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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 CONVERTIBLE BONDS

Financial adviser to the Company



Optima Capital Limited

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



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 23 to 44 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this circular.

A notice convening the EGM to be held at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:00 p.m. on Friday, 28 September 2018 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 22, 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. 3:00 p.m. on Wednesday, 26 September 2018) 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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Alteration”	the proposed extension of the maturity date of the Convertible Bonds from 7 December 2018 to 7 December 2020
“Amendment 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 Alteration
“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 Amendment Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“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
“CB Subscription Agreement”	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

DEFINITIONS

“Company”	Suncity Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1383)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	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
“Convertible Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$570,000,000 issued by the Company to Fame Select in accordance with the terms of the CB Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Friday, 28 September 2018 at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:00 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, approving the Amendment Agreement and the transactions contemplated thereunder
“Extended CB Maturity Date”	7 December 2020
“Fame Select”	Fame Select Limited, a company incorporated in BVI with limited liability, which was interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company, and the Controlling Shareholder of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“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, has been established to make recommendations to the Independent Shareholders in respect of the Amendment Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Fame Select, Mr. Chau, Mr. Cheng Ting Kong, and their respective associates
“Latest Practicable Date”	27 August 2018, 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 and an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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

Independent non-executive Directors:

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

Registered office:

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

Principal place of business

in Hong Kong:

Room 1201-1202, 12/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

30 August 2018

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

The Company refers to its announcements dated 20 September 2016, 13 October 2016, 14 November 2016 and 8 December 2016, and the circular of the Company dated 28 October 2016. 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

LETTER FROM THE BOARD

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. The Convertible Bonds are interest-free and convertible into Shares at the Conversion Price. As at the Latest Practicable Date, the Convertible Bonds in the principal amount of HK\$570,000,000 remained outstanding and would mature on 7 December 2018 pursuant to the original terms and conditions of the CB Subscription Agreement.

On 8 May 2018, the Company and Fame Select entered into the Amendment Agreement, to extend the maturity date of the outstanding Convertible Bonds by 24 months from 7 December 2018 to 7 December 2020. Save for the Alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

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

THE AMENDMENT AGREEMENT

On 8 May 2018, the Company and Fame Select entered into the Amendment Agreement, to extend the maturity date of the outstanding Convertible Bonds by 24 months from 7 December 2018 to 7 December 2020. Save for the Alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

Fame Select is owned as to 50% by Mr. Chau, the chairman of the Company and an executive Director, and as to 50% by Mr. Cheng Ting Kong. As at the Latest Practicable Date, Fame Select was interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company, and is the Controlling Shareholder of the Company. Fame Select is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

CONDITIONS PRECEDENT

The Amendment Agreement will only become effective upon all the following conditions having been fulfilled:

- (i) the approval of the Alteration as stipulated under the Amendment Agreement by the Stock Exchange;
- (ii) the passing of an ordinary resolution to approve the Alteration as stipulated under the Amendment Agreement by the Independent Shareholders at the extraordinary general meeting of the Company to be held and convened to approve the Amendment Agreement and the transactions contemplated thereunder; and
- (iii) all necessary consents and approvals required to be obtained on the part of the Company and Fame Select in respect of Alteration as stipulated under the Amendment Agreement.

In the event that the above conditions precedent are not fulfilled by 31 August 2018 (extended to 30 September 2018 by an extension letter dated 27 August 2018) (or such later date as may be agreed by the Company and Fame Select), the provisions of the Amendment Agreement shall become null and void. For the avoidance of doubt, the Convertible Bonds shall remain valid and effective in accordance with its terms. The Amendment Agreement and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

The principal terms of the Convertible Bonds after the Amendment Agreement become effective are as follows:

Issue price	:	100% of the principal amount of the Convertible Bonds.
Denomination	:	The Convertible Bonds shall be issued in authorised denomination of HK\$3,000,000 each and integral multiples thereof.
Principal Amount	:	HK\$570,000,000
Interest rate	:	Interest-free.
Maturity date:	:	7 December 2020 (i.e. the Extended CB Maturity Date), or if such date is not a Business Day, the next Business Day

LETTER FROM THE BOARD

Redemption : Any amount of the 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 Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Convertible Bonds specified therein, redeem the Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Convertible Bonds.

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

Conversion period : Provided that any conversion of the 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 Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Convertible Bonds, have the right at any time during the period commencing from the date of issue of the 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 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), which represents:

- (i) a discount of approximately 80.6% to the closing price of HK\$1.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM THE BOARD

- (ii) a discount of 75% to the closing price of HK\$1.04 per Share as quoted on the Stock Exchange on the date of the Amendment Agreement;
- (iii) a discount of 75% to the average closing price of HK\$1.04 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Amendment Agreement;
- (iv) a premium of 4.0% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement (i.e. 20 September 2016); and
- (v) a premium of approximately 3.2% over the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the CB Subscription Agreement.

The initial Conversion Price is subject to customary anti-dilution adjustment(s) contained in the terms of the 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 2,192,307,692 Conversion Shares will be issued upon full conversion of the Convertible Bonds.

LETTER FROM THE BOARD

The Conversion Shares represented:

- (i) approximately 36.41% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 26.69% of the issued share capital of the Company as enlarged by the issue of 2,192,307,692 Conversion Shares as at the Latest Practicable Date.

The Conversion Shares issued upon conversion of the 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.

Voting : The holder(s) of the 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 Convertible Bonds.

Transferability : The holder(s) of the Convertible Bonds may freely assign or transfer the Convertible Bonds to the transferee (who is not a restricted holder) subject to not less than five Business Days' prior notification to the Company. The 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 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 Convertible Bond, including making any necessary applications to the Stock Exchange for the said approval (if required).

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

- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Event of default : If any of the events of default set out in the terms and conditions of the Convertible Bonds occurs, the Company shall within ten (10) days of such event occurring give notice to the holder(s) of the Convertible Bonds. Within ten (10) days after the Company despatches the notice, the holder(s) of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable.

Save and except for the Alteration, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

REASONS AND BENEFITS FOR THE ALTERATION

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

LETTER FROM THE BOARD

The Convertible Bonds would mature on 7 December 2018 unless further extended. As at the Latest Practicable Date, Fame Select was interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company. As at the Latest Practicable Date, the Shares held by the public represented around 27.73% of the issued share capital of the Company. In the event that all the outstanding Convertible Bonds are converted, 2,192,307,692 Conversion Shares will be issued to Fame Select and it will be interested in 6,537,797,181 Shares (representing approximately 79.60% of the enlarged issued share capital of the Company), and the Company would be in breach of the public float requirement. Under the terms of the Convertible Bonds, Fame Select shall not be entitled to convert the Convertible Bonds if it will cause the Company to be in breach of the public float requirement. In light of the above, it appears that the Group could only either redeem the Convertible Bonds at maturity or extend the maturity date of the Convertible Bonds.

However, the Group's bank balances and cash as at 30 June 2018 amounted to approximately RMB41.7 million, which means the Group would not have sufficient cash to redeem the outstanding Convertible Bonds in the principal amount of HK\$570 million unless it could secure a substantial cash inflow during the period between the Latest Practicable Date and the original maturity date (i.e. 7 December 2018). In the event the Company has to redeem the Convertible Bonds at the original maturity date, the Group would face severe liquidity and cash flow problems, which would pose a significant impact on the operations and future development of the Group.

Set out below is business update of each of the Group's business segments.

Property Development

The Group is currently engaged in the development of residential and commercial properties in various locations in the PRC, namely in (i) Shenzhen, Guangdong Province, (ii) Fushun, Liaoning Province, and (iii) Chaohu, Anhui Province.

The Group currently holds certain unsold units of Le Paysage, a completed development project located in Shenzhen ("**Le Paysage**") through its wholly owned subsidiary, Shenzhen Zirui Real Estate Development Limited* (深圳市紫瑞地產開發有限公司) ("**Shenzhen Zirui**"), a single project company which has been set up for the sole purpose of property development of Le Paysage. The Group has launched the pre-sale of Le Paysage in 2013 and as at 30 June 2018, majority of the residential units in Le Paysage units has been sold, and 12 apartments, 22 villas, and some commercial units and shops remain unsold. The Company intends to continue with the sales of the remaining units of Le Paysage or dispose the entire or part of its equity interest in Shenzhen Zirui.

LETTER FROM THE BOARD

Further, in 2014, the Group entered into an agreement (the “**Fushun Agreement**”) with Fushun Land and Resource Bureau (撫順市國土資源局撫順經濟開發區分局) (“**Fushun Land Bureau**”) in relation to the acquisition of a parcel of land for commercial and residential use located at Hua Mao Jie Dong, Fushun Economic Development Zone in Liaoning Province (“**Fushun Project**”). Since the execution of the Fushun Agreement in 2014, the Group has been regularly monitoring the property market of Fushun with reference to the estimated development cost and the local economic and industry data. However, taking into account the stagnant development of Fushun, the Group is of the view that it is not an appropriate time to develop the Fushun Project. Subsequently, in October 2017, the Group received a letter headed “Notice of Proposed Withdrawal of Land Use Right” as the construction for the Fushun Project did not commence in accordance with the terms set out in the Fushun Agreement. In response, the Group applied to the Fushun Land Bureau for an extension of the construction deadline in December 2017 (the “**Extension Application**”) and was informed by the Fushun Land Bureau that it was required to further submit a construction plan of the Fushun Project in order to facilitate the Extension Application. The Group has approached several local construction and design companies to prepare the construction plan. As at the Latest Practicable Date, the Fushun Project remained at an initial design and planning stage. At present, the Group does not intend to apply additional working capital on Le Paysage, or the Fushun Project.

The Group intends to further develop a project acquired in late 2010, which is located in Chaohu, Anhui Province, the PRC (the “**Chaohu Project**”). The Chaohu Project comprises two phases and is originally scheduled to be completed by the second quarter of 2013. In late 2010, the Group commenced the construction for the residential units in phase 1 which comprise 46 blocks of either duplex residences or semi-detached villas, and a clubhouse, which cover a total gross floor area of approximately 64,177 square meters. However, the construction was delayed due to (i) delay in construction progress; and (ii) a suspension notice issued by Chaohu Housing And Urban And Rural Bureau Of Construction* (巢湖市住房和城鄉建設局) in mid-2014 due to its failure to meet the requirements of the General Rules of Chaohu Scenic Area* (巢湖風景名勝區總體規劃). In response to the suspension notice, the Group has undergone negotiations with the Chaohu local government in relation to the alteration of the development plan of the Chaohu Project and has submitted an application of alteration in February 2017. The Group has conducted several visits to the offices of the Chaohu local government to follow up on the resumption of construction plan of Chaohu Project since the submission, however no feedback was received.

As at the Latest Practicable Date, the structure of 36 blocks out of the originally planned 46 blocks under phase 1 had been completed, while the construction for phase 2 had not commenced.

In relation to the Chaohu Project, it is expected that the Group will recruit an additional 27 staff for Chaohu Project and apply additional capital of RMB150 million for alteration of phase 1 of Chaohu Project once the alteration issues are resolved and additional capital of RMB170 million for phase 2 of Chaohu Project. The additional capital of phase 2 of Chaohu Project is expected to be financed by the proceeds from the pre-sale of phase 1 of Chaohu Project.

The Group also intends to expand its property development business in Asia. Since the proposed acquisition of an approximately 34% interest in Hoi An South Development Ltd, which holds an integrated resort project in Hoi An, Vietnam (the “**Hoi An Project**”) as set out in the circular of the Company dated 1 November 2017, the Group has been exploring the possibility of acquiring lands in the phase 2 or 3 of Hoi An Project for property development purposes. The Group will commence negotiations with the vendors upon the completion of the acquisition of the Hoi An Project.

LETTER FROM THE BOARD

Property Leasing

The Group holds a portion of a commercial podium, a commercial unit on basement level 1 and three residential units of Hong Long Plaza (“**Hong Long Plaza**”), a commercial and residential complex in Shenzhen which is currently leased to third parties. Due to the decrease in the occupancy rate as well as the decrease in the fair value of the investment properties of the Disposal Group, this segment recorded a segment loss of approximately RMB7.55 million for the year ended 31 December 2017. In light of the increase in the supply of retail spaces in Shenzhen and the shift from in-store retail to online shopping which may drive down rental prices of commercial units, the Board is not optimistic about the property leasing market in Shenzhen and believes it is unlikely that the property leasing segment will turn around from its loss making position. In view of such, the Group may dispose the entire or part of its interest in Hong Long Plaza when a suitable opportunity arises in order to realise its investment and to focus its resources on other business segments of the Group.

Hotel and Integrated Resort Management and Consultancy Services

The Group has commenced the provision of consultancy and management services in 2017 and has been expanding its hotel and integrated resort management and consultancy services business since its commencement.

In September 2017 and February 2018, the Group entered into technical services agreements with Van Don Sun Joint Stock Company and Hoi An South Development Ltd. (the “**Hoi An ProjectCo**”) in relation to provision of consultancy and management services in an integrated resort in Van Don District, Vietnam and the Hoi An Project, respectively.

In addition, as set out in the announcement of the Company dated 22 June 2017, the provision of the consultancy and management services to the Hoi An Project is separated into two stages, namely (i) the provision of pre-opening services (i.e. the aforesaid technical services agreement); and (ii) provision of management of the casino and/or F&B facilities after the opening of the casino. It is expected that the casino of the Hoi An Project will be opened in or before July 2019, upon which the Group and Hoi An ProjectCo may enter into a management services agreement in relation to the provision of management services to the casino.

As the Board possess extensive business network and in-depth knowledge in the gaming industry, they will be actively assisting the Group to identify new business opportunities for expanding this business segment.

LETTER FROM THE BOARD

Travel Agency Business

In relation to its travel agency business, it is mainly focused on Macau tourists at present. In order to reach a wider range of customers, the Group has established a wholly foreign-owned enterprise (the “WFOE”) in the PRC in April 2018 with a paid-up capital of RMB3,000,000 for expansion of the agency business. The WFOE has established a support centre in Zhuhai, the PRC in July 2018, around 6 staff have been recruited as at the Latest Practicable Date for provision of comprehensive customer services to the customers and more staff shall be recruited in the near future. In addition, the Group has set aside a budget of HK\$15 million for development of a mobile app so that the customers could reserve hotel rooms, purchase ferry tickets, concert tickets and other travel related products on the mobile app. The mobile app will also incorporate an instant messaging function to provide prompt online customer services. It is expected that the mobile app will be launched in the fourth quarter of 2018.

Furthermore, the Group also plans to expand its travel agency business with an aim to provide one-stop shopping experience to customers, including but not limited to arranging personal concierge services, holiday planning, reservation of hotel rooms and provision of private jet services. The Group intends to deploy approximately HK\$200 million to acquire certain second-hand private jets by end of 2018 in order to provide private jet services for flight routes between Macau and other Asian countries. It is expected that the Group will recruit additional staff for the aforesaid expansion and will enter into cooperation agreement with aviation companies for operation of the private jets.

In order to implement the abovementioned potential investments and business opportunities, it is expected that there may be future capital requirements in the near future. To ensure the Company has sufficient working capital, the Group has to on one hand raise funds by conducting fundraising exercises and/or securing loan facility from banks or the controlling shareholders of the Company and on the other hand reduce its cash outflow.

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 Alteration. Set out below is the details in relation to each of the fundraising alternatives conducted by the Group.

(i) *Equity Financing*

During November to December 2017, the Group was in negotiations with an Asian brokerage firm and an investment bank as placing agents (the “Placing Agents”) and Fame Select regarding the proposed top-up placing and subscription arrangement. It was proposed that the Placing Agents would assist the Company to place a certain number of existing Shares under general mandate held by Fame Select to independent placees at a price representing a slight discount to the then prevailing market prices of the Shares and Fame Select would subscribe for the same number of new shares to be issued by the Company at the same price, and the proceeds would amount to approximately HK\$390 million. However, due to the then volatile market conditions, the parties failed to agree the terms of the proposed placing and subscription arrangement and the negotiations fell through.

LETTER FROM THE BOARD

(ii) *Bank Borrowings*

In August 2017, the Group approached a financial institution in PRC (the “**PRC Bank**”) and discussed with a branch manager and deputy branch manager from one of the branches, in relation to the possibility of obtaining a bank loan in the amount of RMB600 million by pledging the investment properties of the Group, which is already serving as collateral for an existing loan with the outstanding principal amount of approximately RMB463 million from PRC Bank (the “**Existing Loan**”) as at 30 June 2017. However, due to the fact that (i) the subsidiary of the Company which holds the investment properties, Sun Century Property Group Company Limited* (太陽世紀地產集團有限公司), was involved in certain litigations (details of which are set out in the announcements of the Company dated 26 July 2017, 23 February 2018 and the annual report of the Company for the year ended 31 December 2017); and (ii) the rental income of the investment properties did not increase during the six months ended 30 June 2017 which implied the repayment ability of Sun Century Property Group Company Limited did not increase, the branch manager stated that the PRC Bank would not grant the Group another bank loan. He also reminded the Company that if the Company intended to obtain loans from another financial institution by pledging the said investment properties (which is already serving as collateral for the Existing Loan from the PRC Bank), the Group is required to obtain the prior consent from the PRC Bank, which will be subjected to lengthy procedures and uncertainties.

In July 2018, the Group approached the PRC Bank again and discussed with a customer manager in relation to the possibility of obtaining a bank loan in the amount of RMB600 million to RMB800 million for a period of 3 years by pledging certain equity interest of Access Achievement Limited, a wholly-owned subsidiary of the Group, the principal assets of which are certain unsold residential units, shops, and the clubhouse in Le Paysage, a property development project located in Shenzhen, and the investment properties of the Group (which is already serving as a collateral for the Existing Loan). However, the application has not been processed because (i) the bank has doubt in the Group’s repayment ability in view of the fact that the rental income of the investment properties did not increase for the year ended 31 December 2017; and (ii) it is unlikely for the PRC Bank to approve a loan which is solely guaranteed by interests in a subsidiary of a listed issuer.

In July 2018, the Group also approached another financial institution in Hong Kong and discussed with a senior relationship manager, in relation to the application of a bank loan or facility in the range of HK\$600 million to HK\$700 million. However, the application has not been processed due to the net current liabilities position of the Group as at 31 December 2017, and/or the fact that the proposed properties to be pledged as collateral, including the unsold residential units, shops, and the clubhouse of Le Paysage and the investment properties of the Group, were located in the PRC and may involve lengthy due diligence procedures.

LETTER FROM THE BOARD

Based on the aforesaid experience and having considered the facts that (i) the Group had a net current liabilities position as at 31 December 2017; (ii) the proceeds from the subscription 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 equity capital market has been volatile since the beginning of June 2018 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 2018 for the purpose of repayment of the outstanding Convertible Bonds.

Furthermore, the Company has identified 19 other listed companies which have issued convertible bonds during the last three months prior to and including 8 May 2018, being the date of the Amendment Agreement. Out of the 19 aforesaid convertible bonds issued, 14 convertible bonds were not interest-free and have interest rates ranging from 2% to 10%. Accordingly, even if the Company is able to find investors for the issue of new convertible bonds in the unlikely event, given the financial position of the Company, the Board is of the view that the issue of new convertible bonds will need to bear a high interest rate and increase interest expenses of the Company significantly, which will further deteriorate the financial position of the Group.

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 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 Alteration would allow the Group to delay the outflow of HK\$570 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.

Although the Conversion Price of HK\$0.26 represents a discount of 75% to the closing price of HK\$1.04 per Share as quoted on the Stock Exchange on the last trading day prior to the date of the Amendment Agreement, 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 31 December 2017 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 Convertible Bonds are interest-free; and (v) the extension of the maturity date of the Convertible Bonds would ease the immediate financial pressure of the Group, the Group agreed to maintain the Conversion Price of the Convertible Bonds which was mutually agreed between the Company and Fame Select at the time of entering into the CB Subscription Agreement instead of adjusting the conversion price at the time of the entering into of the Amendment Agreement.

LETTER FROM THE BOARD

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 as set out above 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 as set out above 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 Convertible Bonds. Further, a 24-month extension will also allow enough flexibility for the Group to conduct fundraising activities which may reduce the shareholding of Fame Select, and in turn allow Fame Select to convert the Convertible Bonds.

In light of the above, the Board is of the view that the Amendment Agreement 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 Amendment Agreement are fair and reasonable and the Alteration is in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the Convertible Bonds is as follows:

	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds (at the Conversion Price)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Fame Select	4,345,489,489 <i>(note 1)</i>	72.17	6,537,797,181	79.60
Mr. Lo Kai Bong	4,840,000 <i>(note 2)</i>	0.08	4,840,000	0.06
Mr. Au Chung On John and his associate	400,000 <i>(note 3)</i>	0.01	400,000	0.01
Mr. Manuel Assis Da Silva and his associate	810,000 <i>(note 4)</i>	0.01	810,000	0.01
Public shareholders	<u>1,669,279,411</u>	<u>27.73</u>	<u>1,669,279,411</u>	<u>20.32</u>
Total	<u><u>6,020,818,900</u></u>	<u><u>100.00</u></u>	<u><u>8,213,126,592</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong are deemed to be interested in the 4,345,489,489 Shares held by Fame Select.
2. This represents 4,840,000 Shares held by the Mr. Lo Kai Bong, an executive Director.
3. This represents 400,000 Shares held by the spouse of Mr. Au Chung On John, an executive Director, and Mr. Au Chung On John is therefore deemed to be interested in such shares.
4. This represents 290,000 Shares held by Mr. Manuel Assis Da Silva, an executive Director, and 520,000 Shares held by the spouse of Mr. Manuel Assis Da Silva. Both Mr. Manuel Assis Da Silva and his spouse are therefore deemed to be interested in 810,000 Shares.

LISTING RULES IMPLICATIONS

Fame Select is owned as to 50% by Mr. Chau, the chairman of the Company and an executive Director, and as to 50% by Mr. Cheng Ting Kong. As at the Latest Practicable Date, Fame Select was interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company, and is the Controlling Shareholder of the Company. Fame Select is therefore regarded as connected person of the Company under the Listing Rules and the Alteration 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.

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. The Company has made an application for the approval of the Alteration.

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fan 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 Amendment Agreement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Amendment Agreement 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 pages 21 to 22 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 23 to 44 of this circular.

LETTER FROM THE BOARD

EGM AND VOTING

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

As at the Latest Practicable Date, Fame Select was interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company, and is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong are deemed to be interested in the 4,345,489,489 Shares held by Fame Select, representing approximately 72.17% of the existing issued share capital of the Company. Accordingly, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Agreement 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 or Directors are required to abstain from voting at the EGM in respect of the Amendment Agreement and the transactions contemplated thereunder. Mr. Chau has also abstained from voting in respect of the relevant Board resolution relating to the Amendment Agreement and the transactions contemplated thereunder.

A notice convening the EGM to be held at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:00 p.m. on Friday, 28 September 2018 is set out on page EGM-1 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 22, 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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains its recommendation to the Independent Shareholders in relation to the Amendment Agreement and the transactions contemplated thereunder, and the letter from Astrum set out on pages 23 to 44 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

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 of the Amendment Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Agreement, 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 Amendment Agreement 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 August 2018

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 30 August 2018 (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 Alteration. 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 Amendment Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Agreement, 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Amendment Agreement 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

LETTER FROM ASTRUM



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

30 August 2018

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 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 extension of the maturity date of the outstanding convertible bonds (the “**Convertible Bonds**”) issued by the Company to Fame Select Limited (“**Fame Select**”) by 24 months from 7 December 2018 to 7 December 2020 (the “**Alteration**”). The details of the Alteration were disclosed in the announcement of the Company dated 8 May 2018 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 4 to 20 of the circular of the Company dated 30 August 2018 (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.

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. The Company has made an application for the approval of the Alteration.

LETTER FROM ASTRUM

Fame Select is owned as to 50% by Mr. Chau, the chairman of the Company and an executive Director, and as to 50% by Mr. Cheng Ting Kong. As at the Latest Practicable Date, Fame Select was interested in 4,345,489,489 Shares, representing approximately 72.17% 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 Alteration 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 Alteration. Fame Select, Mr. Chau, Mr. Cheng Ting Kong, and their respective associates shall abstain from voting on the ordinary resolution in relation to the Amendment Agreement 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 or Directors are required to abstain from voting at the EGM in respect of the Amendment Agreement and the transactions contemplated thereunder. Mr. Chau has also abstained from voting in respect of the relevant Board resolution relating to the Amendment Agreement 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 formed to advise the Independent Shareholders as to whether (i) the terms of the Amendment Agreement is fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Amendment Agreement is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser 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 Amendment Agreement, the CB Subscription Agreement, the circular of the Company dated 28 October 2016 in relation to the issue of the Convertible Bonds (the "**2016 Circular**"), the annual reports of the Company for the financial year ended 31 December 2016 and 2017 (respectively the "**2016 Annual Report**" and "**2017 Annual Report**") and the interim results announcement of the Company for the six months ended 30 June 2018 (the "**2018 Interim Results Announcement**"). 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 Amendment Agreement, 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.

LETTER FROM ASTRUM

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 Amendment Agreement 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 Amendment Agreement. 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 RMB1.000 to HK\$1.232.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, 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 the entering into of (i) the Hotel Accommodation Procurement Agreement, details of which were set out in the circular of the Company dated 8 March 2017; (ii) the Revised HAP Agreement, details of which were set out in the circular of the Company dated 5 June 2017; and (iii) the Acquisition Agreement, details of which were set out in the circular of the Company dated 1 November 2017), 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 Alteration, 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 Alteration and the transactions contemplated thereunder.

LETTER FROM ASTRUM

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

The group currently engages in four operating segments, respectively (i) property development activities, where the Group develops and sells properties in the PRC; (ii) property leasing, where the Group leases retail properties to generate rental and management fee income; (iii) hotel and integrated resort management and consultancy services, where the Group provides hotel and integrated resort management and consultancy services to generate service income; and (iv) the travel related products and services, where the Group sells travel related products and provide travel agency services.

The table below summarizes the audited consolidated financial results of the Group for the years ended 31 December 2015, 2016 and 2017 (“FY2015”, “FY2016” and “FY2017”, respectively) as extracted from the 2016 Annual Report and the 2017 Annual Report and for the six months ended 30 June 2017 and 2018 (“PE2017” and “PE2018”, respectively) as extracted from the 2018 Interim Results Announcement:

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

	FY2015	FY2016	FY2017	PE2017	PE2018
	(audited)	(audited)	(audited)	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)	(Restated)		(Restated)	
Revenue	777,211	1,108,841	544,708	362,351	456,024
– Property development	714,992	1,048,519	132,543	223,340	169,635
– Property leasing	61,671	59,079	55,513	28,042	27,080
– Hotel and integrated resort management and consultancy services	548	–	2,539	–	8,494
– Travel related products and services	–	1,243	354,113	110,969	250,815
Gross profit	320,581	543,996	182,050	204,916	176,859
Profit/(loss) before taxation	(230,606)	(393,452)	262,084	(528,307)	(1,565,218)
Profit/(loss) for the year attributable to owners of the Company	(391,185)	(702,236)	197,002	(632,324)	(1,648,052)

LETTER FROM ASTRUM

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 June 2018
	(audited)	(audited)	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)	(Restated)		
Bank balances and cash	27,768	143,439	302,557	41,694
Non-current assets	2,274,831	1,970,453	1,834,649	1,854,438
Current assets	1,342,918	1,004,600	1,084,052	760,350
Current (liabilities)	(3,363,623)	(2,277,216)	(2,403,566)	(3,756,408)
Net current (liabilities)	(2,020,705)	(1,272,616)	(1,319,514)	(2,996,058)
Non-current (liabilities)	(821,393)	(1,170,883)	(762,950)	(749,757)
Total assets	3,617,749	2,975,053	2,918,701	2,614,788
Total (liabilities)	(4,185,016)	(3,448,099)	(3,166,516)	(4,506,165)
Net (liabilities)	(567,267)	(473,046)	(247,815)	(1,891,377)

(i) FY2016 vs FY2015

Revenue of the Group increased from approximately RMB777.2 million for FY2015 to approximately RMB1,108.8 million for FY2016, representing a year-on-year increase of approximately 42.7%. Such increase was mainly due to the revenue from property development segment in FY2016 increased by approximately 46.6% to approximately RMB1,048.5 million. In FY2016, the Group delivered residential units with gross floor area of approximately 23,489 m², as compared with 19,925 m² in FY2015.

As a result of the increase in turnover, the Group's gross profit increased by approximately 69.7% from approximately RMB320.6 million in FY2015 to approximately RMB544.0 million in FY2016.

Notwithstanding the increase in gross profit, the Group's loss-making position further deteriorated during FY2016. In FY2016, the Group recorded loss attributable to owners of the Company of approximately RMB702.2 million, representing an increase of approximately 79.5% as compared to loss of approximately RMB391.2 million for FY2015. Such deterioration was mainly attributable to (i) the impairment loss of approximately RMB316.3 million recognised in respect of deposits for non-current assets; (ii) the increase in income tax expense from RMB161.5 million in FY2015 to approximately RMB318.9 million in FY2016; (iii) the impairment loss of approximately RMB99.3 million recognised in respect of prepayment for land use right; and (iv) the reduction of increment in fair value of investment properties by approximately RMB55.0 million, and such deterioration was partially offset by the reduction of finance costs by approximately RMB104.3 million.

LETTER FROM ASTRUM

As at 31 December 2016, the Group had total assets of approximately RMB2,975.1 million, total liabilities of approximately RMB3,448.1 million and net liabilities of approximately RMB473.0 million. As at 31 December 2016, the Group's bank balances and cash amounted to approximately RMB143.4 million.

(ii) FY2017 vs FY2016

Revenue of the Group decreased significantly from approximately RMB1,108.8 million for FY2016 to approximately RMB544.7 million for FY2017, representing a decrease of approximately 50.9%. Such decrease was mainly due to the lower contributions from property development in FY2017 with segment revenue tumbled approximately 87.4% to approximately RMB132.5 million. In FY2017, the Group delivered residential units with gross floor area of approximately 1,202 m², as compared with 23,489 m² in FY2016.

The Group has been actively developed the travel agency business since FY2016. The sale of hotel accommodation products and ferry tickets increased significantly during FY2017 with segment revenue surged from approximately RMB1.2 million to approximately RMB354.1 million. In FY2017, the Group introduced a new revenue source through provision of technical and pre-opening services to integrated resorts, which brought approximately RMB2.5 million revenue in FY2017.

Due to the significant drop in turnover, the Group's gross profit also declined by approximately 66.5% from approximately RMB544.0 million for FY2016 to approximately RMB182.1 million for FY2017.

Notwithstanding the decrease in gross profit, the Group's loss-making position turnaround from loss of approximately RMB702.2 million in FY2016 to profit attributable to owners of the Company of approximately RMB197.0 million in FY2017. Such improvement was mainly attributable to (i) the reversal of impairment loss of approximately RMB438.0 million recognised in respect of deposits for non-current assets in FY2017 (FY2016: impairment loss of approximately RMB316.3 million); (ii) the reversal of provisions for litigations of approximately RMB289.2 million in FY2017 (FY2016: provisions of RMB130.8 million); (iii) the lower income tax expense of approximately RMB65.2 million in FY2017 (FY2016: approximately RMB318.9 million); (iv) no impairment loss was recognised in respect of prepayment for land use right in FY2017 (FY2016: impairment loss of approximately RMB99.3 million); and (iv) the lower finance cost of approximately RMB118.0 million in FY2017 (FY2016: approximately RMB192.1 million), and such improvement was partially offset by (i) the loss in fair value of derivative financial instrument of the Convertible Bonds of approximately RMB329.9 million (FY2016: gain in fair value of approximately RMB17.7 million); (ii) the loss of fair value of investment properties by approximately RMB7.1 million (FY2016: gain in fair value of approximately RMB40.0 million).

LETTER FROM ASTRUM

As at 31 December 2017, the Group had total assets of approximately RMB2,918.7 million, total liabilities of approximately RMB3,166.5 million and net liabilities of approximately RMB247.8 million. As at 31 December 2017, the Group's bank balances and cash amounted to approximately RMB302.6 million.

(iii) PE2018 vs PE2017

Revenue of the Group increased from approximately RMB362.4 million for PE2017 to approximately RMB456.0 million for PE2018, representing an increase of approximately 25.8%. The sale of travel related products and services increased significantly during PE2018 with segment revenue increased by approximately 2.26 times from approximately RMB111.0 million for PE2017 to approximately RMB250.8 million for PE2018. For PE2018, the new revenue source through provision of hotel and integrated resort management and consultancy services contributed approximately RMB8.5 million revenue. However, revenue from the property development segment decreased by approximately 24.0% from approximately RMB223.3 million for PE2017 to approximately RMB169.6 million for PE2018. Such decrease was due to the decrease in sale of gross floor area of villa which was of higher selling price.

Despite the increase in revenue for PE2018, the Group's gross profit dropped by approximately 13.7% from approximately RMB204.9 million for PE2017 to approximately RMB176.9 million for PE2018.

For PE2018, the Group recorded a significant loss attributable to owners of the Company of approximately RMB1,648.1 million, representing a surge of approximately 160.7% as compared to loss of approximately RMB632.3 million for PE2017. Such significant loss was mainly attributable to the loss in fair value of derivative financial instrument of the Convertible Bond of approximately RMB1,572.6 million for PE2018 (PE2017: loss in fair value of approximately RMB628.5 million).

As at 30 June 2018, the Group had total assets of approximately RMB2,614.8 million, total liabilities of approximately RMB4,506.2 million and net liabilities of approximately RMB1,891.4 million. As at 30 June 2018, the Group's bank balances and cash amounted to approximately RMB41.7 million.

LETTER FROM ASTRUM

2. Information on Fame Select

Fame Select is an investment holding company incorporated in the BVI with limited liability, which is interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company, and the Controlling Shareholder of the Company as at the Latest Practicable Date. Fame Select Limited is owned as to 50% by Mr. Chau, the chairman of the Company and an executive Director, and 50% by Mr. Cheng Ting Kong.

3. Background of and reasons for the entering into the Amendment Agreement

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.

The Convertible Bonds are interest-free and are convertible into the Conversion Shares at a conversion price of HK\$0.26 per conversion share (the “**Conversion Price**”). Any amount of the Convertible Bonds which remains outstanding on the date falling two (2) years from the date of issue of the Convertible Bonds (the “**Original Maturity Date**”) (i.e. 7 December 2018) 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, please refer to the 2016 Circular.

LETTER FROM ASTRUM

During the preparation of the 2017 Annual Report, the Management were aware of the forthcoming maturity of the Convertible Bonds in December 2018. As at 31 December 2017, the Group had net current liabilities of approximately RMB1,319.5 million and net liabilities of approximately RMB247.8 million. Bank balances and cash of the Group amounted to approximately RMB302.6 million as at 31 December 2017, which was further reduced by RMB235 million in February 2018 after the settlement of bank claim as disclosed in the announcement of the Company dated 23 February 2018. Bank balances and cash of the Group as at 30 June 2018 amounted to approximately RMB41.7 million (equivalent to approximately HK\$51.4 million) and the normal operation of the Group would require working capital of approximately RMB9 million per month. We have obtained from the Management a working capital forecast of the Group (“**WC Forecast**”) for the period from May 2018 to April 2019. According to the WC Forecast, the Group’s average working capital is RMB9 million per month, which is in line with the average monthly administrative cost of the Group in FY2017.

In addition, we have discussed with the Management regarding the development plan of the Group in the next twelve months and were given to understand that the Group has actively been contemplating to explore and invest in potential projects and business opportunities with good potential. The following table summarizes the Group’s development plan for the next twelve months:

Development details	Estimated working capital required
1. To alter the development plan of the property development project located at Chaohu City, Anhui Province, the PRC (the “ Chaohu Project ”)	Approximately RMB150 million (equivalent to approximately HK\$184.8 million) for alteration of phase 1 of the Chaohu Project
2. Capital injection to the integrated resort project in Hoi An, Vietnam (the “ Hoi An Project ”) (details of the Hoi An Project were set out in the circular of the Company dated 1 November 2017)	Approximately US\$26.22 million (equivalent to approximately HK\$204.7 million) for capital injection
3. Provision of private jet services for flight routes between Macau and other Asian countries	Approximately HK\$200 million for acquisition of certain second-hand private jets

LETTER FROM ASTRUM

For further details of the Group's development plan, please refer to the paragraph headed "Reasons and benefits for the alteration" in the Letter from the Board. We have obtained and reviewed the relevant supporting documents of the Group's development plan, and agree with the Management that the Group should maintain sufficient working capital for its operation and future expansion for the next twelve months.

Given that (i) the principal amount of the outstanding Convertible Bonds of approximately HK\$570 million represents approximately 11 times of the bank balances and cash of the Group of approximately RMB41.7 million (equivalent to approximately HK\$51.4 million) as at 30 June 2018; (ii) the financial positions of the Group as at 31 December 2017 and 30 June 2018 were in deficit; (iii) the normal operation of the Group requires working capital; and (iv) the development plan of the Group as discussed above, the Management envisaged that the Group would face severe liquidity and cash flow problems if it had to redeem the outstanding Convertible Bonds in the principal amount of HK\$570 million before the Original Maturity Date.

The Management then commenced negotiation with Fame Select on other feasible and permissible way to deal with the maturity of the Convertible Bonds other than the demand of cash redemption. As mentioned in the Letter from the Board, Fame Select is interested in 4,345,489,489 Shares, representing approximately 72.17% of the existing issued share capital of the Company. As at the Latest Practicable Date, the Shares held by the public represented around 27.73% of the issued share capital of the Company. In the event that all the outstanding Convertible Bonds are converted, 2,192,307,692 Conversion Shares will be issued to Fame Select and it will be interested in 6,537,797,181 Shares (representing approximately 79.60% of the enlarged issued share capital of the Company), and the Company would be in breach of the public float requirement. Under the terms of the Convertible Bonds, Fame Select shall not be entitled to convert the Convertible Bonds if it will cause the Company to be in breach of the public float requirement. In light of the above, it appears that the Group could only either redeem the Convertible Bonds at maturity or extend the maturity date of the Convertible Bonds. In view of the financial position and the working capital needs of the Group, on 8 May 2018, the Company and Fame Select, after arm's length negotiation, entered into the Amendment Agreement, to extend the maturity date of the outstanding Convertible Bonds by 24 months from 7 December 2018 ("**Original Maturity Date**") to 7 December 2020 ("**Extended Maturity Date**") without alteration of other terms and conditions of the Convertible Bonds.

LETTER FROM ASTRUM

We were advised by the Management that the extension of 24-month period was mutually agreed by the Group and Fame Select taking into account that (i) 12-month period is relatively short that the Group may not have sufficient time to resort a proper solution to deal with the maturity of the Convertible Bonds and carry out its development plan as set out above; (ii) 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 Convertible Bonds; and (iii) 24-month period is a relatively optimal time frame for the Group to develop its existing business and generate sufficient cash flow and/or arrange other fund raising exercises to deal with the maturity of the Convertible Bonds, and is acceptable to Fame Select.

Upon enquiry, the Management advised us that they had considered other fund raising methods to satisfy the cash redemption of the Convertible Bonds (such as by way of bank borrowings and equity financing) other than the Alteration. The Company attempted to obtain bank loans or facilities by approaching a financial institution in PRC in August 2017 and July 2018, and another financial institution in Hong Kong in July 2018. However, the application made in August 2017 was denied due to the fact that (i) the subsidiary of the Company which holds the investment properties, Sun Century Property Group Company Limited (太陽世紀地產集團有限公司), was involved in certain litigations, details of which are set out in the announcements of the Company dated 26 July 2017, 23 February 2018, and the 2017 Annual Report; and (ii) the rental income of the investment properties did not increase during the six months ended 30 June 2017 which implied that the repayment ability of Sun Century Property Group Company Limited did not increase. Subsequently, the two applications made in July 2018 were also denied by the financial institutions due to hesitation in the Group's repayment abilities and the net current liabilities position of the Group as at 31 December 2017. Taking into account the said prior experience with banks, the Board is of the view that the application for bank loans will be subject to lengthy due diligence and negotiations and in the event the Group successfully obtain a bank loan, it is likely that the banks will impose a high interest rate, which would incur a heavy interest burden to the Group. 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 December 2017, the effective interest rate per annum of bank borrowings of the Group was 5.64%. Given the Convertible Bonds is interest free, we consider that the Alteration is a more favorable option to the Group when comparing with raising extra bank loans.

LETTER FROM ASTRUM

In addition, the Group also attempted to conduct equity financing during November to December 2017 by approaching an Asian brokerage firm and an investment bank as placing agents and Fame Select to raise fund through top-up placing and subscription arrangement. However, due to the then volatile market conditions, the parties failed to agree the terms of the proposed placing and subscription arrangement and the negotiations fell through. Based on the aforesaid experience and having considered the facts that (i) the Group has a net current liabilities position as at 31 December 2017; (ii) the proceeds from the subscription 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 equity capital market has been volatile since the beginning of June 2018 and the abovementioned factors, the Board is of the view that it would be difficult for the Company to attract investors to subscribe for the 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 for the purpose of repayment of the outstanding Convertible Bonds and conduct equity fundraising exercise in 2018. We concur with the Management's view that equity financing is not a feasible and favorable financing alternative to the Company.

We have also enquired the Management if they had considered partial repayment of the Convertible Bonds before the Original Maturity Date. The Management advised us that the bank balances and cash level as at 30 June 2018 was just sufficient for the normal operation of the Group. Given that the Convertible Bonds is interest free, the Management would rather extend the entire amount of the Convertible Bonds. Having considered the facts that (i) the principal amount of the outstanding Convertible Bonds of approximately HK\$570 million represents approximately 11 times of the bank balances and cash of the Group of approximately RMB41.7 million (equivalent to approximately HK\$51.4 million) as at 30 June 2018; (ii) the financial positions of the Group as at 31 December 2017 and 30 June 2018 were in deficit; (iii) the normal operation of the Group requires working capital; (iv) Fame Select is not allowed to convert in full the outstanding Convertible Bonds before the Original Maturity Date as it would result in breach of Listing Rules; (v) it is difficult for the Company to obtain new borrowings on terms satisfactory to the Group; (vi) equity financing is not a feasible and favorable financing alternative to the Company; (vii) the Convertible Bonds is interest free which is a more favorable term to the Group when comparing with other fund raising methods; and (viii) the bank balances and cash level as at 30 June 2018 was just sufficient for the normal operation of the Group, we concur with the Management's view that the extension of maturity of the entire outstanding principal amount of the Convertible Bonds by 24 months is the most desirable way to deal with the forthcoming maturity of the Convertible Bonds and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASTRUM

4. Principal terms of the Amendment Agreement and the Convertible Bonds

Pursuant to the Amendment Agreement, the maturity date of the Convertible Bonds shall be extended by a period of 24 months, such that the maturity date of the Convertible Bonds will become 7 December 2020. As advised by the Management, the Alteration was arrived at after arm's length negotiations between the Company and Fame Select. Save and except for the Alteration as mentioned above, all other terms and conditions of the outstanding Convertible Bonds shall remain unchanged.

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

Conversion price:	HK\$0.26 per Conversion Share (subject to adjustments), which represents (i) a discount of 75% to the closing price of HK\$1.04 per Share as quoted on the Stock Exchange on the date of the Amendment Agreement (i.e. 8 May 2018); and (ii) a premium of 4.0% over the closing price of HK\$0.250 as quoted on the Stock Exchange on the date of the CB Subscription Agreement (i.e. 20 September 2016)
Interest:	Interest-free
Original Maturity Date:	7 December 2018, being the date falling two (2) years from the date of issue of the Convertible Bonds
Extended CB Maturity Date:	7 December 2020
Conversion period:	Provided that any conversion of the 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 Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Convertible Bonds, have the right at any time during the period commencing from the date of issue of the 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 Convertible Bonds registered in its name into Shares at the Conversion Price.

LETTER FROM ASTRUM

Redemption:

Any amount of the 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 Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Convertible Bonds specified therein, redeem the Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Convertible Bonds.

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

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

In order to assess the fairness and reasonableness of the terms of the Convertible Bonds, we have identified a list of issue and subscription of convertible bonds/notes exercises as announced by companies listed on the Stock Exchange (the “**Comparables**”) during the last three months prior to and including 8 May 2018, being the date of the Amendment Agreement. To the best of our knowledge and as far as we are aware of, we identified 19 transactions which were announced during the said three-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 and thus, the Comparables are only used to provide a general reference for the recent market practice of listed companies in Hong Kong in relation to the issue and subscription of convertible bonds/notes exercises. The following table sets forth the relevant details of the Comparables:

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Table 2: Details of the Comparables

Date of announcement	Name of Company	Stock code	Duration (years)	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)
13/02/2018	Guoan International Limited	143	1.0	(3.70)	3.80
13/02/2018	Guoan International Limited	143	2.0	(3.70)	3.80
13/02/2018	Guoan International Limited	143	3.0	(3.70)	3.80
28/02/2018	China Titans Energy Technology Group Co., Limited	2188	2.25 (Note 1)	33.71 (Note 1)	4.75 (Note 1)
01/03/2018	AMAX International Holdings Limited	959	1.0	(7.69)	0.00
05/03/2018	Beijing Gas Blue Sky Holdings Limited	6828	2.0	(3.39)	2.00
08/03/2018	Value Convergence Holdings Limited	821	3.0	(44.68)	2.00
20/03/2018	Burwill Holdings Limited	24	1.5	(9.86)	7.00
20/03/2018	LT Commercial Real Estate Limited	112	Perpetual	(7.20)	2.00
					(Note 2)
17/04/2018	TUS International Limited	872	5.0	(11.97)	0.00
23/04/2018	Semiconductor Manufacturing International Corporation	981	Perpetual	20.11	2.00
24/04/2018	China Ruifeng Renewable Energy Holdings Limited	527	1.0 (Note 3)	(17.80)	6.50
24/04/2018	Techcomp (Holdings) Limited	1298	5.0	6.22 (Note 4)	3.50
25/04/2018	South Sea Petroleum Holdings Limited	76	10.0	25.00	0.00
26/04/2018	China Creative Global Holdings Limited	1678	3.0	4.20	0.00
02/05/2018	SMI Holdings Group Limited	198	2.0 (Note 5)	13.24	7.50

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Date of announcement	Name of Company	Stock code	Duration (years)	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)
03/05/2018	Global Strategic Group Limited	8007	2.0	7.41	10.00
04/05/2018	Zhongsheng Group Holdings Limited	881	5.1	31.93 (Note 6)	0.00
08/05/2018	China Environmental Energy Investment Limited	986	1.0 (Note 7)	18.64	5.00
		Maximum:	Perpetual	33.71	10.00
		Minimum:	1.0	(44.68)	0.00
		Median:	2.0	(3.39)	3.5
			(Note 8)		
		Average:	2.9	2.46	3.35
			(Note 8)		
	Convertible Bonds:		4.0	(75.00)	0.00
			(Note 9)	(Note 10)	

Source: the website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. *According to the announcement of China Titans Energy Technology Group Co., Limited (stock code: 2188) (“China Titans Energy”) dated 28 February 2018 (the “CTE Announcement”), the maturity date of the outstanding convertible notes issued by China Titans Energy on 29 February 2016 will be extended from 1 March 2018 to 1 June 2018. For our analysis, the duration of the convertible notes is calculated based on the period from the date of issue of the convertible notes (i.e. 29 February 2016) to the extended maturity date (i.e. 1 June 2018). The Premium/(Discount) – Last Day of the convertible notes is calculated based on the initial conversion price of HK\$1.19 per conversion share and the closing price of HK\$0.89 per share as quoted on the Stock Exchange on the date of the CTE Announcement (i.e. 28 February 2018). Any amount of the convertible notes which remain outstanding shall bear interest from the date of its issue at the base lending interest rate offered to institutions by the People’s Bank of China per annum. According to the official website of the People’s Bank of China, the current base lending interest rate for loan with a term of 1 to 5 years is 4.75% per annum. For our analysis, we assume that the interest rate of the convertible notes is 4.75%.*
2. *According to the announcement of LT Commercial Real Estate Limited (stock code: 112) dated 20 March 2018, the convertible securities bear a coupon rate of 2.00% per annum and will cease to bear any coupon after the fifth (5th) anniversary of the date of issue. For our analysis, we assume the interest rate of the convertible securities is 2.00%.*
3. *According to the announcement of China Ruifeng Renewable Energy Holdings Limited (stock code: 527) (“China Ruifeng”) dated 24 April 2018, the maturity date of the convertible notes is the date falling twelfth (12th) month of the issue date which can be extended to the date falling twenty-fourth (24th) month of the issue date by mutual consent of China Ruifeng and the noteholder. For analysis purpose, the maturity date of the convertible notes is set as the date falling twelfth (12th) month of the issue date.*
4. *According to the joint announcement of Techcomp (Holdings) Limited (stock code: 1298) (“Techcomp”), Baodi International Investment Company Limited and Circle Brown Limited dated 24 April 2018, the Premium/(Discount) – Last Day of the convertible bonds to be issued by Techcomp is based on the initial conversion price of US\$0.3350 (equivalent to HK\$2.613) per conversion share and the closing price of HK\$2.46 per share as quoted on the Stock Exchange on the date of relevant subscription agreement.*
5. *According to the announcement of SMI Holdings Group Limited (stock code: 198) dated 2 May 2018, the maturity date of the convertible loans is the date falling the second (2nd) anniversary of the issue date, which can be extended to the date falling on the third (3rd) anniversary of the issue date by mutual agreement between the company and the subscriber. For analysis purpose, the maturity date of the convertible notes is set as the date falling the second (2nd) anniversary of the issue date.*
6. *According to the announcements of Zhongsheng Group Holdings Limited (stock code: 881) (“Zhongsheng”) dated 4 May 2018, 6 May 2018 and 15 May 2018, the Premium/(Discount) – Last Day of the convertible bonds to be issued by Zhongsheng is based on the conversion price of HK\$30.0132 per conversion share to the closing price of HK\$22.75 per share as quoted on the Stock Exchange on the date of relevant subscription agreement (i.e. 3 May 2018).*

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7. *According to the announcement of China Environmental Energy Investment Limited (stock code: 986) dated 8 May 2018, the maturity date of the convertible bonds is the date falling twelfth (12th) month of the date of issue of the convertible bonds, which can be extended to the date falling twenty-fourth (24th) month of the issue date by mutual consent of the company and the holder(s) of the convertible bonds. For analysis purpose, the maturity date of the convertible notes is set as the date falling twelfth (12th) month of the date of issue.*
8. *For our analysis purpose, the perpetual convertible bonds have been excluded from the calculation for median and average of duration of the Comparables.*
9. *The duration of the Convertible Bonds is calculated based on the date of issue of the Convertible Bonds (i.e. 8 December 2016) and the Extended CB Maturity Date (i.e. 7 December 2020).*
10. *This figure represents the ratio of the Conversion Price of HK\$0.26 per Conversion Share to the closing price of HK\$1.04 per Share as quoted on the Stock Exchange on the date of the Amendment Agreement.*

(i) Duration

According to Table 2 above, the duration of the Comparables ranged from 1.0 year to perpetual with an average duration of 2.9 years. The duration of the Convertible Bonds of 4 years 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 Alteration is justifiable.

LETTER FROM ASTRUM

(ii) *Initial Conversion Price*

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 44.68% to a premium of approximately 33.71%, with an average of a premium of approximately 2.46% and a median of a discount of approximately 3.39%. The Premium/(Discount) – Last Day represented by the Conversion Price is a discount of 75%, 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 deep 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 as it would cause a deep dilution to the shareholding of the Independent Shareholders upon the conversion of the Convertible Bonds. 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 recent market price of the Shares before the entering into of the Amendment Agreement (i.e. 8 May 2018); (ii) the Conversion Price represents a premium of 4.0% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement (i.e. 20 September 2016); (iii) the CB Subscription Agreement (including the Conversion Price) has been duly approved by the then Shareholders at the extraordinary general meeting of the Company held on 14 November 2016; (iv) the sole reason for entering into the Amendment Agreement is to extend the Original Maturity Date which would alleviate the liquidity and working capital pressure of the Group triggered by the repayment of the Convertible Bonds due on the Original Maturity Date; and (v) the benefits of the Alteration as discussed in the paragraph headed “3. *Background of and reasons for the entering into the Amendment Agreement*” above, we consider that the benefits of the Alteration outweigh the deep discount of the Conversion Price and therefore, the Conversion Price is acceptable to the Independent Shares as a whole.

LETTER FROM ASTRUM

We were further advised by the Management that during the negotiation between the Group and Fame Select, save for the extension of maturity date, the Group has also discussed with Fame Select regarding the possibility and feasibility of increasing the Conversion Price to a price closer to the prevailing market price of Shares. Fame Select expressed that the extension of the maturity date of the Convertible Bonds was initially proposed by the Company, rather than Fame Select. Having considered the Group's financial position, Fame Select agreed to extend the maturity date of the Convertible Bonds for a further two years without imposing any interest on the outstanding principal amount of the Convertible Bonds. However, it is not acceptable to Fame Select for increasing the Conversion Price as it is completely not in the interest of Fame Select. Although the Conversion Price of HK\$0.26 represents a discount of 75% to the closing price of HK\$1.04 per Share on the date of the Amendment Agreement, 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 positions of the Group as at 31 December 2017 and 30 June 2018; (iii) it is unlikely the Group will be able to attract investors to subscribe for the new convertible bonds or to participate in equity fundraising exercise before the Original Maturity Date; (iv) the Convertible Bonds are interest-free; and (v) the extension of the maturity date of the Convertible Bonds would ease the immediate financial pressure of the Group. Accordingly, the Group agreed to maintain the Conversion Price which was mutually agreed between the Company and Fame Select at the time of entering into the CB Subscription Agreement instead of adjusting the Conversion Price at the time of the entering into of the Amendment Agreement.

(iii) Interest rate

As shown in Table 2 above, the interest rates of the Comparables ranged from nil to 10.00% per annum with an average interest rate of approximately 3.35% 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.

Having considered that (i) the duration of the Convertible Bonds of 4 years 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 background of and reasons for entering into the Amendment Agreement as discussed above, we are of the view that the principal terms of the Convertible Bonds (as amended by the Amendment Agreement) is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM ASTRUM

5. Financial effects of the Alteration

(i) *Effect on liquidity*

As stated in the 2018 Interim Results Announcement, the consolidated net current liabilities of the Group amounted to approximately RMB2,996.1 million as at 30 June 2018. Bank balances and cash of the Group amounted to approximately RMB41.7 million as at 30 June 2018. The Alteration pursuant to the Amendment Agreement would allow the Group to delay cash outflow of HK\$570 million as a result of redemption of the Convertible Bonds held by Fame Select. Having considered (i) the principal amount of the outstanding Convertible Bonds of approximately HK\$570 million represents approximately 11 times of the bank balances and cash of the Group of approximately RMB41.7 million (equivalent to approximately HK\$51.4 million) as at 30 June 2018; and (ii) the date from the entering into of the Amendment Agreement (i.e. 8 May 2018) to the Original Maturity Date (i.e. 7 December 2018) is only 7 months, we are of the view that the Alteration would alleviate the liquidity and working capital pressure of the Group triggered by the repayment of the Convertible Bonds due on the Original Maturity Date.

(ii) *Effect on earnings*

The zero coupon rate of the Convertible Bonds remains unchanged under the Alteration. According to applicable accounting standard, a non-cash imputed finance cost and fair value changes on derivative components of the 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 Convertible Bonds as at 7 December 2018 as well as each subsequent reporting date by independent valuer. In such case, financial effect on earnings would be similar to that in previous two years.

(iii) *Effect on net assets*

There may be changes in the fair value of the Convertible Bonds as a result of the Alteration. 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.

LETTER FROM ASTRUM

OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the Amendment Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Amendment Agreement 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 Amendment Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Rebecca Mak

Managing Director

Director

Note: 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

Authorised: *HK\$*

<u>50,000,000,000 Shares</u>	<u>5,000,000,000</u>
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Issued and fully paid:

<u>6,020,818,900 Shares</u>	<u>602,081,890</u>
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Immediately following the full conversion of the Convertible Bonds

Authorised: *HK\$*

<u>50,000,000,000 Shares</u>	<u>5,000,000,000</u>
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Issued and fully paid:

6,020,818,900 Shares as at the Latest Practicable Date	602,081,890
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2,192,307,692 Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	219,230,769
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<u>8,213,126,592</u>	<u>821,312,659</u>
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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:

Long position in the Shares

Name of Director	Capacity in which Shares are held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of aggregate interest Shares to total number of Shares in issue
Mr. Chau	Interest of controlled corporation	4,345,489,489 ¹	2,192,307,692 ²	6,537,797,181	108.59%
	Beneficial owner	–	196,666,667 ³	196,666,667	3.27%
Mr. Lo Kai Bong (“Mr. Lo”)	Interest of controlled corporation	3,610,000 ⁴	–	3,610,000	0.06%
	Beneficial owner	1,230,000	173,333,333 ⁵	174,563,333	2.90%
Mr. Au Chung On John	Interest of spouse	400,000	–	400,000	0.01%
Mr. Manuel Assis Da Silva	Beneficial owner	290,000	3,000,000 ⁶	3,290,000	0.05%
	Interest of spouse	520,000	–	520,000	0.01%

Notes:

- This represents interests held by Mr. Chau through Fame Select, which holds 4,345,489,489 Shares. Mr. Chau has 50% interest in Fame Select and is therefore deemed to be interested in 4,345,489,489 Shares.
- This represents the maximum of 2,192,307,692 Conversion Shares to be issued upon full conversion of the Convertible Bonds issued by the Company to Fame Select at the initial Conversion Price. Mr. Chau has 50% interest in Fame Select and is therefore deemed to be interested in the 2,192,307,692 underlying Shares.
- This represents the maximum of 196,666,667 conversion shares to be issued upon full conversion of another tranche of convertible bonds, which will be issued by the Company to Suncity International Holdings Limited (a company wholly owned by Mr. Chau) (“**Suncity International**”) (or as it may direct in writing) as part of the consideration for an acquisition of the entire equity interest in and shareholder's loan owed by Star Admiral Limited (the “**Star Admiral Acquisition**”), at the initial conversion price of HK\$0.90 (subject to adjustments) subject to completion of the Star Admiral Acquisition.
- This represents interests held by Mr. Lo through Better Linkage Limited and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo).

5. This represents the maximum of 133,333,333 conversion shares to be issued upon the full conversion of another tranche of convertible bonds, which will be issued by the Company to Mr. Lo, as directed by Suncity International, as part of the consideration for the Star Admiral Acquisition at the initial conversion price of HK\$0.90 (subject to adjustments) as consultancy fee for his provision of consultancy services regarding the Star Admiral Acquisition. Mr. Lo is also interested in 40,000,000 share options at an exercise price of HK\$0.455 per Share to subscribe for Shares.
6. 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.

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.

(II) Substantial interests in the share capital of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long position in the Shares

Name	Capacity in which Shares were held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of aggregate interest Shares to total number of Shares in issue
Fame Select	Beneficial owner	4,345,489,489 ¹	2,192,307,692 ²	6,537,797,181	108.59%
Mr. Cheng Ting Kong	Interest of controlled corporation	4,345,489,489 ¹	2,192,307,692 ²	6,537,797,181	108.59%
Mr. Chau	Interest of controlled corporation	4,345,489,489 ¹	2,192,307,692 ²	6,537,797,181	108.59%
	Beneficial owner	–	196,666,667 ³	196,666,667	3.27%
Magicmount Holdings Limited	Beneficial owner	337,719,868 ⁴	–	337,719,868	5.61%

Notes:

1. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong are deemed to be interested in 4,345,489,489 Shares held by Fame Select.
2. This represents the maximum of 2,192,307,692 Conversion Shares to be issued upon full conversion of the Convertible Bonds issued by the Company to Fame Select at the initial Conversion Price. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong are therefore deemed to be interested in the 2,192,307,692 underlying Shares.
3. This represents the maximum of 196,666,667 conversion shares to be issued upon full conversion of another tranche of convertible bonds, which will be issued by the Company to Suncity International (or as it may direct in writing) as part of the consideration for the Star Admiral Acquisition, at the initial conversion price of HK\$0.90 (subject to adjustments) subject to the completion of the Star Admiral Acquisition.
4. Magicmount Holdings Limited is wholly-owned by Mr. Kwan Tat Ming. As such, Mr. Kwan Tat Ming is deemed to be interested in 337,719,868 Shares held by Magicmount Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its Associated Corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

Sun City Gaming Promotion Company Limited (“**Sun City Gaming Promotion**”), a company incorporated in Macau with limited liability, is one of the parties to the hotel accommodation procurement agreement dated 6 February 2017 (as revised by the supplemental agreement dated 15 May 2017) (the “**HAP Agreement**”) and a ferry ticket supply agreement (the “**Ferry Ticket Supply Agreement**”) with Sun Travel Ltd., a subsidiary of the Group, in respect of the procurement of hotel accommodation from Sun City Gaming Promotion and Sun Travel Ltd.’s sale of tickets of ferry service between Hong Kong and Macau to Sun City Gaming Promotion for its employees respectively (details of which are set out in the announcements of the Company dated 6 February 2017 and 15 May 2017). As Sun City Gaming Promotion is wholly owned by Mr. Chau, the Chairman of the Company and an executive Director, Mr. Chau is deemed to have a material interest in the HAP Agreement and the Ferry Ticket Supply Agreement.

On 27 July 2017, the Group entered an acquisition agreement in relation to the proposed acquisition of the entire equity interest in and shareholder's loan owned by Star Admiral Limited ("**Star Admiral**"), which is a company indirectly wholly owned by Mr. Chau, who is also the guarantor under the acquisition agreement. Star Admiral Limited owns approximately 34% equity interest in a project company, in which its principal asset is an integrated resort project in Hoi An, Vietnam (the "**Project**"). The acquisition is expected to complete in 2018, subject to the fulfillment of the conditions precedent as disclosed in the circular of the Company dated 1 November 2017.

On 27 July 2018, the Group entered into a loan facility agreement with a company which is beneficially owned by Mr. Chau as lender for an unconditional loan facility of up to HK\$400,000,000 and approximately HK\$176,000,000 has been drawn down by the Group from such facility. The facility is unsecured, interest bearing at 3.5% per annum and repayable after 60 months from the date of the facility (or such longer period as the lender and the Group may agree).

On 13 February 2018, the Group entered into a technical service agreement with Hoi An South Development Ltd in relation to the provision of technical and pre-opening services to the casino to be established in the Project (details of which is set out in the announcement of the Company dated 13 February 2018) (the "**TSA Agreement**"). As Hoi An South Development Ltd is owned as to approximately 34% by Star Admiral, which is in turn wholly owned by Mr. Chau, he is deemed to have material interest in the TSA Agreement.

Save and except for that, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up, and none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or any of their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

8. EXPERT'S QUALIFICATION AND CONSENT

Set out below is the qualification of the expert who has given its letter of advice in this circular:

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

Astrum has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, Astrum did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Astrum did not have any direct or indirect interests in any assets which had been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Room 1201-1202, 12/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the Amendment Agreement;
- (ii) the CB Subscription Agreement;
- (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholder, the text of which is set out on pages 21 to 22 of this circular;
- (iv) the letter from Astrum, the text of which is set out on pages 23 to 44 of this circular;
- (v) the written consent as referred to under the section headed “Expert’s qualification and consent” in this appendix;
- (vi) the annual report for the year ended 31 December 2017; and
- (vii) this circular.

NOTICE OF EGM



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 Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong on Friday, 28 September 2018 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the entering into of the amendment agreement (the “**Amendment Agreement**”) dated 8 May 2018 between the Company and Fame Select Limited (“**Fame Select**”) as holder of the convertible bonds (as supplemented by the extension letter dated 27 August 2018) in the principal amount of HK\$570,000,000 issued by the Company (the “**Convertible Bonds**”) in relation to the alteration (the “**Alteration**”) of certain terms and conditions of the Convertible Bonds (a copy of the Amendment Agreement 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 Alteration) be and are hereby approved, confirmed and ratified;
- (b) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue of the conversion shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds as altered by the Amendment Agreement; and

NOTICE OF EGM

- (c) any one or more Directors be and 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 Amendment Agreement 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 Amendment Agreement.”

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

Hong Kong, 30 August 2018

Registered office:

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

Principal place of business in Hong Kong:

Room 1201-1202, 12/F.
China Merchants 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 22, 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.

NOTICE OF EGM

4. The register of members of the Company will be closed from 24 September 2018 to 28 September 2018 (both dates 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 28 September 2018 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 share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 21 September 2018.