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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 TRANSACTIONS IN RELATION TO THE PROVISION OF TECHNICAL AND PRE-OPENING SERVICES TO AN INTEGRATED RESORT PROJECT IN VIETNAM

THE TECHNICAL SERVICES AGREEMENT

On 13 February 2018 (after trading hours of the Stock Exchange), SGMC (Hoi An) (a wholly-owned subsidiary of the Company) and the ProjectCo entered into the Technical Services Agreement, pursuant to which SGMC (Hoi An) shall provide technical and pre-opening services in relation to the Casino in the Project (an integrated resort project in Quang Nam Province, Hoi An, Vietnam) to the ProjectCo.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the ProjectCo is owned as to approximately 34% by Star Admiral, which is in turn wholly owned by Mr. Chau, an executive Director and chairman of the Company. Fame Select is the controlling shareholder of the Company and is owned as to 50% by Mr. Chau. Accordingly, the ProjectCo is regarded as a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Technical Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the service fees to be received by the Company under Technical Services Agreement exceed HK\$3,000,000 and represent more than 0.1% and less than 5% of all applicable percentage ratios, the transactions contemplated under the Technical Services Agreement are only subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 22 June 2017 in relation to, among other things, the entering into of the Service Provision MOU between SGMC (Hoi An) (a wholly-owned subsidiary of the Company) and the ProjectCo in respect of the proposed provision of consultancy and management services by SGMC (Hoi An) in relation to the Casino in the Project to the ProjectCo.

The Board is pleased to announce that, on 13 February 2018 (after trading hours of the Stock Exchange), SGMC (Hoi An) and the ProjectCo entered into the Technical Services Agreement, pursuant to which SGMC (Hoi An) shall provide technical and pre-opening services in relation to the Casino in the Project (an integrated resort in Quang Nam Province, Hoi An, Vietnam) to the ProjectCo. Principal terms of the Technical Services Agreement are set out below.

Date

13 February 2018

Parties

- (i) SGMC (Hoi An), a wholly-owned subsidiary of the Company; and
- (ii) the ProjectCo

As at the date of this announcement, the ProjectCo is owned as to approximately 34% by Star Admiral, which is in turn wholly owned by Mr. Chau, an executive Director and chairman of the Company. Fame Select is the controlling shareholder of the Company and is owned as to 50% by Mr. Chau. The ProjectCo is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The remaining approximately 32% and 34% equity interest in the ProjectCo are indirectly owned by VinaCapital and Alpha Era, both Independent Third Parties, respectively.

As set out in the announcement of the Company dated 27 July 2017 (the “**Acquisition Announcement**”) and the circular of the Company dated 1 November 2017 (the “**Circular**”), the Company entered into the Acquisition Agreement, in relation to, among other things, the Acquisition. An extraordinary general meeting of the Company was held and convened on 21 November 2017, the resolution approving the Acquisition Agreement and the transactions contemplated thereunder has been duly passed by the Independent Shareholders.

As at the date of this announcement, the Acquisition has not completed. If the Acquisition is completed, the transactions contemplated under the Technical Services Agreement shall cease to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Shareholders and potential investors of the Company should note that the Acquisition is subject to certain condition precedents. Accordingly, there is no assurance that the Acquisition will be completed. The Company will publish further announcement to update the Shareholders and potential investors as and when appropriate.

Subject matters

Pursuant to the Technical Services Agreement, SGMC (Hoi An) shall provide technical and pre-opening services during the planning, design, construction, fit out and pre-opening phases of the Manager Operated Area, which will be operated by SGMC (Hoi An) in accordance with the Proposed Management Agreement after the Anticipated Opening Date.

The technical services include, among other things, provision of design guidelines, advise on appointment of the professional team, assistance in the preliminary design for the Manager Operated Area, review of the schematic design development provided by the professional team at key stages, provision of technical services of reviewing the designs and drawings provided by the professional teams in relation to the construction of the integrated resort complex. SGMC (Hoi An) will advise the ProjectCo of any gross or material discrepancies that may come to light in the course of carrying out such services, and will also at appropriate stages of the construction or at the request of the ProjectCo, make technical assistance visits to the Manager Operated Area or office of the ProjectCo or the professional team.

The pre-opening services include, among other things, providing assistance to the ProjectCo in relation to the preparation for the operation of the resort and casino, selection of the professional teams for the construction of the resort and casino, development of marketing and operation plans and assisting the ProjectCo in procuring all licenses and permits for the operation of the Manager Operated Area, meeting with potential investors and financiers, and provision of IT consultation services in relation to the Project, shall be carried out as directed by the ProjectCo.

Term

Pursuant to the Technical Services Agreement, the term thereof shall commence from and including the Effective Date to the date of completion of technical and pre-opening services (i.e. the Term).

Fees

Pursuant to the Technical Services Agreement, SGMC (Hoi An) shall receive services fees from the ProjectCo as follow:

- (i) as to US\$1,333,333 (equivalent to approximately HK\$10,426,664) in respect of all the services performed by SGMC (Hoi An) prior to the Effective Date payable within ten (10) Business Days after the Effective Date;
- (ii) as to US\$800,000 (equivalent to approximately HK\$6,256,000) in respect of the first six months of the Term payable in advance on the Effective Date;
- (iii) thereafter, from the seventh month of the Term through and including the twelfth month of the Term, the monthly sum of US\$133,333 (equivalent to approximately HK\$1,042,664) to be paid in arrears within ten (10) Business Days of receipt of an invoice from SGMC (Hoi An) for the relevant monthly instalment of the services fee; and
- (iv) thereafter, the services and corresponding additional payment past the end of the twelfth month of the Term shall only be provided by SGMC (Hoi An) if the ProjectCo requests the continuance of such technical and pre-opening services, and in such event, SGMC (Hoi An) shall be paid a monthly sum of US\$133,333 (equivalent to approximately HK\$1,042,664) with respect to such extended period.

It is expected that the technical and pre-opening services shall be completed on or before the Anticipated Opening Date. In the event that the technical and pre-opening services are required after the Anticipated Opening Date, the ProjectCo has the right to require SGMC (Hoi An) to continue to provide any portion of the technical and pre-opening services on or after the opening of the Casino in exchange for the monthly fee of US\$133,333 (equivalent to approximately HK\$1,042,664) as stipulated in clause (iv) above.

The service fees were determined after arm's length negotiations between SGMC (Hoi An) and the ProjectCo with reference to prevailing market rates for comparable advisory services provided by the Company and independent third parties.

Other terms

In addition to the service fees, it is agreed under the Technical Services Agreement that the ProjectCo will reimburse SGMC (Hoi An) and/or any of its affiliates all actual and reasonable out-of-pocket expenses incurred by SGMC (Hoi An) and/or any of its affiliates in performing the services under the Technical Services Agreement (including but not limited to flights, accommodation, subsistence and transfers), on a monthly basis.

Termination

Either SGMC (Hoi An) or the ProjectCo may terminate the Technical Services Agreement, without prejudice to any other rights or remedies it may have, either pursuant to the applicable laws or as set out in the Technical Services Agreement, if the other party, among other things, (i) enters into liquidation or is adjudged bankruptcy; and/or (ii) commits a material breach of any of its obligations under the Technical Services Agreement and fails to cure breach without a designated period of time.

SGMC (Hoi An) may also terminate the Technical Services Agreement, without prejudice to any other rights or remedies it may have, either pursuant to the applicable laws or as set out elsewhere in the Technical Services Agreement, if the ProjectCo has not completed construction of the Manager Operated Area in accordance with the terms thereunder by 31 December 2019 and not less than thirty (30) days have elapsed since the date of the written notice served to the ProjectCo.

If termination of the Technical Services Agreement occurs within twelve (12) months from and including the Effective Date, for any reason other than SGMC (Hoi An)'s default thereunder or under the Proposed Management Agreement, SGMC (Hoi An) shall nevertheless be entitled to receive from the ProjectCo the total sum of US\$1,600,000 (equivalent to approximately HK\$12,512,000), payable within fifteen (15) Business Days after the termination of the Technical Services Agreement, in consideration for the services provided by SGMC (Hoi An) to the ProjectCo up to and including the termination of the Technical Services Agreement. If termination of the Technical Services Agreement occurs within twelve (12) months from and including the Effective Date as a result of SGMC (Hoi An)'s default hereunder or under the Proposed Management Agreement, the services fee should be prorated to the date of termination of the Technical Services Agreement at a monthly sum of US\$133,333 (equivalent to approximately HK\$1,042,664).

Annual caps

The annual caps for the service fees payable by the ProjectCo to SGMC (Hoi An) under the Technical Services Agreement for each of the two years ending 31 December 2019 based on the assumption that the Anticipated Opening Date is on or before 1 July 2019, is as follow:

	For the year ending 31 December 2018	For the year ending 31 December 2019
Annual cap	US\$2,799,998 (equivalent to approximately HK\$21,895,984)	US\$799,998 (equivalent to approximately HK\$6,255,984)

The annual caps were determined based on the (i) service fee payment schedule as set out under the Technical Services Agreement; and (ii) the Anticipated Opening Date shall fall on 1 July 2019 in view of the current development plan of the Project.

Should the Anticipated Opening Date be delayed and hence, the term of the Technical Services Agreement extends beyond 1 July 2019, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 14A of the Listing Rules where necessary.

INFORMATION ABOUT THE PARTIES

Information of SGMC (Hoi An)

SGMC (Hoi An) is incorporated in Macau with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in the provision of management, consultancy, advisory and support services to entertainment facilities of overseas integrated resorts.

Information of the ProjectCo

The ProjectCo is a company incorporated in Vietnam with limited liability and its principal business is real estate, provision of short-term hotel services, tourism agency operation and conducting business activities in prize winning games.

As at the date of this announcement, the ProjectCo is indirectly owned as to approximately 34% by Star Admiral, which is in turn wholly owned by Mr. Chau. The remaining approximately 32% and 34% equity interest in the ProjectCo are indirectly owned by VinaCapital and Alpha Era, respectively. As disclosed in the Acquisition Announcement and the Circular, a subsidiary of the Company proposed to acquire the entire equity interest in and shareholder's loan of Star Admiral from, a company wholly owned by Mr. Chau. Upon completion of the Acquisition, the Company shall own the entire equity interest in Star Admiral, and will in turn own approximately 34% equity interest in the ProjectCo and the provision of services under the Technical Services Agreement shall cease to constitute continuing connected transactions.

The principal asset of the ProjectCo is the Project, The Project is an integrated resort development project located in Hoi An, Quang Nam Province, Vietnam, comprising tourism areas, an integrated resort and residential areas. As stipulated in the investment registration certificate dated 2 August 2016, the Project will cover a site of 985.5 hectares and will be developed over a span of 13 years. As at the date of this announcement, only phase 1 development has been materialised. The phase 1 development includes the building of an integrated resort complex with entertainment and retail facilities which consists of the Casino with a total of 140 gaming tables and 1,000 slot machines, a golf course, a mass market hotel with 313 hotel rooms, an all-suite hotel with 136 suites (comprising 141 bedrooms), a hotel villa resort with 70 units (comprising 74 bedrooms), 30 villa units (comprising 68 bedrooms) for sale and timeshare rental, and a condo-hotel with 236 rooms (comprising 408 bedrooms) for sale and timeshare rental.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNICAL SERVICES AGREEMENT

The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and the provision of hotel and integrated resort management and consultancy service and travel agency service.

Upon completion of the Acquisition, the Group shall own approximately 34% equity interest in the ProjectCo. In order to allow the Group to assist the ProjectCo in running and managing the daily operation of the Casino and F&B Facilities, it is proposed under the Service Provision MOU that SGMC (Hoi An) and the ProjectCo shall enter into the Proposed Management Agreement in relation to the provision of consultancy and management services for the Casino and F&B facilities commencing from its opening. The Board is of the view that the Technical Services Agreement shall ensure the Casino and the F&B Facilities are constructed in accordance with the operating standards to be set out by SGMC (Hoi An) pursuant to the Proposed Management Agreement.

The Board is of the view that the entering into the Technical Services Agreement is align with its ordinary course of business, and will allow the Group to expand its management and consultancy business of hotels and integrated resorts while leveraging on the Board's expertise in the gaming industry.

The Company has also been advised that the Technical Services Agreement and the transactions contemplated thereunder conducted in Vietnam by SGMC (Hoi An) do not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the Technical Services Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and its Independent Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the ProjectCo is owned as to approximately 34% by Star Admiral, which is in turn wholly owned by Mr. Chau, an executive Director and the chairman of the Company. Fame Select is the controlling shareholder of the Company and is owned as to 50% by Mr. Chau. Accordingly, the ProjectCo is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Technical Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Mr. Chau and Mr. Lo Kai Bong have abstained from voting on the relevant Board resolutions approving the Technical Service Agreement as a result of their interests under the Acquisition Agreement. Except that Mr. Chau and Mr. Lo Kai Bong have abstained from voting on the relevant Board resolutions of the Company, none of the other Directors has any material interest in the Technical Services Agreement and is required to abstain from voting on the Board resolutions approving the Technical Services Agreement and the transactions contemplated thereunder.

Given that the service fees to be received by the Company under Technical Services Agreement exceed HK\$3,000,000 and represent more than 0.1% and less than 5% of all applicable percentage ratios, the continuing connected transactions contemplated under the Technical Services Agreement are only subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company will re-comply with the requirements under Chapter 14A of the Listing Rules (if necessary) if the Term of the Technical Services Agreement extends beyond 1 July 2019 in the event of delay of the Anticipated Opening Date.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the entire equity interest in and shareholder’s loan owed by Star Admiral from Suncity International Holdings Limited by a wholly-owned subsidiary of the Company
“Alpha Era”	Alpha Era Investments Limited, a company incorporated in the BVI and wholly owned by an Independent Third Party with limited liability
“Anticipated Opening Date”	1 July 2019, being the anticipated opening date of the Casino

“Acquisition Agreement”	the Acquisition Agreement dated 27 July 2017 entered into among Goal Summit Limited, Suncity International Holdings Limited and Mr. Chau in respect of the Acquisition, details of which are set out in the circular of the Company dated 1 November 2017
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Business Day”	a day other than a Saturday, Sunday or a day on which banking institutions in Macau, Vietnam or Hong Kong are authorised or required by law to close
“Casino”	the casino to be established under the Project
“Company”	Suncity Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1383)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	being the date of signing of the Technical Services Agreement
“Fame Select”	Fame Select Limited, a company incorporated in the BVI with limited liability and the controlling shareholder of the Company
“F&B Facilities”	the food and beverage facilities to be located at the Casino or such food and beverage facilities may otherwise be known from time to time during the term of the Proposed Management Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Independent Shareholders”	Shareholders(s) other than Mr. Chau, Mr. Lo Kai Bong, Fame Select and their respective associates (as defined under the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Manager Operated Area”	the area of the Casino to be managed by SGMC (Hoi An) pursuant to the Proposed Management Agreement
“Mr. Chau”	Mr. Chau Cheok Wa, an executive Director and the Chairman of the Company
“Project”	an integrated resort project being developed in Hoi An, Quang Nam Province, Vietnam
“ProjectCo”	Hoi An South Development Ltd, a company incorporated in Vietnam, being the owner of the Project
“Proposed Management Agreement”	a management agreement proposed to be entered into between SGMC (Hoi An) and the ProjectCo in relation to the provision of consultancy and management services by SGMC (Hoi An) in respect of the Casino and F&B facilities in the Casino commencing from its opening
“PRC”	the People’s Republic of China
“Service Provision MOU”	the memorandum of understanding dated 22 June 2017 in relation to the proposed provision of consultancy and management services by SGMC (Hoi An) entered into between SGMC (Hoi An) and the ProjectCo, details of which are set out in the announcement of the Company dated 22 June 2017
“SGMC (Hoi An)”	Suncity Group Management and Consultancy (Hoi An) Limited, a company incorporated in Macau with limited liability, being a wholly-owned subsidiary of the Company

“Share”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Star Admiral”	Star Admiral Limited, a company incorporated in the BVI with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the period from and including the Effective Date to and including the date of completion of the technical and pre-opening services
“Technical Services Agreement”	the agreement dated 13 February 2018, entered into between SGMC (Hoi An) and the ProjectCo relating to the provision of technical and pre-opening services in relation to the Casino in the Project
“Vietnam”	Socialist Republic of Vietnam
“VinaCapital”	VinaCapital Corporate Finance Ltd, a company incorporated in BVI with limited liability and is wholly owned by an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For ease of reference, sums in HK\$ and US\$ in this announcement are translated at the rates of US\$1 = HK\$7.82.

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

Hong Kong, 13 February 2018

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.