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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Suncity Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**CONNECTED TRANSACTION  
IN RELATION TO THE PROPOSED EXTENSION OF  
MATURITY DATE OF THE OUTSTANDING CONVERTIBLE BONDS**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter of advice from Astrum to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 of this circular.

A notice convening the EGM to be held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 2:30 p.m. on Thursday, 3 December 2020 is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 2:30 p.m. on 1 December 2020) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

13 November 2020

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# CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	18
<b>LETTER FROM ASTRUM</b> .....	19
<b>APPENDIX I – GENERAL INFORMATION</b> .....	I-1
<b>NOTICE OF EGM</b> .....	EGM-1

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## DEFINITIONS

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*In this circular:*

- (a) All references to times and dates are references to Hong Kong time unless otherwise stated.*
- (b) All references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.*
- (c) Unless otherwise stated, when translated, each RMB amount stated in this circular was translated at the exchange rate of RMB1.0 to HK\$1.15.*
- (d) Unless the context otherwise requires, the following expressions have the following meanings:*

“associates”	has the meaning ascribed to it under the Listing Rules
“Astrum” or “Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed by the SFC to carry 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 SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed and the transactions contemplated thereunder
“Board”	the board of Directors
“Bondholder”	Fame Select
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business and on which the Stock Exchange is open for normal trading, other than a Saturday or a Sunday or a public holiday or a day on which a “black” rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“Company”	Suncity Group Holdings Limited (太陽城集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1383)

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## DEFINITIONS

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“Conditions Precedent”	the conditions precedent to the Supplemental Deed as set out in “Letter from the Board – Supplemental Deed – Conditions Precedent” in this circular
“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
“Conversion Price”	the initial conversion price of HK\$0.26 per Conversion Share, subject to adjustments
“Conversion Shares”	new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds (or as the case may be, the Outstanding Convertible Bonds)
“Convertible Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$570,000,000 issued by the Company to the Bondholder
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 3 December 2020 at 2:30 p.m., notice of which is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering, and, if thought fit, to approve, among other things, in respect of the Extension
“Extended CB Maturity Date”	7 December 2022
“Extension”	the proposed extension of the maturity date of the Outstanding Convertible Bonds from 7 December 2020 to the Extended CB Maturity Date (i.e. 7 December 2022)
“Extension Circular”	has the meaning as defined in “Letter from the Board – Introduction” in this circular
“Fame Select”	Fame Select Limited, a company incorporated in the BVI with limited liability and controlling shareholder of the Company interested in approximately 74.87% of the existing issued share capital of the Company as at the date of this circular
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, which has been established to make recommendations to the Independent Shareholders in respect of the Extension
“Independent Shareholders”	Shareholders other than Fame Select, Mr. Chau and Mr. Cheng and their respective associates
“Latest Practicable Date”	9 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chau”	Mr. Chau Cheok Wa, the Chairman of the Company, an executive Director and a controlling shareholder of the Company
“Mr. Cheng”	Mr. Cheng Ting Kong, a controlling shareholder of the Company for being interested in 50% interest in Fame Select
“Mr. Lo”	Mr. Lo Kai Bong, an executive Director
“Outstanding Convertible Bonds”	the Convertible Bonds which remain outstanding in the aggregate principal amount of HK\$402,000,000
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Shareholders”	the holder of any one or more Share
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

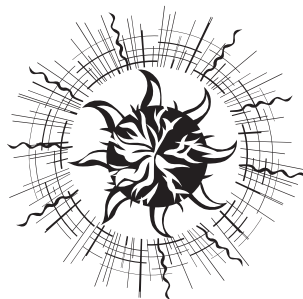
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“Supplemental Deed”	the supplemental deed entered into by the Company and the Bondholder on 15 October 2020 to extend the maturity date of the Outstanding Convertible Bonds from 7 December 2020 to the Extended CB Maturity Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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**太陽城集團**  
**SUNCITY GROUP**

### **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)**

*Executive Directors:*

Mr. Chau Cheok Wa (*Chairman*)  
Mr. Lo Kai Bong  
Mr. Au Chung On John  
Mr. Manuel Assis Da Silva

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Mr. Tou Kin Chuen  
Dr. Wu Kam Fun Roderick  
Mr. Lo Wai Tung John

*Principal place of business in Hong Kong:*

Unit 1705, 17/F., West Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

13 November 2020

### **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF THE OUTSTANDING CONVERTIBLE BONDS**

*To the Shareholders*

Dear Sir or Madam,

#### **INTRODUCTION**

Reference is also made to the announcement of the Company dated 8 May 2018 and the circular of the Company dated 30 August 2018 (“**Extension Circular**”) in relation to the extension of the maturity date of the Convertible Bonds then in the aggregate outstanding principal amount of HK\$570,000,000 by 24 months from 7 December 2018 to 7 December 2020 which was approved by the Independent Shareholders on 28 September 2018.

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## LETTER FROM THE BOARD

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As at the date of this circular, the Outstanding Convertible Bonds (i.e. outstanding Convertible Bonds in the aggregate principal amount of HK\$402,000,000) will mature on 7 December 2020 pursuant to the terms and conditions of the Convertible Bonds.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Supplemental Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Deed and the transactions contemplated thereunder; (iii) a letter of advice from Astrum to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Deed and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) the notice of the EGM.

### **SUPPLEMENTAL DEED**

On 15 October 2020 (after trading hours of the Stock Exchange), the Company and the Bondholder entered into the Supplemental Deed to extend the maturity date of the Outstanding Convertible Bonds from 7 December 2020 to the Extended CB Maturity Date (i.e. 7 December 2022) subject to and effective from fulfilment of the Conditions Precedent.

Fame Select is a connected person of the Company for being the controlling shareholder of the Company. Please refer to “Information on Fame Select” below in this circular for further information.

### **Conditions precedent**

The Supplemental Deed will only become effective upon all the following conditions having been fulfilled:

- (i) the Stock Exchange having approved the Extension as contemplated by the Supplemental Deed;
- (ii) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the conversion rights attached to the Outstanding Convertible Bonds as amended and supplemented by the Supplemental Deed;
- (iii) the approval of the Independent Shareholders to the Supplemental Deed and the transactions contemplated thereunder at the EGM of the Company to be held and convened; and
- (iv) the obtaining by the Company of all other necessary consents and approvals as may be required under the Listing Rules or by the Stock Exchange in respect of the Supplemental Deed and the transactions contemplated thereunder.

If any of the Conditions Precedent shall not have been fulfilled by 7 December 2020 or such later date as the parties to the Supplemental Deed may agree, the Supplemental Deed shall lapse and the parties thereto shall release each other from all obligations thereunder save for claim (if any) in respect of any antecedent breach thereof.



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## LETTER FROM THE BOARD

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### Principal terms of the Outstanding Convertible Bonds immediately after the Extension

All the terms of the Outstanding Convertible Bonds shall remain unchanged, and same as those of the Convertible Bonds and in full force save as revised by the Extension. The principal terms of the Convertible Bonds as disclosed in the Extension Circular, which are the terms of the Outstanding Convertible Bonds, are repeated below (with only the Maturity Date revised to the Extended CB Maturity Date, the aggregate outstanding principal amount updated and reference to Convertible Bonds changed to Outstanding Convertible Bonds as appropriate):

Issuer	:	the Company
Issue price	:	100% of the principal amount of the Convertible Bonds
Denomination	:	issued in authorised denomination of HK\$3,000,000 each and integral multiples thereof.
Principal Amount	:	HK\$570,000,000. The Convertible Bonds remain outstanding was in the aggregate principal amount of HK\$402,000,000 (i.e. the Outstanding Convertible Bonds) as at the date of the Supplemental Deed and up to the date of this circular
Interest rate	:	Interest-free
Maturity date	:	7 December 2022 (i.e. the Extended CB Maturity Date), or if such date is not a Business Day, the next Business Day
Redemption	:	Any amount of the Outstanding Convertible Bonds which remains outstanding on the Extended CB Maturity Date shall be redeemed at its then outstanding principal amount.

The Company may at any time before the Extended CB Maturity Date by serving at least ten (10) days' prior written notice on the holder(s) of the Outstanding Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Outstanding Convertible Bonds specified therein, redeem the Outstanding Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Outstanding Convertible Bonds.

Any amount of the Outstanding Convertible Bonds which is redeemed or converted will forthwith be cancelled. Certificate in respect of the Outstanding Convertible Bonds cancelled will be forwarded to or to the order of the Company and such Outstanding Convertible Bonds may not be reissued or resold.

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## LETTER FROM THE BOARD

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Conversion period : Provided that any conversion of the Outstanding Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company, the holder(s) of the Outstanding Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Outstanding Convertible Bonds, have the right at any time during the period commencing from the date of issue of the Outstanding Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Extended CB Maturity Date to convert the whole or part (in authorised denominations) of the outstanding principal amount of Outstanding Convertible Bonds registered in its name into Shares at the Conversion Price.

Conversion Price : The initial Conversion Price is HK\$0.26 per Conversion Share (subject to adjustments).

The initial Conversion Price is subject to customary anti-dilution adjustment(s) contained in the terms of the Outstanding Convertible Bonds upon the occurrence of, among other things, (i) consolidation or sub-division resulted in the Shares become of a different nominal amount; (ii) capitalisation of profits or reserves; (iii) capital distribution or grant to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; and (iv) rights issues, grant of options or warrants to subscribe for new Shares or issue of Shares or convertible or exchangeable securities or modification of rights of conversion, exchange or subscription attaching thereto at less than 80% of the then current market price of the Shares.

Conversion Shares : Based on the initial Conversion Price of HK\$0.26 per Conversion Share (subject to adjustments), a total of 1,546,153,846 Conversion Shares will be issued upon full conversion of the Outstanding Convertible Bonds.

The Conversion Shares issued upon conversion of the Outstanding Convertible Bonds will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall be entitled to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.

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## LETTER FROM THE BOARD

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Voting : The holder(s) of the Outstanding Convertible Bonds shall not be entitled to attend or vote at any meeting of the Company by reason only it/them being the holder(s) of the Outstanding Convertible Bonds.

Transferability : The holder(s) of the Outstanding Convertible Bonds may freely assign or transfer the Outstanding Convertible Bonds to the transferee (who is not a restricted holder) subject to not less than five (5) Business Days' prior notification to the Company. The Outstanding Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company without prior written consent of the Company. The Outstanding Convertible Bonds may be assigned or transferred in whole or in part (in authorised denominations) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Outstanding Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required).

Notwithstanding the above, the holder(s) of the Outstanding Convertible Bonds shall be permitted at any time to transfer the Outstanding Convertible Bonds to a transferee who is a wholly-owned subsidiary of such holder(s) of the Outstanding Convertible Bonds or a holding company of such holder(s) of the Outstanding Convertible Bonds who owns the entire issued share capital of such holder(s) of the Outstanding Convertible Bonds provided that the Outstanding Convertible Bonds will be re-transferred to such holder(s) of the Outstanding Convertible Bonds immediately upon the transferee ceasing to be a wholly-owned subsidiary of such holder(s) of the Outstanding Convertible Bonds or a holding company of the holder(s) of the Outstanding Convertible Bonds who owns the entire issued share capital of such holder(s) of the Outstanding Convertible Bonds.

Listing : No application will be made for the listing of the Outstanding Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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## LETTER FROM THE BOARD

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Event of default : If any of the events of default set out in the terms and conditions of the Outstanding Convertible Bonds occurs, the Company shall within ten (10) days of such event occurring give notice to the holder(s) of the Outstanding Convertible Bonds. Within ten (10) days after the Company despatches the notice, the holder(s) of the Outstanding Convertible Bonds may give notice to the Company that the Outstanding Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable.

### Conversion Shares

As at the Latest Practicable Date:

- (1) 646,153,846 Conversion Shares have been allotted and issued under the Convertible Bonds;
- (2) the Conversion Price (which is subject to adjustments) remains at HK\$0.26 per Conversion Share;
- (3) the Outstanding Convertible Bonds are convertible to a maximum of 1,546,153,846 Conversion Shares at the initial Conversion Price of HK\$0.26 per Conversion Share (subject to adjustments) and assuming that there being no change to the share capital and shareholding structure of the Company save for the allotment and issue of the Conversion Shares under the Outstanding Convertible Bonds, which represent:
  - (i) approximately 23.19% of the existing issued share capital of the Company as at the Latest Practicable Date; and
  - (ii) approximately 18.83% of the issued share capital of the Company as enlarged by the issue of the 1,546,153,846 Conversion Shares.

## LETTER FROM THE BOARD

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no change in the share capital and shareholding structure of the Company from the date of this circular other than the allotment and issue of the Conversion Shares issuable under the Outstanding Convertible Bonds, the shareholding structure of the Company (i) as at the date of this circular; and (ii) immediately upon full conversion of the Outstanding Convertible Bonds (at the initial Conversion Price) is as follows:

	As at the date of this circular		Immediately upon full conversion of the Outstanding Convertible Bonds (at the initial Conversion Price)	
	Number of Shares	Approx. %	Number of Shares	Approx. %
Mr. Chau and his associates Fame Select	4,991,643,335 (note 1)	74.87	6,537,797,181 (note 2)	79.60
Mr. Lo and his associates	7,000,000 (note 3)	0.10	7,000,000	0.09
Mr. Au Chung On John and his associate	400,000 (note 4)	0.01	400,000	0.01
Mr. Manuel Assis Da Silva and his associate	810,000 (note 5)	0.01	810,000	0.01
<b>Sub-total</b>	<u>4,999,853,335</u>	<u>74.99</u>	<u>6,546,007,181</u>	<u>79.71</u>
Public Shareholders	<u>1,667,119,411</u>	<u>25.01</u>	<u>1,667,119,411</u>	<u>20.29</u>
<b>Total</b>	<u><u>6,666,972,746</u></u>	<u><u>100.00</u></u>	<u><u>8,213,126,592</u></u>	<u><u>100.00</u></u>

*Notes:*

- These Shares are held by Fame Select. Each of Mr. Chau and Mr. Cheng has 50% interest in Fame Select and each is deemed to be interested in these Shares held by Fame Select under the SFO.
- These Shares represent the aggregate of (a) the 4,991,643,335 Shares held by Fame Select; and (b) the maximum of 1,546,153,846 Conversion Shares issuable to Fame Select upon full conversion of the Outstanding Convertible Bonds held by Fame Select at the initial Conversion Price of HK\$0.26 (subject to adjustments). Each of Mr. Chau and Mr. Cheng has 50% interests in Fame Select and each is deemed to be interested in these Shares held by Fame Select upon their issuance under the SFO.
- These Shares represent (a) 1,250,000 Shares held by Mr. Lo through Better Linkage Limited, in which he has 100% interest; (b) 4,520,000 Shares held by Ever Smart Capital Limited, in which he has 100% interest; and (c) 1,230,000 Shares held by Mr. Lo as beneficial owner. Mr. Lo is deemed to be interested in all the Shares held by Better Linkage Limited and Ever Smart Capital Limited under the SFO.

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## LETTER FROM THE BOARD

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4. These Shares are held by the spouse of Mr. Au Chung On John, an executive Director. Mr. Au Chung On John is deemed to be interested in these Shares held by his spouse under the SFO.
5. These Shares represent (a) 290,000 Shares held by Mr. Manuel Assis Da Silva, an executive Director; and (b) 520,000 Shares held by his spouse, Ms. Rosa Laura Gomes Silva. Mr. Manuel Assis Da Silva is deemed to be interested all Shares held by his spouse and vice versa under the SFO.

In addition, assuming there being no change in the share capital and shareholding structure of the Company from the date of this circular, the allotment and issue of the Conversion Shares issuable under the Outstanding Convertible Bonds, and the conversion shares issuable under the zero coupon convertible bonds due on 28 August 2022 in the aggregate principal amount of HK\$297,000,000 issued by the Company to Star Hope Limited and Better Linkage Limited at the initial conversion price of HK\$0.90 per conversion share, will result in a theoretical dilution effect (with the meaning ascribed to it under the Listing Rule 7.27B) of approximately 12.41% which is less than 25%.

### FUNDS RAISED ON ISSUE OF EQUITY SECURITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the past 12 months immediately preceding the date of this circular.

### REASONS AND BENEFITS FOR THE PROPOSED EXTENSION

As at the Latest Practicable Date:

- (1) Fame Select is interested in 4,991,643,335 Shares, representing approximately 74.87% of the existing issued share capital of the Company. In the event of full conversion of the Outstanding Convertible Bonds held by Fame Select, 1,546,153,846 Conversion Shares will be issuable to Fame Select and Fame Select will become interested in an aggregate of 6,537,797,181 Shares, representing approximately 79.60% of the enlarged issued share capital of the Company;
- (2) Mr. Chau, Mr. Lo, Mr. Au Chung On John and Mr. Manuel Assis Da Silva and their respective associates are interested in an aggregate of 4,999,853,335 Shares, representing approximately 74.99% of the existing issued share capital of the Company.

Full or partial conversion of the Outstanding Convertible Bonds on 7 December 2020 in the absence of the Extension will end up with less than 25% of the Company's issued share capital being held by the public as that required by Rule 8.08. In light of the above, the Group could only either redeem the Outstanding Convertible Bonds at maturity or extend the maturity date of the Outstanding Convertible Bonds.

Based on the interim report of the Company for the six months ended 30 June 2020, the Group has recorded net current liabilities of approximately RMB1,277.8 million and deficit attributable to owners of the Company of approximately RMB784.4 million as at 30 June 2020. In addition, the Group's bank balances and cash of the Group as at 30 June 2020 amounted to approximately RMB1,659.8 million (equivalent to approximately HK\$1,908.8 million), which was principally composed of (i) the bank balances and cash of a 51%-owned subsidiary of the Company (namely, Suntrust Home Developers, Inc. ("SunTrust"), a company incorporated in the Philippines and the shares of which are listed on The Philippine Stock Exchange, Inc. (stock code: SUN)) of approximately RMB31.1 million (equivalent to approximately HK\$35.8 million) for its operation and development and cannot be used for the Group's working capital and redemption of the Outstanding Convertible Bonds; and (ii) the loan in the principal

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## LETTER FROM THE BOARD

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amount of HK\$1,650.0 million (equivalent to approximately RMB1,434.8 million) granted by Star Hope Limited (a company wholly-owned by Mr. Chau, “**Star Hope**”) to the Group for the payment of the aggregate subscription price of the rights shares (the “**SA Rights Shares**”) of Summit Ascent Holdings Limited (“**Summit Ascent**”) to be subscribed by Victor Sky Holdings Limited (a direct wholly-owned subsidiary of the Company) as underwriter, and the committed SA Rights Shares pursuant to the rights issue of Summit Ascent on the basis of three rights shares for every two existing shares of Summit Ascent at a subscription price of HK\$0.6 per SA Rights Share. The available cash of the Group as at 30 June 2020 (after deducting the bank balances and cash of SunTrust and the aggregate subscription price of the SA Rights Shares of approximately HK\$1,617.2 million (equivalent to approximately RMB1,406.3 million)) amounted to approximately RMB222.4 million (equivalent to approximately HK\$255.8 million) and the Group would not have sufficient cash to redeem the Outstanding Convertible Bonds at the original maturity date (i.e. 7 December 2020).

In the event the Group has to deploy all its available cash (RMB222.4 million or HK\$255.8 million as at 30 June 2020) in redeeming the Outstanding Convertible Bonds at the original maturity date, the Group will have no available cash for its operation and will pose a significant impact on the operations and future development of the Group. In view of the further capital requirements for the business operations, investments and development of the Group, the Extension will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.

The Extension will also allow the Group to have more financial flexibility in the deployment of its working capital for its business operations and development. In light of the zero coupon rate of the Outstanding Convertible Bonds, the Directors consider it in the interests of the Company and the Independent Shareholders as a whole to utilise its resources for business development and other business opportunities in order to maximise returns to the Shareholders. The Extension will allow the Group to have additional time to develop its business instead of repayment of the Outstanding Convertible Bonds within a relatively short period.

The Company has considered financing alternatives, such as equity financing and bank borrowings to raise funds for the purpose of repayment of the Outstanding Convertible Bonds instead of the Extension. Set out below is the details in relation to each of the fundraising alternatives conducted by the Group.

### **(i) Equity Financing**

In September 2020, the Group was in negotiations with two securities firms to explore the possibility of equity financing by rights issue or open offer and/or placing new Shares to independent investors with the fund-raising size of HK\$400 million at a price with a slight discount to the then prevailing market prices of the Shares. However, both securities firms expressed that they are not prepared to act as underwriter for rights issue or open offer of the fund-raising size desirable by the Group in light of current volatile market sentiment and net current liabilities position of the Group as at 30 June 2020, while one of the securities firms is willing to act as placing agent for placing of new Shares on a best-effort basis only. Given that (i) the uncertainties in stock market sentiment and economic conditions; and (ii) potential significant discount on the placing price so as to increase the attractiveness of the equity fund raising exercise, the Board considered that equity fund is not a practicable and favourable financing alternative to the Company.

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## LETTER FROM THE BOARD

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### (ii) Bank Borrowings

In September 2020, the Group approached a financial institution in Macau and another financial institution in Hong Kong in relation to the possibility of obtaining bank loans or facilities with a loan size of HK\$400 million. However, due to the financial performance and net current liabilities position of the Group as at 30 June 2020, coupled with the uncertainties of the global economy in 2020, the financial institutions approached by the Group were of the view that it would be difficult for the Company to obtain new borrowings on terms satisfactory to the Group.

### (iii) Issue of perpetual securities

On 18 August 2020, the Company and Star Hope entered into a subscription agreement, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for, up to HK\$6,000 million 5% perpetual securities of the Company (the “**Perpetual Securities**”). As at the Latest Practicable Date, the Perpetual Securities in the aggregate principal amount of approximately HK\$5,093 million have been issued by the Company to Star Hope to raise fund for (i) the repayment of the loans due from the Company to Star Hope; (ii) capital injection to SunTrust by way of shareholder’s loans; (iii) other investment project of the Group; and (iv) the Group’s general working capital. According to the business plan of the Group, the Company intends to issue the remaining Perpetual Securities in the aggregate principal amount of approximately HK\$907 million for the following purposes: (i) as to approximately HK\$279 million to be advanced to SunTrust which is expected to be by the end of 2020 to complete the subscription of convertible bonds of SunTrust as disclosed in the announcement of the Company dated 29 May 2020 and the circular to the Company dated 12 August 2020; (ii) as to approximately HK\$468 million for the investment and development of the Group's hotel and resort projects in Japan in the next twelve months; and (iii) as to approximately HK\$160 million for the Group's general working capital in the next twelve months. Hence, the Board considered that issue of Perpetual Securities is not a feasible financing alternative to the Company.

Based on the aforesaid experience and having considered the facts that (i) the Group had a net current liabilities position as at 30 June 2020; and (ii) the equity capital market has been volatile since 2020 and the abovementioned factors, the Board is of the view that it would be difficult for the Company to attract investors to subscribe for new convertible bonds of the Company or to participate in the equity fundraising exercise. Therefore, the Board has resolved not to issue new convertible bonds and conduct equity fundraising exercise in 2020 for the purpose of repayment of the Outstanding Convertible Bonds.

Further, in order to reduce the Group’s cash outflow, the Board is of the view that it is unfavourable for the Group to redeem the Outstanding Convertible Bonds at its original maturity date, as it will cause a significant reduction in the working capital of the Group and thus hinder its development. As such, the Board is of the view that the Extension would allow the Group to delay the outflow of HK\$402 million and thus provide flexibility to the Company’s working capital management and deployment of its financial resources to fund its business development and other business opportunities in order to maximise returns to its Shareholders.

During the negotiations between the Company and Fame Select, the Company managed to agree with Fame Select on the extension of the maturity date for a 24-month period without imposing any additional conditions.



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## LETTER FROM THE BOARD

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Although the Conversion Price of HK\$0.26 represents a discount of 62.86% to the closing price of HK\$0.70 per Share as quoted on the Stock Exchange on the last trading day prior to the date of the Supplemental Deed, the Group considers the Conversion Price acceptable given that (i) the Group does not have sufficient cash to redeem the Outstanding Convertible Bonds; (ii) it would be difficult for the Group to obtain new borrowings on terms satisfactory to the Group in view of the net current liabilities position of the Group as at 30 June 2020 as discussed above; (iii) it is unlikely the Group will be able to attract investors to subscribe for the new convertible bonds or to participate in the equity fundraising exercise before the original maturity date for the purpose of repayment of the Outstanding Convertible Bonds; (iv) the Outstanding Convertible Bonds are interest-free; and (v) the Extension would ease the immediate financial pressure of the Group, the Group agreed to maintain the Conversion Price of the Outstanding Convertible Bonds at the time of Outstanding Convertible Bonds being issued instead of adjusting the Conversion Price at the time of the entering into of the Supplemental Deed.

In relation to the extension of the maturity date for 24 months, the Group is of the view it provides a reasonable time frame for the Group to develop its business plan and will allow the Company's financial performance to improve accordingly. The Board considered an extension for a 12-month period is insufficient for the Group to carry out its development plan and an extension beyond a 24-month period is not necessary, as the Group is optimistic that the financial performance of the Group will improve within 24 months based on the development plan and thus will be able to generate sufficient funds in the event the Company decides to redeem whole or part of the Outstanding Convertible Bonds.

In light of the above, the Board is of the view that the Supplemental Deed is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee, after taking into account the advice from the Independent Financial Adviser) considers that the terms and conditions of the Supplemental Deed are fair and reasonable and the Extension is in the interests of the Company and the Shareholders as a whole.

### INFORMATION ON THE GROUP

The Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC; (iii) provision of hotel and integrated resort general consultancy service in Vietnam; and (iv) provision of travel related products and service; (v) development and operation of integrated resort in the Philippines; and (vi) operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation. The Group has been expanding and seeking opportunities to expand its tourism-related business, in particular, investment in integrated resort and provision of hotel and integrated resort general consultancy services in the South East Asia region.

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## LETTER FROM THE BOARD

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### INFORMATION ON FAME SELECT

Fame Select is a company incorporated in BVI with limited liability, and is an investment holding company. Fame Select is owned as to 50% by Mr. Chau, the Chairman of the Company, an executive Director and a controlling shareholder of the Company, and as to the remaining 50% by Mr. Cheng. Fame Select is a connected person of the Company for being the controlling shareholder of the Company.

### LISTING RULES IMPLICATIONS

The Extension constitutes a connected transaction for the Company which is subject to the reporting, announcement, and Independent Shareholders' approval under Chapter 14A.

Pursuant to Rule 28.05, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05, application has been made by the Company to the Stock Exchange for (1) the approval to the Extension; and (2) granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the conversion rights attached to the Outstanding Convertible Bonds as amended and supplemented by the Supplemental Deed.

### GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John has been established to give recommendations to the Independent Shareholders as to whether (i) the terms of the Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Supplemental Deed is in the interests of the Company and the Shareholders as a whole and the letter from the Independent Board Committee is set out on page 18 of this circular. Astrum has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and the letter from Astrum is set out on pages 19 to 35 of this circular.

### EGM AND VOTING

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Extension.

As at the Latest Practicable Date, Fame Select is owned as to 50% by Mr. Chau, the Chairman of the Company, an executive Director, and a controlling shareholder of the Company, and as to the remaining 50% by Mr. Cheng. Fame Select is a connected person of the Company for being the controlling shareholder of the Company. Accordingly, Fame Select, Mr. Chau and Mr. Cheng and their respective associates shall abstain from voting on the ordinary resolution in relation to the Supplemental Deed and the transactions contemplated thereunder to be proposed at the EGM.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders or Directors are required to abstain from voting at the EGM in respect of the Supplemental Deed and the transactions contemplated thereunder. Mr. Chau has also abstained from voting in respect of the relevant Board resolution relating to the Supplemental Deed and the transactions contemplated thereunder.

A notice convening the EGM to be held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 3 December 2020 at 2:30 p.m. is set out on page EGM-1 to EGM-3 of this circular and a form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In compliance with the Listing Rules, voting on the resolution to be proposed at the EGM will be conducted by way of poll.

### RECOMMENDATION

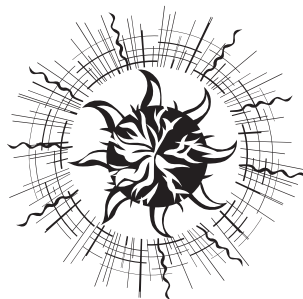
Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular which contains its recommendation to the Independent Shareholders in relation to the Supplemental Deed and the transactions contemplated thereunder, and the letter from Astrum set out on pages 19 to 35 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) considers that the terms and conditions of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Supplemental Deed, while not in the ordinary and usual course of business of the Group is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Deed and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board  
**Suncity Group Holdings Limited**  
**Chau Cheok Wa**  
*Chairman*



**太陽城集團**  
**SUNCITY GROUP**

**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)**

13 November 2020

**CONNECTED TRANSACTION  
IN RELATION TO THE PROPOSED EXTENSION OF  
MATURITY DATE OF THE OUTSTANDING CONVERTIBLE BONDS**

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 13 November 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders in connection with the Extension. Astrum has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Astrum as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, Astrum as set out in its letter of advice, we consider that the terms and conditions of Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Supplemental Deed, while not in the ordinary and usual course of business of the Group is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Deed and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Tou Kin Chuen**  
*Independent  
non-executive Director*

**Dr. Wu Kam Fun Roderick**  
*Independent  
non-executive Director*

**Mr. Lo Wai Tung John**  
*Independent  
non-executive Director*

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# LETTER FROM ASTRUM

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Room 2704, 27/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

13 November 2020

*To the Independent Board Committee and  
the Independent Shareholders of  
Suncity Group Holdings Limited*

Dear Sirs,

## **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF THE OUTSTANDING CONVERTIBLE BONDS**

### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Suncity Group Holdings Limited (the “**Company**”) in relation to the proposed extension of the maturity date of the outstanding convertible bonds (the “**Outstanding Convertible Bonds**”) issued by the Company to Fame Select Limited (“**Fame Select**”) by 24 months from 7 December 2020 to 7 December 2022 (the “**Extension**”). The details of the Extension were disclosed in the announcement of the Company dated 15 October 2020 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 5 to 17 of the circular of the Company dated 13 November 2020 (the “**Circular**”) to its Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 15 October 2020 (after trading hours of the Stock Exchange), the Company and the Bondholder (i.e. Fame Select) entered into the Supplemental Deed to extend the maturity date of the Outstanding Convertible Bonds from 7 December 2020 (the “**First Extended CB Maturity Date**”) to the Extended CB Maturity Date (i.e. 7 December 2022) subject to and effective from fulfilment of the Conditions Precedent.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05 of the Listing Rules, application has been made by the Company to the Stock Exchange for (1) the approval to the Extension; and (2) granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the conversion rights attached to the Outstanding Convertible Bonds as amended and supplemented by the Supplemental Deed.

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## LETTER FROM ASTRUM

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Fame Select is owned as to 50% by Mr. Chau, the chairman of the Company, an executive Director, and a controlling shareholder of the Company, and as to 50% by Mr. Cheng. As at the Latest Practicable Date, Fame Select was interested in 4,991,643,335 Shares, representing approximately 74.87% of the existing issued share capital of the Company, and is the controlling shareholder of the Company. Fame Select is therefore a connected person of the Company under the Listing Rules and the Extension constitutes a connected transaction of the Company which is subject to the reporting, announcement, and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Extension. Fame Select, Mr. Chau and Mr. Cheng and their respective associates shall abstain from voting on the ordinary resolution in relation to the Supplemental Deed and the transactions contemplated thereunder to be proposed at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Supplemental Deed and the transactions contemplated thereunder. Mr. Chau has also abstained from voting in respect of the relevant Board resolution relating to the Supplemental Deed and the transactions contemplated thereunder.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, has been established to give recommendations to the Independent Shareholders as to whether (i) the terms of the Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Supplemental Deed is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the agreement dated 20 September 2016 entered into between the Company and Fame Select in relation to the subscription of the Convertible Bonds by Fame Select (the "**CB Subscription Agreement**"), the agreement dated 8 May 2018 entered into between the Company and Fame Select (as amended by the extension letter dated 27 August 2018) in respect of the extension of the maturity date of the Convertible Bonds from 7 December 2018 to 7 December 2020 (the "**2018 Amendment Agreement**"), the Supplemental Deed, the circular of the Company dated 28 October 2016 in relation to, among other things, the issue of the Convertible Bonds by the Company to Fame Select (the "**CB Circular**"), the circular of the Company dated 30 August 2018 in relation to the entering into of the 2018 Amendment Agreement (the "**2018 Circular**"), the annual reports of the Company for the financial year ended 31 December 2019 (the "**2019 Annual Report**") and the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the Supplemental Deed, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

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## LETTER FROM ASTRUM

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All Directors collectively and individually accept full responsibility in providing information of the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Supplemental Deed and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the Supplemental Deed. Except for the inclusion in the Circular, this letter should not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

*Unless otherwise specified in this letter, amounts denominated in RMB have been converted to HK\$ at a rate of RMB1.00 to HK\$1.15.*

### **INDEPENDENCE DECLARATION**

During the last two years, we have acted as the independent financial adviser of a listed company on the Stock Exchange, of which Mr. Chau (who is the Chairman of the Company, an executive Director and a controlling shareholder of the Company) and Mr. Cheng (who is a controlling shareholder of the Company) are the controlling shareholders, in respect of a connected transaction. Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Fame Select and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, except for the independent financial adviser engagements (in relation to (i) the renewal of continuing connected transactions, details of which were set out in the circular of the Company dated 3 December 2019; (ii) the entering into of the operation and management agreement dated 4 May 2020, details of which were set out in the announcement of the Company dated 4 May 2020; and (iii) a connected transaction relating to the extension of maturity date of convertible bonds issued by the Company on 28 August 2018, details of which were set out in the circular of the Company dated 31 July 2020), there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Extension, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Extension.

# LETTER FROM ASTRUM

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the entering into of the Supplemental Deed, we have taken into consideration the following factors and reasons:

### 1. Information on the Group

According to the Letter from the Board, the Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC; (iii) provision of hotel and integrated resort general consultancy service in Vietnam; (iv) provision of travel related products and service; (v) development and operation of integrated resort in the Philippines; and (vi) operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation. The Group has been expanding and seeking opportunities to expand its tourism-related business, in particular, investment in integrated resort and provision of hotel and integrated resort general consultancy services in the South East Asia region.

The table below summarises the audited consolidated financial results of the Group for the two years ended 31 December 2018 and 31 December 2019 (“**FY2018**” and “**FY2019**”, respectively) as extracted from the 2019 Annual Report and the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and 30 June 2020 (“**1H2019**” and “**1H2020**”, respectively) as extracted from the 2020 Interim Report:

**Table 1: Summary of the consolidated financial results of the Group**

	<b>FY2018</b> (audited) <i>RMB'000</i>	<b>FY2019</b> (audited) <i>RMB'000</i>	<b>1H2019</b> (unaudited) <i>RMB'000</i>	<b>1H2020</b> (unaudited) <i>RMB'000</i>
Revenue	792,643	611,827	307,043	93,748
– Sales of properties	177,400	18,901	18,901	–
– Property management services income	7,581	13,384	2,829	2,820
– Travel agency services income	7,741	5,796	2,819	1,049
– Sales of travel related products	535,079	519,738	254,857	66,684
– Hotel and integrated resort general consultancy services income	19,794	14,450	7,080	6,888
– Leases	45,048	39,558	20,557	16,307
Gross profit	236,676	99,918	51,636	27,965
(Loss) before taxation	(1,378,012)	(1,495,053)	(1,261,697)	(204,394)
(Loss) attributable to owners of the Company for the year/period	(1,458,541)	(1,484,266)	(1,254,190)	(118,594)



## LETTER FROM ASTRUM

	As at 31 December 2018 (audited) RMB'000	As at 31 December 2019 (audited) RMB'000	As at 30 June 2020 (unaudited) RMB'000
Bank balances and cash	92,668	253,397	1,659,774
Non-current assets	2,626,664	3,169,708	3,536,297
Current assets	828,214	949,284	2,293,747
Current (liabilities)	(2,798,989)	(4,231,612)	(3,571,526)
Net current (liabilities)	(1,970,775)	(3,282,328)	(1,277,779)
Non-current (liabilities)	(1,714,889)	(1,592,756)	(2,798,555)
Total assets	3,454,878	4,118,992	5,830,044
Total (liabilities)	(4,513,878)	(5,824,368)	(6,370,081)
(Deficit) attributable to owners of the Company	(1,047,871)	(1,951,719)	(784,403)

Source: the 2019 Annual Report and the 2020 Interim Report

**(i) For the year ended 31 December 2019 (i.e. FY2019)**

Revenue of the Group decreased from approximately RMB792.6 million in FY2018 to approximately RMB611.8 million in FY2019, representing a decrease of approximately 22.8%. Such decrease was mainly due to the significant decrease in revenue from the Group's sales of properties business in FY2019 with segment revenue tumbled approximately 89.3% to approximately RMB18.9 million. In FY2019, the Group delivered residential units with aggregate gross floor area of approximately 621 m<sup>2</sup>, as compared with 2,981 m<sup>2</sup> in FY2018.

Due to the significant drop in revenue, the Group's gross profit also declined by approximately 57.8% from approximately RMB236.7 million in FY2018 to approximately RMB99.9 million in FY2019.

In FY2019, the Group recorded loss attributable to owners of the Company of approximately RMB1,484.3 million, representing a slight increase of approximately 1.8% as compared to approximately RMB1,458.5 million in FY2018. Such increase was mainly attributable to (i) the recognition of impairment loss on interest in an associate of approximately RMB197.7 million in FY2019 (FY2018: nil); (ii) the recognition of loss on deemed disposal of subsidiaries of approximately RMB152.0 million in FY2019 (FY2018: nil); (iii) the significant decrease in gross profit of approximately RMB136.8 million; (iv) the substantial increase in loss in respect of the change in fair value of investment properties of approximately RMB102.1 million; (v) the absence of gain in respect of the change in fair value of a convertible bond in FY2019 (FY2018: approximately RMB73.9 million); (vi) the increase in share of loss of a joint venture of approximately RMB67.3 million; and (vii) the recognition of loss on deemed partial disposal of equity interest of an associate of approximately RMB60.4 million in FY2019 (FY2018: nil), which was partially offset by (i) the substantial decrease in loss in respect of the change in fair value of derivative financial instruments of approximately RMB667.8 million; and (ii) the decrease in net exchange loss of approximately RMB94.7 million.

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## LETTER FROM ASTRUM

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As at 31 December 2019, the Group's total assets and total liabilities amounted to approximately RMB4,119.0 million (31 December 2018: approximately RMB3,454.9 million) and approximately RMB5,824.4 million (31 December 2018: approximately RMB4,513.9 million), respectively. Deficit attributable to owners of the Company increased from approximately RMB1,047.9 million as at 31 December 2018 to approximately RMB1,951.7 million as at 31 December 2019. Such deterioration was primarily due to loss attributable to owners of the Company of approximately RMB1,484.3 million in FY2019, which was partially offset by the deemed capital contribution of approximately RMB509.8 million in FY2019.

*(ii) For the six months ended 30 June 2020 (i.e. 1H2020)*

The outbreak of coronavirus pandemic (“COVID-19”) in early 2020 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts on the global economy, and have also been severely impacting the business environment in the PRC as well as Macau and, directly and indirectly, affecting the operations of the Group. The Group's associate temporarily closed its casino operation in Russian Federation from late March 2020 to July 2020 due to mandatory government quarantine measures in an effort to contain the spread of the pandemic. In addition, the spread of COVID-19 had further worsen the Group's business of travel related products and services in Macau as well as the property leasing business in the PRC. For 1H2020, the Group recorded revenue of approximately RMB93.7 million, representing a significant decrease of approximately 69.5% as compared to that for 1H2019 of approximately RMB307.0 million. Such drop was mainly attributable to (i) the decrease in sales of travel related products from approximately RMB254.9 million for 1H2019 to approximately RMB66.7 million for 1H2020; and (ii) no revenue recorded from sales of properties in 1H2020 (1H2019: approximately RMB18.9 million).

As a result of the significant decrease in revenue, the Group's gross profit decreased by approximately 45.8% from approximately RMB51.6 million for 1H2019 to approximately RMB28.0 million for 1H2020.

Notwithstanding the decrease in gross profit, loss attributable to owners of the Company decreased dramatically from approximately RMB1,254.2 million for 1H2019 to approximately RMB118.6 million for 1H2020. Such improvement was mainly attributable to the recognition of gain in respect of the change in fair value of derivative financial instruments of approximately RMB588.2 million in 1H2020 (1H2019: loss of approximately RMB1,073.9 million), which was partially offset by (i) the increase in loss in respect of the change in fair value of investment properties of approximately RMB276.4 million; (ii) the increase in finance costs of approximately RMB98.9 million; and (iii) the increase in share of loss of a joint venture of approximately RMB62.1 million.

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## LETTER FROM ASTRUM

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As at 30 June 2020, the Group's total assets and total liabilities amounted to approximately RMB5,830.0 million (31 December 2019: approximately RMB4,119.0 million) and approximately RMB6,370.1 million (31 December 2019: approximately RMB5,824.4 million), respectively. Deficit attributable to owners of the Company decreased from approximately RMB1,951.7 million as at 31 December 2019 to approximately RMB784.4 million as at 30 June 2020. Such improvement was primarily due to the recognition of deemed capital contribution of approximately RMB1,258.7 million in 1H2020, which was partially offset by loss attributable to owners of the Company of approximately RMB118.6 million in 1H2020.

### 2. Background of and reasons for the entering into of the Supplemental Deed

On 20 September 2016, the Company and Fame Select entered into the CB Subscription Agreement, pursuant to which Fame Select has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$570,000,000. The subscription price payable by Fame Select in respect of the subscription of the Convertible Bonds was satisfied by setting off against the balance of a loan with interests accrued thereon owed by the Company to Fame Select in the principal amount of HK\$525,374,700 and the accrued interests of HK\$45,067,579 on a dollar-to-dollar basis. Completion of the CB Subscription Agreement took place on 8 December 2016 and the Convertible Bonds were issued to Fame Select. On 8 May 2018, the Company and Fame Select entered into the 2018 Amendment Agreement to extend the maturity date of the outstanding Convertible Bonds by 24 months from 7 December 2018 to the First Extended CB Maturity Date (i.e. 7 December 2020). Save for the extension of maturity date, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged. The 2018 Amendment Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 28 September 2018.

The Convertible Bonds are interest-free and are convertible into the Conversion Shares at the Conversion Price of HK\$0.26 per Conversion Share. Any amount of the Convertible Bonds which remains outstanding on the First Extended CB Maturity Date shall be redeemed at its then outstanding principal amount. The Conversion Shares (upon exercise of the conversion rights attaching to the Convertible Bonds) will be allotted and issued pursuant to the specific mandate granted by the then Independent Shareholders on 14 November 2016. For further details of the CB Subscription Agreement and the 2018 Amendment Agreement, please refer to the CB Circular and the 2018 Circular. As at the Latest Practicable Date, the Convertible Bonds in the aggregate principal amount of HK\$402,000,000 remained outstanding.

During the regular review on the Group's financial position, the Management were aware of the forthcoming maturity of the Convertible Bonds in December 2020. According to the 2020 Interim Report, the Group had net current liabilities of approximately RMB1,277.8 million and deficit attributable to owners of the Company of approximately RMB784.4 million as at 30 June 2020. Bank balances and cash of the Group as at 30 June 2020 amounted to approximately RMB1,659.8 million (equivalent to approximately HK\$1,908.8 million), which was principally composed of (i) the cash balance of a 51%-owned subsidiary of the Company (namely, Suntrust Home Developers, Inc. ("SunTrust"), a company incorporated in the Philippines and the shares of which are listed on The Philippine Stock Exchange, Inc. (stock code: SUN)) of approximately RMB31.1 million (equivalent to approximately HK\$35.8 million) for its operation and development and cannot be used for the Group's loan repayment and administrative expenses; and (ii) the loan granted by Star Hope Limited (a wholly-owned company of Mr. Chau, "Star Hope") to the Group in the principal amount of HK\$1,650.0

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## LETTER FROM ASTRUM

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million for the payment of the aggregate subscription price of the Underwritten Shares and the Committed SA Shares (as defined below). As disclosed in the circular of the Company dated 12 August 2020, Summit Ascent Holdings Limited (a company incorporated in Bermuda with limited liability and the shares (the “SA Shares”) of which are listed on the Main Board of the Stock Exchange (stock code: 102), “Summit Ascent”) proposed to raise fund by way of rights issue on the basis of three rights shares (the “SA Rights Shares”) for every two existing SA Shares at a subscription price of HK\$0.6 per SA Rights Share (the “SA Rights Issue”). On 1 June 2020, the Group executed an irrevocable undertaking in favour of Summit Ascent that it would accept and pay for in full 669,462,696 SA Rights Shares (the “Committed SA Shares”) to be provisionally allotted to the Group under the SA Rights Issue. On the same day, Victory Sky Holdings Limited (a direct wholly-owned subsidiary of the Company, “Victory Sky”) entered into an underwriting agreement (the “Underwriting Agreement”) with Summit Ascent, pursuant to which Victory Sky conditionally agreed to underwrite all the SA Rights Shares (other than the Committed SA Shares) (the “Underwritten Shares”) as underwriter under the SA Rights Issue. Please refer to the circular of the Company dated 12 August 2020 and the circular of Summit Ascent dated 14 August 2020 for further details of the SA Rights Issue and the Underwriting Agreement. The SA Rights Issue subsequently became unconditional on 7 October 2020. A total of 669,462,696 SA Rights Shares at an aggregate subscription price of HK\$401.7 million were issued to the Group under the provisional allotment of the SA Rights Issue and 2,025,790,651 SA Rights Shares at an aggregate subscription price of HK\$1,215.5 million have been taken up by Victory Sky by virtue of its role as the underwriter of the SA Rights Issue. Having considered the facts that (i) the Outstanding Convertible Bonds in an aggregate principal amount of HK\$402.0 million will become mature on 7 December 2020; (ii) the available cash position of the Group as at 30 June 2020 (after deducting the cash balance of SunTrust of approximately HK\$35.8 million and the aggregate subscription price of the SA Rights Shares of approximately HK\$1,617.2 million) amounted to approximately HK\$255.8 million and was insufficient for full redemption of the Outstanding Convertible Bonds on the First Extended CB Maturity Date (i.e. 7 December 2020); (iii) the financial position of the Group as at 30 June 2020 was in deficit; (iv) the adverse impact on the Group’s working capital for its operation if all available cash of the Group as at 30 June 2020 (i.e. approximately HK\$255.8 million) were deployed in the repayment of the Outstanding Convertible Bonds on the First Extended CB Maturity Date; and (v) the proposed use of proceeds of the remaining Perpetual Securities of approximately HK\$907 million (as detailed below), the Management is of the view that the Group should maintain sufficient working capital for its operation, rather than to effect redemption of the Outstanding Convertible Bonds on the First Extended CB Maturity Date.

The Management then commenced negotiation with the Bondholder on other feasible and permissible way to deal with the maturity of the Outstanding Convertible Bonds other than the demand of cash redemption. As mentioned in the Letter from the Board, as at the Latest Practicable Date:

- (1) Fame Select was interested in 4,991,643,335 Shares, representing approximately 74.87% of the existing issued share capital of the Company. In the event of full conversion of the Outstanding Convertible Bonds held by Fame Select, 1,546,153,846 Conversion Shares will be issuable to Fame Select and Fame Select will become interested in an aggregate of 6,537,797,181 Shares representing approximately 79.60% of the enlarged issued share capital of the Company; and
- (2) Mr. Chau, Mr. Lo, Mr. Au Chung On John and Mr. Manuel Assis Da Silva and their respective associates were interested in an aggregate of 4,999,853,335 Shares, representing approximately 74.99% of the existing issued share capital of the Company.

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## LETTER FROM ASTRUM

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Full or partial conversion of the Outstanding Convertible Bonds on the First Extended CB Maturity Date will end up with less than 25% of the Company's issued share capital being held by the public as required by Rule 8.08 of the Listing Rules. In light of the above, it appears that the Group could only either redeem the Outstanding Convertible Bonds at maturity or extend the maturity date of the Outstanding Convertible Bonds. In view of the Group's financial position and the further capital requirements for the Group's business operations, investments and development, the Directors consider that the Extension will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position. Accordingly, on 15 October 2020, the Company and Fame Select, after arm's length negotiation, entered into the Supplemental Deed to extend the maturity date of the Outstanding Convertible Bonds by 24 months from the First Extended CB Maturity Date to the Extended CB Maturity Date (i.e. 7 December 2022) without alteration of other terms and conditions of the Convertible Bonds.

Upon enquiry, the Management advised us that they had considered other fund-raising methods to satisfy the cash redemption of the Outstanding Convertible Bonds (such as by way of bank borrowings and equity financing) other than the Extension. The Company attempted to obtain bank loans or facilities with a loan size of HK\$400 million by approaching a financial institution in Macau and another financial institution in Hong Kong in September 2020. However, taking into account the financial performance and position of the Group (in particular, the net liabilities position of the Group), together with the uncertainties of the global economy caused by the outbreak of COVID-19 in early 2020, the banks expressed that the overall feasibility for granting a new credit line to the Group is low. As such, the Board is of view that it is difficult for the Company to obtain new borrowings on terms satisfactory to the Group. As at 31 December 2019, the effective interest rate per annum of the existing bank borrowings of the Group was 5.64%. Given the Outstanding Convertible Bonds is interest free, we consider that the Extension is a more favorable option to the Group when comparing with bank borrowings.

As to equity fund-raising exercise, the Group has approached two securities firms about the possibility and feasibility of acting as placing agent for placing of new shares and/or underwriter for rights issue or open offer with the fund-raising size of HK\$400 million. Both securities firms expressed that they are not prepared, under the current market sentiment, to act as underwriter for rights issue or open offer of the fund-raising size desirable by the Group, while one of the securities firms is willing to act as placing agent for placing of new shares on a best-effort basis and will charge placing commission of 4%. The Management considers that placing of new shares on a best-effort basis would result in uncertainty to the ultimate fund-raising amount. Having considered the above, and coupled with the facts that (i) the Group had a net current liabilities position as at 30 June 2020; (ii) the proceeds from equity fund-raising are for repayment of the Outstanding Convertible Bonds but not for the development or expansion of the existing or new business of the Group; and (iii) the negative impact of COVID-19 on the current and future Group's businesses, the Board is of the view that it would be difficult for the Company to attract new investors to participate in the equity fund-raising exercise. In view of the above, we concur with the Management's view that equity financing is currently not a feasible and favorable financing alternative to the Company to raise sufficient fund.

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## LETTER FROM ASTRUM

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Furthermore, we noted from the announcement of the Company dated 18 August 2020 (the “**Perpetual Securities Announcement**”) that on 18 August 2020, the Company and Star Hope entered into a subscription agreement, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for, up to HK\$6,000 million perpetual securities of the Company (the “**Perpetual Securities**”). The Perpetual Securities confer on their holder the right to receive distributions at the distribution rate of 5.00% per annum on the principal amount which remains outstanding under the Perpetual Securities in issue. As advised by the Management, the Perpetual Securities in the aggregate principal amount of approximately HK\$5,093.0 million have been issued by the Company to Star Hope to raise fund for (i) the repayment of the loans due from the Company to Star Hope; (ii) capital injection to SunTrust by way of shareholder’s loans; (iii) other investment project of the Group; and (iv) the Group’s general working capital. In this regard, we have enquired with the Management the reasons for not raising fund to redeem the Outstanding Convertible Bonds by issuing Perpetual Securities to Star Hope, and were advised that the Company has contemplated to issue the remaining Perpetual Securities in the aggregate principal amount of approximately HK\$907 million for the following purposes: (i) as to approximately HK\$279 million to be advanced to SunTrust which is expected to be by the end of 2020 to complete the subscription of convertible bonds of SunTrust as disclosed in the announcement of the Company dated 29 May 2020 and the circular of the Company dated 12 August 2020; (ii) as to approximately HK\$468 million for the investment and development of the Group’s hotel and resort projects in Japan in the next twelve months; and (iii) as to approximately HK\$160 million for the Group’s general working capital in the next twelve months. Accordingly, the Management considers that it is not feasible for the Company to raise fund to redeem the Outstanding Convertible Bonds by issuing Perpetual Securities. Taking into account the facts that (i) the Group has concrete plan for the usage of the proceeds from the issue of the remaining Perpetual Securities of approximately HK\$907 million as detailed above; (ii) should the Group redeem the Outstanding Convertible Bonds by issuing the Perpetual Securities in the aggregate principal amount of HK\$402 million, the Group would require to raise additional fund of the same amount through other fund-raising methods, so as to fulfil the funding need of the Group for the development and operation of the Group’s existing businesses; (iii) as discussed above, bank borrowing and equity financing (such as placing of new shares, rights issue and open offer) are currently not feasible and favorable financing alternatives to the Company to raise sufficient fund; and (iv) the Outstanding Convertible Bonds are interest free which is a more favorable term to the Group when comparing with other fund-raising methods, we concur with the Management’s view that it is in the interests of the Company to deploy the proceeds from the issue of the remaining Perpetual Securities for the development and operation of the Group’s existing businesses and not to redeem the Outstanding Convertible Bonds.

Having considered the facts that (i) the Outstanding Convertible Bonds will become mature shortly on 7 December 2020; (ii) the available cash position of the Group as at 30 June 2020 (after deducting the cash balance of SunTrust of approximately HK\$35.8 million and the aggregate subscription price of the SA Rights Shares of approximately HK\$1,617.2 million) amounted to approximately HK\$255.8 million and was insufficient for full redemption of the Outstanding Convertible Bonds on the First Extended CB Maturity Date; (iii) the financial position of the Group as at 30 June 2020 was in deficit; (iv) the adverse impact on the Group’s working capital for its operation if all available cash of the Group as at 30 June 2020 (i.e. approximately HK\$255.8 million) were deployed in the repayment of the Outstanding Convertible Bonds on the First Extended CB Maturity Date; (v) Fame Select is not allowed to convert in full the Outstanding Convertible Bonds before the First Extended CB Maturity Date as it would result in less than 25% of the Company’s issued share capital being held by the public as that required by Rule 8.08 of the Listing Rules; and (vi) the Outstanding Convertible Bonds is interest free which is a more favorable term to the Group when

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## LETTER FROM ASTRUM

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comparing with other fund raising methods, we concur with the Management's view that the Extension is the most desirable way to deal with the forthcoming maturity of the Outstanding Convertible Bonds and is in the interests of the Company and the Shareholders as a whole.

### 3. Principal terms of the Supplemental Deed and the Outstanding Convertible Bonds

Pursuant to the Supplemental Deed, the maturity date of the Outstanding Convertible Bonds shall be extended by a period of 24 months, such that the maturity date of the Outstanding Convertible Bonds will become 7 December 2022. As advised by the Management, the Extension was arrived at after arm's length negotiations between the Company and Fame Select. Save as revised by the Extension as mentioned above, all the terms of the Outstanding Convertible Bonds shall remain unchanged and same as those of the Convertible Bonds and in full force.

Set out below are the principal terms of the Outstanding Convertible Bonds:

<b>Principal Amount:</b>	HK\$570,000,000. The Convertible Bonds remain outstanding has in the aggregate principal amount of HK\$402,000,000 (i.e. the Outstanding Convertible Bonds) as at the date of the Supplemental Deed and up to the date of this circular
<b>Conversion price:</b>	The initial Conversion Price is HK\$0.26 per Conversion Share (subject to adjustments).
<b>Interest:</b>	Interest-free
<b>Maturity Date:</b>	7 December 2022 (i.e. the Extended CB Maturity Date), or if such date is not a Business Day, the next Business Day
<b>Conversion period:</b>	Provided that any conversion of the Outstanding Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company, the holder(s) of the Outstanding Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Outstanding Convertible Bonds, have the right at any time during the period commencing from the date of issue of the Outstanding Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Extended CB Maturity Date to convert the whole or part (in authorised denominations) of the outstanding principal amount of Outstanding Convertible Bonds registered in its name into Shares at the Conversion Price.

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## LETTER FROM ASTRUM

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**Redemption:**

Any amount of the Outstanding Convertible Bonds which remains outstanding on the Extended CB Maturity Date shall be redeemed at its then outstanding principal amount.

The Company may at any time before the Extended CB Maturity Date by serving at least ten (10) days' prior written notice on the holder(s) of the Outstanding Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Outstanding Convertible Bonds specified therein, redeem the Outstanding Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Convertible Bonds.

Any amount of the Outstanding Outstanding Convertible Bonds which is redeemed or converted will forthwith be cancelled. Certificate in respect of the Outstanding Convertible Bonds cancelled will be forwarded to or to the order of the Company and such Outstanding Convertible Bonds may not be reissued or resold.

For further details of the principal terms of the Outstanding Convertible Bonds, please refer to the Letter from the Board.

In order to assess the fairness and reasonableness of the terms of the Outstanding Convertible Bonds, we have identified a list of extension of maturity date of convertible bonds/notes as announced by companies listed on the Stock Exchange (the "**Comparables**") during the last six months prior to and including 15 October 2020, being the date of the Supplemental Deed. To the best of our knowledge and as far as we are aware of, we identified 14 transactions which were announced during the said six-month period and have not lapsed as at the Latest Practicable Date. Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of



## LETTER FROM ASTRUM

transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the key terms of the Outstanding Convertible Bonds (including but not limited to the Conversion Price). The following table sets forth the relevant details of the Comparables:

**Table 2: Details of the Comparables**

Date of announcement	Name of Company	Stock code	Duration (Note 1) (months)	Premium/(discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement (“Premium/(Discount) – Last Day”) (%)	Interest rate per annum (%)	Change in conversion price (%)
25/09/2020	Global Bio-chem Technology Group Company Limited	809	92.0	76.47	0.01	0.00
28/08/2020	China Healthwise Holdings Limited	348	48.0	(60.00)	6.00	0.00
21/07/2020	China Touyun Tech Group Limited	1332	48.0	113.33	12.00	(59.35)
16/07/2020	Jintai Energy Holdings Limited	2728	24.0	3.88	10.00	(27.17)
10/07/2020	Essex Bio-Technology Limited	1061	96.0	11.32	1.90	0.00
03/07/2020	The Company	1383	48.0	(26.83)	0.00	0.00
19/06/2020	DreamEast Group Limited	593	60.0	186.49	9.50	0.00
15/06/2020	Dingyi Group Investment Limited	508	49.0	1,831.82 (Note 2)	7.00	0.00
11/06/2020	Beautiful China Holdings Company Limited	706	54.0	0.00	8.50	(93.75)
27/05/2020	Dingyi Group Investment Limited	508	50.5	377.53	7.00	0.00
27/05/2020	Dingyi Group Investment Limited	508	51.5	377.53	7.00	0.00

## LETTER FROM ASTRUM

Date of announcement	Name of Company	Stock code	Duration (Note 1) (months)	Premium/(discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/(Discount) – Last Day") (%)	Interest rate per annum (%)	Change in conversion price (%)
23/04/2020	China LotSynergy Holdings Limited	1371	55.0	1,512.90 (Note 2)	8.50	0.00
22/04/2020	China Metal Resources Utilization Limited	1636	36.0	1.70	8.00	0.00
22/04/2020	China Metal Resources Utilization Limited	1636	36.0	1.70	12.00	0.00
		<b>Maximum:</b>	<b>96.0</b>	<b>377.53</b> (Note 2)	<b>12.00</b>	<b>0.00</b>
		<b>Minimum:</b>	<b>24.0</b>	<b>(60.00)</b> (Note 2)	<b>0.00</b>	<b>(93.75)</b>
		<b>Median:</b>	<b>49.75</b>	<b>7.60</b> (Note 2)	<b>7.50</b>	<b>0.00</b>
		<b>Average:</b>	<b>53.43</b>	<b>88.59</b> (Note 2)	<b>6.96</b>	<b>(12.88)</b>
		<b>Convertible Bonds:</b>	<b>72.0</b>	<b>(62.86)</b>	<b>0.00</b>	<b>0.00</b>

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- The duration of the Comparables is calculated based on the date of issue of the respective convertible bonds/notes and their respective extended maturity dates.
- As the Premium/(Discount) – Last Day represented by the conversion prices of Dingyi Group Investment Limited (stock code: 508) as announced on 15 June 2020 and China LotSynergy Holdings Limited (stock code: 1371) (collectively, the “**Outlier Comparables**”) are exceptionally high as compared with those of other Comparables, we consider that the conversion prices of the Outlier Comparables are outliers and have excluded them from our analysis for the Premium/(Discount) – Last Day represented by the Comparables.

**(i) Duration**

According to Table 2 above, the duration of the Comparables ranged from 24 months to 96 months with an average duration of 53.43 months. The duration of the Convertible Bonds of 72 months from the date of issue to the Extended CB Maturity Date falls within the range of the duration of the Comparables. Therefore, we consider that the Extension is justifiable.

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## LETTER FROM ASTRUM

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### *(ii) Initial Conversion Price*

As the Premium/(Discount) – Last Day represented by the conversion prices of the Outlier Comparables are exceptionally high as compared with those of other Comparables, we consider that the conversion prices of the Outlier Comparables are outliers and have excluded them from our analysis for the Premium/(Discount) – Last Day represented by the Comparables.

As illustrated in Table 2 above, the Premium/(Discount) – Last Day represented by the conversion prices of the Comparables ranged from a discount of approximately 60.00% to a premium of approximately 377.53%, with an average of a premium of approximately 88.59% and a median of a premium of approximately 7.60%. The Premium/(Discount) – Last Day represented by the Conversion Price is a discount of approximately 62.86%, which is outside the range of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparables.

If we solely take into account the discount to the prevailing market price of the Shares, there is no doubt that the Conversion Price is, on a standalone basis, not fair and reasonable to the Independent Shareholders. Nevertheless, having considered the facts that (i) the Conversion Price was determined with reference to the then prevailing market price of the Shares before the entering into of the CB Subscription Agreement (i.e. 20 September 2016) rather than the recent market price of the Shares before the entering into of the Supplemental Deed (i.e. 15 October 2020); (ii) the Conversion Price represents a premium of 4.00% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the signing of the CB Subscription Agreement (i.e. 20 September 2016); (iii) the CB Subscription Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the extraordinary general meeting of the Company held on 14 November 2016; (iv) the sole reason for entering into the Supplemental Deed is to extend the First Extended CB Maturity Date which would alleviate the liquidity and working capital pressure of the Group triggered by the redemption of the Outstanding Convertible Bonds due on the First Extended CB Maturity Date; (v) save for China Touyun Tech Group Limited (stock code: 1332), Jintai Energy Holdings Limited (stock code: 2728) and Beautiful China Holdings Company Limited (stock code: 706), all other Comparables kept the conversion price of the convertible bonds unchanged while extending the maturity date; and (vi) the benefits of the Extension as discussed in the paragraph headed “2. *Background of and reasons for the entering into of the Supplemental Deed*” above, we consider that the benefits of the Extension outweigh the discount of the Convertible Price and therefore, the Conversion Price is acceptable to the Independent Shareholders as a whole.

### *(iii) Interest rate*

As shown in Table 2 above, the interest rates of the Comparables ranged from nil to 12.00% per annum with an average interest rate of approximately 6.96% per annum. The zero coupon rate of the Convertible Bonds is equivalent to the lowest limit of the interest rates among the Comparables. Therefore, we consider that the interest rate of the Convertible Bonds is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM ASTRUM

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### *(iv) Conclusion*

Notwithstanding that the Conversion Price represents a discount of approximately 62.86% to the closing price of Shares on the last trading day prior to the date of the Supplemental Deed, having considered that (i) the duration of the Convertible Bonds of 72 months based on the Extended CB Maturity Date falls within the range of the duration of the Comparables; (ii) the zero coupon rate of the Convertible Bonds is equivalent to the lowest limit of the interest rates among the Comparables; and (iii) the reasons for and benefits of entering into the Supplemental Deed as discussed above, we are of the view that the principal terms of the Convertible Bonds (as amended by the Supplemental Deed) is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

## **4. Financial effects of the Extension**

### *(i) Effect on liquidity*

As stated in the 2020 Interim Report, the consolidated net current liabilities of the Group amounted to approximately RMB1,277.8 million as at 30 June 2020. Bank balances and cash of the Group as at 30 June 2020 amounted to approximately RMB1,659.8 million (equivalent to approximately HK\$1,908.8 million), which was principally composed of (i) the cash balance of approximately RMB31.1 million (equivalent to approximately HK\$35.8 million) for its operation and development and cannot be used for the Group's loan repayment and administrative expenses; and (ii) the loan granted by Star Hope to the Group in the principal amount of HK\$1,650.0 million for the payment of the aggregate subscription price of the Underwritten Shares and the Committed SA Shares. The Extension pursuant to the Supplemental Deed would allow the Group to delay cash outflow of HK\$402.0 million as a result of redemption of the Outstanding Convertible Bonds held by Fame Select. Having considered (i) the principal amount of the Outstanding Convertible Bonds of HK\$402.0 million represents approximately 1.6 times of the available bank balances and cash of the Group (after deducting the cash balance of SunTrust of approximately HK\$35.8 million and the aggregate subscription price of the SA Rights Shares of approximately HK\$1,617.2 million) of approximately HK\$255.8 million as at 30 June 2020; and (ii) the Outstanding Convertible Bonds will become mature on 7 December 2020, we are of the view that the Extension would alleviate the liquidity and working capital pressure of the Group triggered by the redemption of the Outstanding Convertible Bonds due on the First Extended CB Maturity Date.

After the Extension becoming effective, the maturity date of the Outstanding Convertible Bonds will extend from 7 December 2020 to 7 December 2022, the Outstanding Convertible Bonds will be reclassified from current liabilities to non-current liabilities. Accordingly, it is expected that the Extension would lower the Group's current liabilities (due to the reclassification), and therefore result in a positive impact on the Group's net current liability position.

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## LETTER FROM ASTRUM

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*(ii) Effect on earnings*

The zero coupon rate of the Outstanding Convertible Bonds remains unchanged under the Extension. According to applicable accounting standard, a non-cash imputed finance cost and fair value changes on derivative components of the Outstanding Convertible Bonds may be recorded in the consolidated statement of profit or loss and other comprehensive income during the extended period depending on the result of re-measurement of the fair value of the Outstanding Convertible Bonds as at 7 December 2020 as well as each subsequent reporting date by independent valuer. In such case, financial effect on earnings would be similar to that in the previous two years.

*(iii) Effect on net assets*

There may be changes in the fair value of the Outstanding Convertible Bonds as a result of the Extension. The possible changes will be subject to the valuation from the independent valuer and the review of the Company's independent auditors in the Group's subsequent financial statements.

### OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Supplemental Deed is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Supplemental Deed and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Astrum Capital Management Limited**  
**Hidulf Kwan**                      **Rebecca Mak**  
*Managing Director*                      *Director*

*Notes:* Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2012 and has participated in and completed various independent financial advisory transactions.

**1. RESPONSIBILITY STATEMENT**

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date was, as follows:

**As at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>5,000,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>6,666,972,746</u>	Shares	<u>666,697,274.60</u>

**Immediately following the full conversion of the Outstanding Convertible Bonds**

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>5,000,000,000.00</u>
<i>Issued and fully paid:</i>		
6,666,972,746	Shares as at the Latest Practicable Date	666,697,274.60
1,546,153,846	Conversion Shares to be allotted and issued upon exercise in full of the conversion rights attached to the Outstanding Convertible Bonds of an aggregate principal amount of HK\$402,000,000	154,615,384.60
<u>8,213,126,592</u>	Shares in issue immediately upon the allotment and issue of the Conversion Shares	<u>821,312,659.20</u>

## 3. DISCLOSURE OF INTERESTS

## (I) Directors' and chief executive's interests in Shares, underlying Shares or debentures

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

## (i) Long position in the Shares and/or the underlying Shares of the Company

Name of Director	Capacity/ nature of interest	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of the issued share capital of the Company (Note 8)
Mr. Chau	Interest of controlled corporation	4,991,643,335 (Note 1)	1,742,820,512 (Note 2)	6,734,463,847	101.01%
Mr. Lo Kai Bong ("Mr. Lo")	Interest of controlled corporation	5,770,000 (Note 3)	133,333,333 (Note 4)	139,103,333	2.09%
	Beneficial owner	1,230,000	40,000,000 (Note 5)	41,230,000	0.62%
Mr. Au Chung On John	Beneficial owner	–	40,000,000 (Note 6)	40,000,000	0.59%
	Interest of spouse	400,000	–	400,000	0.01%
Mr. Manuel Assis Da Silva	Beneficial owner	290,000	3,000,000 (Note 7)	3,290,000	0.05%
	Interest of spouse	520,000	–	520,000	0.01%

*Notes:*

1. This represents interests held by Mr. Chau through Fame Select, which holds 4,991,643,335 Shares. Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 4,991,643,335 Shares.
2. Out of 1,742,820,512 underlying Shares, 1,546,153,846 underlying Shares and 196,666,666 underlying Shares were held by Fame Select and Star Hope respectively.

The 1,546,153,846 underlying Shares held by Fame Select represents the maximum of 1,546,153,846 conversion Shares to be issued upon the full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK\$0.26 (subject to adjustments). Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 1,546,153,846 underlying Shares.

The 196,666,666 underlying Shares held by Star Hope represents the maximum of 196,666,666 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Star Hope at the initial conversion price of HK\$0.90 (subject to adjustments). Mr. Chau has 100% interests in Star Hope and is therefore deemed to be interested in 196,666,666 underlying Shares.

3. This represents interests held by Mr. Lo through himself, Better Linkage Limited (“**Better Linkage**”) and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo).
4. This represents the maximum of 133,333,333 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Better Linkage, at the initial conversion price of HK\$0.90 (subject to adjustments). Mr. Lo has 100% interests in Better Linkage and is therefore deemed to be interested in 133,333,333 underlying Shares.
5. Mr. Lo is interested in 40,000,000 share options at an exercise price of HK\$0.455 per Share to subscribe for Shares.
6. Mr. Au Chung On John is interested in 40,000,000 share options at an exercise price of HK\$0.90 per share to subscribe for Shares.
7. Mr. Manuel Assis Da Silva is interested in 3,000,000 share options at an exercise price of HK\$0.455 per Share to subscribe for Shares.
8. The percentage has been calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 6,666,972,746 Shares).

**(ii) Long position in the shares and/or the underlying shares of the Company’s associated corporation**

Name of associated corporation	Name of Director	Capacity/ nature of interest	Number of shares of the Company’s associated corporation held	Percentage of
				the issued share capital of the Company’s associated corporation (Note 2)
Summit Ascent Holdings Limited (“ <b>Summit Ascent</b> ”)	Mr. Chau	Interest of controlled corporation (Note 1)	3,141,561,811	69.66%



*Notes:*

1. These 3,141,561,811 shares represent 123,255,000 shares of Summit Ascent beneficially owned by the Company, 3,018,306,811 shares of Summit Ascent beneficially held by Victor Sky Holdings Limited (“**Victor Sky**”). As at the Latest Practicable Date, (a) Victor Sky was wholly-owned by the Company; and (b) the Company was 74.87% owned by Fame Select, which was owned as to 50% by Mr. Chau and 50% by Mr. Cheng. By virtue of the SFO, Mr. Chau is deemed to be interested in the shares of Summit Ascent in which the Company is interested, including those in which Victor Sky is interested.
2. The percentage has been calculated based on the total number of shares of Summit Ascent in issue as at the Latest Practicable Date (i.e. 4,509,444,590 shares of Summit Ascent).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code.

#### 4. DIRECTORS' INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

On 5 November 2019, Sun Travel and Sun City Gaming Promotion Company Limited (“**Sun City Gaming Promotion**”) entered into two agreements in relation to (i) the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel and (ii) the supply of travel related products and services including ferry tickets between Hong Kong and Macau, entertainment tickets/vouchers, travel packages and other transportation tickets by Sun Travel to Sun City Gaming Promotion, respectively (together, the “**2019 CCT Agreements**”). As Sun City Gaming Promotion is wholly owned by Mr. Chau, Mr. Chau is deemed to have a material interest in the 2019 CCT Agreements.

On 18 August 2020, the Company as issuer entered into a subscription agreement with Star Hope Limited (“**Star Hope**”) as subscriber, pursuant to which the Company agreed to issue, and Star Hope agreed to subscribe for HK\$6,000 million 5.00% perpetual securities of the Company (“**Perpetual Securities**”). As at the Latest Practicable Date, Perpetual Securities in the amount of HK\$5,093 million were issued by the Company of which the first tranche of the Perpetual Securities in the amount of HK\$3,887 million was issued on 18 August 2020 to effect repayment of a pro tanto amount of the amount due from the Company to Star Hope. As at the Latest Practicable Date, the Company is in full settlement of the amount due to Star Hope.

As at the Latest Practicable Date, the Group has Outstanding Convertible Bonds with a principal amount of HK\$402,000,000 held by Fame Select. Pursuant to the Supplemental Deed which will only become effective upon all the Conditions Precedent having been fulfilled, the Outstanding Convertible Bonds will mature on 7 December 2022 and is non-interest bearing. The Outstanding Convertible Bonds is convertible into Shares at the conversion price of HK\$0.26 per Share (subject to adjustments).

As at the Latest Practicable Date, the Group has outstanding convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 held by Star Hope, a company beneficially wholly owned by Mr. Chau and Better Linkage, a company beneficially wholly owned by Mr. Lo, an executive Director of the Company respectively. The 2018 Convertible Bond will mature on 28 August 2022 and is non-interest bearing. The 2018 Convertible Bond is convertible into Shares at the conversion price of HK\$0.90 per Share (subject to adjustments).

Save as disclosed above, as at the date of this circular, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the any member of the Group which was not determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. MATERIAL ADVERSE CHANGE

As disclosed in:

- (i) the interim report of Summit Ascent for the six months ended 30 June 2020 (“**1H 2020**”), (a) Summit Ascent and its subsidiaries’ (the “**SA Group**”) total revenue in 1H 2020 was HK\$96.0 million, down 63% compared with the corresponding period in 2019 due to the temporary suspension of the gaming operations of Tigre de Cristal from 28 March 2020 until its reopening from 16 July 2020 and the number of foreigners visiting the SA Group’s property plummeted after governments of various countries have issued entry restrictions, visa suspensions and quarantine measures for travellers due to the COVID-19 pandemic; and (b) the SA Group recorded a loss attributable to owners of Summit Ascent of HK\$47.0 million in 1H 2020 versus a profit of HK\$42.8 million compared with the corresponding period in 2019;
- (ii) the profit warning announcement of Summit Ascent dated 11 August 2020 in relation to the preliminary review of the management accounts of the SA Group at the time that the outbreak of the COVID-19 has had a huge impact on the gaming and hotel operations of the SA Group in 1H 2020 due to (a) the temporary entry ban to the Russian Federation of foreign nationals, including those from Hong Kong and Macau, which had an adverse impact on the SA Group’s visitation in early 2020, and (b) the SA Group’s gaming operation was suspended from or about 28 March 2020 to comply with the measures to control the COVID-19 outbreak as announced by the Russian government; and

- (iii) the voluntary announcement of Summit Ascent dated 15 July 2020 in relation to Tigre de Cristal was allowed to be reopened for business from 16 July 2020 onwards and the gaming areas, the hotel and other amenities were permitted to resume operations according to respective measures recommended by the Russian Government.

Moreover, due to the seize of certain portion of the investment properties in relation to the 2013 Litigation as described in “Appendix I (General Information) – 9. Litigation” in this circular, a subsidiary of the Group was in breach of the covenants of in respect of a bank borrowing, which led to an event of default for such bank borrowing. Accordingly, the bank borrowing amounting to RMB47,500,000 is reclassified from non-current liabilities to current liabilities as at 30 June 2020. On discovery of the breach, the Company has informed the relevant bank and commenced negotiations to obtain waiver from strict compliance on the relevant financial covenants.

Save as disclosed above and the section headed “28. EVENTS AFTER THE REPORTING PERIOD” in the interim report of the Company for six months ended 30 June 2020 (the “**2020 Interim Report**”), as at the Latest Practicable Date, the Directors confirmed there has not been any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors nor any of their close associates had interest in any business apart from the Group’s business which competed or would likely to compete, either directly or indirectly, with the businesses of the Group.

## 8. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following sets out the qualifications of the expert who has given its opinions or advice or statements as contained in this circular:

<b>Name</b>	<b>Qualification</b>
Astrum	a licensed corporation under the SFO to carry out Type 1 (design in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

- (b) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

- (c) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (d) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear.

## 9. LITIGATION

As disclosed in the 2020 Interim Report, a subsidiary of the Group (the “**Defendant**”) was involved in a litigation with an individual (the “**Plaintiff**”) in respect of the right to use of an area located at certain investment properties of the Group (the “**Unit**”) during 2013 (the “**2013 Litigation**”). The Plaintiff claimed that she had a lease agreement regarding the right to use the Unit for the period from 26 September 2011 to 24 October 2062 and sought for damages in respect of the loss arising from failing to use of the Unit (the “**Claim**”). Four judgments were handed down between 2014 and 2019. The judge rejected all the demands from the Plaintiff in the first and second hearings, however at the end of 2018, the judge accepted the appeal by the Plaintiff and remanded the case for a re-trial in the Shenzhen People’s Court.

According to the judgements of the court dated 7 May 2019 and 27 May 2019, certain portion of the investment properties of the Group with fair value of approximately RMB533,000,000 was seized for the period from 10 May 2019 to 9 May 2022.

On 15 September 2019, the Defendant was ordered to (i) compensate the Plaintiff for an amount of RMB1,595,136 for the loss of rental income of the Unit for the period from 26 October 2011 to 25 June 2019 and (ii) bear the legal cost of approximately RMB29,000 (the “**September Judgement**”).

As at the Latest Practicable Date, the Plaintiff has filed for an appeal to further claim for damages with respect to the right of use of the Unit between 26 September 2011 and 24 October 2062.

The Defendant has also filed for an appeal with respect to the September Judgement. No court hearing date has been fixed as at the Latest Practicable Date. Based on a legal opinion obtained, the Defendant may be liable to potential damages of approximately RMB27,800,000 in aggregate in connection with the 2013 Litigation. As at the Latest Practicable Date, the Group has made provision of RMB27,800,000 for potential liability of the Claim.

In addition, the Group was involved in several litigations in relation to the construction of the Group’s properties under development in the PRC with several contractors and suppliers, who are independent third parties to the Company. Based on the view that the legal proceeding was still in progress and with reference to the legal opinion obtained from the Company’s PRC lawyer, the management considered that the likelihood for further outflow of resources of the Group was not probable.

Save as disclosed above, as at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group that would have a material adverse effect on the results of operation or financial condition of the Group.

#### **10. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any business days from the date of this circular up to and including 14 days (except public holidays) at the Company's principal place of business in Hong Kong situated at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong:

- (a) the Supplemental Deed;
- (b) the Convertible Bonds instrument;
- (c) the written consent as referred to in paragraph 8 of this appendix; and
- (d) this circular.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of Suncity Group Holdings Limited (the “**Company**”) will be held at Jade Room, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 3 December 2020 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

Capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 13 November 2020.

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the entering into of the Supplemental Deed (a copy of the Supplemental Deed having been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the Extension) be and are hereby approved, confirmed and ratified;
- (b) the Directors be and is/are hereby granted the specific mandate to allot and issue of the conversion shares upon exercise of the conversion rights attached to the Outstanding Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds as altered by the Supplemental Deed; and

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## NOTICE OF EGM

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- (c) any one or more Directors be and is/are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry out and implement the Supplemental Deed and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its Shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Supplemental Deed.”

By order of the Board  
**SUNCITY GROUP HOLDINGS LIMITED**  
**Chau Cheek Wa**  
*Chairman*

Hong Kong, 13 November 2020

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Unit 1705, 17/F., West Tower  
Shun Tak Centre  
168–200 Connaught Road Central  
Hong Kong

*Notes:*

1. Any Shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy must be deposited at the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The register of members of the Company will be closed from 30 November 2020 to 3 December 2020 (both days inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appears on the register of members of the Company on 3 December 2020 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 27 November 2020.

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## NOTICE OF EGM

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### PRECAUTIONARY MEASURES FOR THE EGM

At the time of publishing this notice the coronavirus (“**COVID-19**”) situation in Hong Kong is still developing and the situation at the time of the EGM is difficult to predict. The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends shareholders to appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible.

Should the coronavirus continue to affect Hong Kong at or around the time of the EGM, the Company may implement precautionary measures at the EGM in the interests of the health and safety of the attendees of the EGM which include without limitation:

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the EGM.
2. There will be compulsory body temperature screening for all persons before entering the EGM venue. Should anyone seeking to attend the EGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company reserves the right to refuse such person’s admission to the EGM.
3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be denied entry into the EGM venue and will not be allowed to attend the EGM.
4. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.
5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
6. No gifts, food or beverages will be provided at the EGM.
7. Company staff and representatives at the EGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
8. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the EGM arrangements at short notice. Shareholders should check the Company’s website.