breach of the terms and conditions thereof as to adversely affect the rights and interests of SunTrust under the O&M Agreement and/or the Lease Agreement;

- (4) the head lease agreement under which Westside leased one of the parcels of land comprised in the Project Site is terminated due to the act, omission and/or default of Westside and/or Travellers, or Westside and/or Travellers commits any breach or any act or omission giving rise to a breach of the terms and conditions thereof as to adversely affect the rights and interests of SunTrust thereunder and/or the Lease Agreement and/or the O&M Agreement; or
- (5) termination of the Lease Agreement by SunTrust in accordance with its terms.

If the Gaming Licence is suspended for a continuous period of three (3) months or more in any calendar year, not renewed, cancelled or revoked due to breach on the part of SunTrust of the provisions of the O&M Agreement, Westside may terminate the O&M Agreement by giving notice of such termination to SunTrust, provided that SunTrust shall be entitled to remedy or cure such breach or default within a period of ninety (90) calendar days from receipt of notice from Westside specifying the breach or default if such breach or default can be remedied or cured.

**Conditions Precedent** : The O&M Agreement is conditional on the following:

- (1) the obtaining by Westside of the requisite consents, approvals, authorisations, licenses, permits and permissions and waivers from all relevant governmental, regulatory authorities (or agencies), and such other relevant third parties to the entering into of the O&M Agreement; and
- (2) the obtaining by the Company of the necessary Shareholders' approval to the O&M Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

## **ANNUAL CAPS**

The annual caps for the Fee for each of the years ending 31 December 2020, 2021 and 2022 will be zero as the Main Hotel Casino is expected to commence operation only in, the earliest, 2023.

Given the Main Hotel Casino is expected to commence operation only in, the earliest, 2023, the annual caps for the Fee for each of the years ending 31 December 2023 up to 2033 have been determined on the basis of the smallest of the numerator of the percentage ratios (other than the profits ratio) each at 5% and is HK\$33.6 million. Given that basis of determination, the annual caps are not reflective of the actual amount of the Fee as may otherwise be received by SunTrust after commencement of the operation of the Main Hotel Casino. The Company will make further announcement on the annual caps for the Fee for such period in compliance with the applicable requirements of the Listing Rules if and when information on the gross revenue of the Main Hotel Casino is available after commencement of the operation of the Main Hotel Casino.

## **DURATION OF THE O&M AGREEMENT**

The duration of the O&M Agreement is for a term of more than 3 years.

In accordance with Rule 14A.52, the Company has appointed the IFA explaining why the O&M Agreement requires a longer period of more than 3 years and confirming that it is normal business practice for agreements of this type to be of such duration.

The IFA is of the view that the business nature of SunTrust requires it to enter into the O&M Agreement with duration of more than 3 years given that, among other matters (a) SunTrust does not hold any gaming license as required by PAGCOR for the operation of casino in the Philippines, it is requisite for SunTrust to enter into the O&M Agreement with Westside and Travellers (who are the co-licensees of the Gaming Licence) for a long period of time with expiry date equivalent to that of the Gaming Licence (i.e. 11 July 2033) for the operation and management of the Main Hotel Casino; (b) the O&M Agreement provides SunTrust a long-term binding relationship with Westside and Travellers which secures the role of SunTrust as the sole and exclusive operator and manager of the Main Hotel Casino without interruption and ensures the continuity of the gaming business on the Project Site of which SunTrust is the sole and exclusive operator and manager; and (c) as noted from various announcements issued by companies listed on the Stock Exchange, it is a common market practice for other listed companies to enter into agreements which involved in the provision of casino operation and management services with a proposed term tagging along with the expiry of the relevant gaming license and exceeding 3 years.

On the basis that six out of the seven services agreements in relation to the operation and management of casinos entered into by companies whose shares are listed on the Stock Exchange are with duration of more than 3 years with a range from 10 to 20 years, the IFA is of the view that the duration of the O&M Agreement for more than 3 years is in line with the normal business practices for contracts of this type to be of such duration.

## **INFORMATION OF WESTSIDE**

Westside is a company incorporated in the Philippines principally engaged in the business of hotels and restaurants.

Westside is a 95% non-wholly owned subsidiary of Travellers, which in turn is a fellow subsidiary of Megaworld. Megaworld is a connected person of the Company at the subsidiary level for being solely a substantial shareholder of the Company's 51% owned subsidiary, SunTrust, currently holding 34.00% interest in SunTrust. Westside is a connected person of the Company at the subsidiary level for being an associate of Megaworld.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the People's Republic of China; (ii) property leasing in Shenzhen in the People's Republic of China; (iii) provision of hotel and integrated resort general consultancy service in Vietnam and Cambodia; and (iv) provision of travel related products and service. The Group has been expanding its tourism-related business in the South East Asia region.

## **REASON FOR, AND BENEFITS OF, THE O&M AGREEMENT**

The reason for and benefits of the Acquisition, the Shares Subscription, the Megaworld Shares Subscription, the Aurora Shares Subscription and the CB Subscription are disclosed in the 1029 Announcement. The reason for and benefits of the Project Site Payment are disclosed in the 1125 Announcement. The reason for and benefits of the Lease Agreement are disclosed in the 2020 0224 Announcement.

By the O&M Agreement, SunTrust is appointed as the sole and exclusive operator and manager of the Main Hotel Casino.

The Directors consider that the terms of the O&M Agreement and the proposed annual caps for the Fee are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

No Director is interested in the O&M Agreement and none of the Directors was required to abstain from voting on the resolution of the Board approving the O&M Agreement.

## IMPLICATIONS OF THE LISTING RULES

Westside is a connected person of the Company at the subsidiary level as described in “Information of Westside” in this announcement. The transactions contemplated under O&M Agreement are on a recurring basis and constitute continuing connected transactions for the Company under Rule 14A.31.

Under Rule 14A.101, the O&M Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but are exempt from the independent Shareholders’ approval requirement of Chapter 14A under Rule 14A.101 as (a) the Board has approved the O&M Agreement; and (b) all the independent non-executive Directors have confirmed that the terms of the O&M Agreement are fair and reasonable, the O&M Agreement is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

## DEFINITIONS

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“1st Announcement”	collectively, the announcements of the Company (1) dated 29 October 2019 (“ <b>1029 Announcement</b> ”) on the Acquisition, the Shares Subscription, the Megaworld Shares Subscription and the Aurora Shares Subscription; (2) dated 5 November 2019 on the Megaworld Shares Subscription; (3) dated 25 November 2019 (“ <b>1125 Announcement</b> ”) on the Project Site Payment; (4) dated 20 January 2020 on the payment schedule of the Project Site Payment; (5) dated 24 February 2020 on the Lease Agreement (“ <b>2020 0224 Announcement</b> ”); and (6) dated 30 March 2020 on the supplemental agreements to the Shares Subscription and the Project Site Payment, respectively
“Conditions Precedent”	the conditions precedent as set out in “The O&M Agreement – Conditions Precedent” in this announcement
“Fee”	has the meaning as defined in “The O&M Agreement – Fee” in this announcement
“Gross Gaming Revenue”	in broad term, the total of all sums, including checks and other negotiable instruments, whether collected or not, that is received in any month from the conduct of gaming, less the total of all sums paid out as winnings to casino players during that month in respect of gaming

“IFA”	Astrum Capital Management Limited, being the independent financial adviser appointed by the Company in accordance with Rule 14A.52 and a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Main Casino”	the casino establishment of the Main Hotel Casino
“O&M Agreement”	the O&M Agreement dated 4 May 2020 made between Westside and SunTrust in relation to the appointment of SunTrust as the sole and exclusive operator and manager of the Main Hotel Casino on and subject to the terms and conditions contained in it
“percentage ratios”	has the meaning as defined in Rule 14.07
“Services”	has the meaning as defined in “The O&M Agreement – Appointment” in this announcement

*Notes:*

- (1) All references to times and dates are references to Hong Kong time unless otherwise stated.
- (2) In this announcement, unless otherwise stated, all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules.

By order of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 4 May 2020

*As at the date of this announcement, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*