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If you have sold or transferred all your shares in Suncity Group Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**MAJOR AND CONNECTED TRANSACTIONS:
ACQUISITION OF RIGHT-OF-USE ASSET – PROJECT SITE PAYMENT
AND
LEASE AGREEMENT**

Financial adviser to the Company

MERDEKA 領智

Capitalised terms used in this cover page shall have the same meanings as those defined in “Definitions” in this circular.

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DEFINITIONS

In this circular:

- (a) *All references to times and dates are references to Hong Kong time unless otherwise stated.*
- (b) *All references to Rules and Chapters are references to Rules and Chapters of the Listing Rules unless otherwise stated.*
- (c) *The names of entities marked with “*” are the unofficial English names of the entities which were incorporated or established in Japan.*
- (d) *Unless otherwise stated, when translated, each HK\$ amount stated in this circular was translated at the exchange rate of HK\$1.0 to PHP6.6142 and US\$1.0 to HK\$7.8127.*
- (e) *Unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition”	the acquisition by the Purchaser of 1,147,500,000 SunTrust Shares, representing 51% in SunTrust, in the open market at the prevailing trading price of the SunTrust Shares traded on the PSE and from sellers through private sale as disclosed in the 1029 Announcement of the Company
“Aggregation”	(a) in relation to the Project Site Payment, the aggregation of the Project Site Payment with the Acquisition and the Shares Subscription under Rules 14.22 and 14A.84 and “Aggregation Basis” has the corresponding meaning; and (b) in relation to the Right-of-Use Asset (Lease), the aggregation of the Right-of-Use Asset (Lease) with the Project Site Payment, the Acquisition and the Shares Subscription under Rules 14.22 and 14A.84 and “Aggregation Basis” has the corresponding meaning
“Announcement”	collectively, the announcements of the Company dated 29 October 2019 (the “1029 Announcement”), 25 November 2019 (the “1125 Announcement”), 20 January 2020 and 24 February 2020
“Annual Rental”	the yearly rental payable by SunTrust as Lessee under the Lease Agreement as described in “Lease Agreement – Annual Rental” in this circular
“Aurora”	Aurora Securities, Inc., a company incorporated in the Philippines and the subscriber of the Aurora Subscription Shares
“Aurora Shares Subscription”	the conditional subscription of the Aurora Subscription Shares at PHP272,834,992, being the aggregate subscription price for the Aurora Subscription Shares at a subscription price of PHP1.0 per Aurora Subscription Share by Aurora under and pursuant to the Aurora Shares Subscription Agreement
“Aurora Shares Subscription Agreement”	the conditional subscription agreement dated 28 October 2019 in relation to the Aurora Shares Subscription entered into by SunTrust as issuer and Aurora as subscriber

DEFINITIONS

“Aurora Shares Subscription Completion”	completion of the issuance and subscription of the Aurora Subscription Shares pursuant to the Aurora Shares Subscription Agreement
“Aurora Subscription Shares”	272,834,992 new SunTrust Shares conditionally agreed to be subscribed by Aurora under the Aurora Shares Subscription Agreement
“Board”	the board of Directors
“Company”	Suncity Group Holdings Limited (太陽城集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1383)
“Co-Development Agreement”	the agreement dated 28 October 2019 (as supplemented by two supplemental agreements dated 25 November 2019 and 20 January 2020) (the “Supplemental Agreements”) and entered into between Westside and SunTrust
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	Fame Select Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deed of Accession”	the deed of accession dated 18 March 2013 entered into by Westside and Travellers, which was accepted, agreed and consented to by PAGCOR, pursuant to which Westside became the legal and absolute co-owner of all rights, title, interest and obligations of Travellers contained in the Gaming Licence and in the Lot Nos. 4 and 6 Joint Venture Agreement
“Directors”	the directors of the Company and a “Director” has the corresponding meaning
“Enlarged Group”	the Company and its subsidiaries, including (a) SunTrust immediately after the Acquisition; (b) MSRDC; and (c) the right-of-use asset to which the Project Site Payment is related immediately after its payment; and (d) the Right-of-Use Asset (Lease)
“Gambling Activities”	the gambling activities, involving gaming and bookmaking by and large, to be carried on at the Main Hotel Casino of which SunTrust will be appointed as the sole and exclusive operator and manager

DEFINITIONS

“Gaming Licence”	the Provisional Licence dated 2 June 2008 issued by PAGCOR to Travellers as amended by the Amended Certificate of Affiliation & Provisional Licence dated 28 June 2013 issued by PAGCOR in favour of Travellers and Westside as co-licensees and co-holders in respect of, among other sites, the Project Site and the regular casino gaming license to be issued to Travellers and Westside in accordance with the Provisional License as amended as aforesaid
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accounts
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	20 March 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Lease Agreement”	the lease agreement dated 21 February 2020 and entered into between the Lessor and the Lessee for the leasing by the Lessor to the Lessee of the Project Site on and subject to the terms and conditions contained in it
“Lessee”	SunTrust, the lessee to the Lease Agreement
“Lessor”	Westside and Travellers, the lessor to the Lease Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot Nos. 4 and 6 Joint Venture Agreement”	the joint venture agreement entered into between Travellers and PAGCOR and dated 7 May 2010 in respect of part of the Project Site
“Main Hotel Casino”	(a) the 5-Star hotel with at least four hundred (400) rooms, the standard room size of which shall not be less than 34 sq.m.; (b) Casino establishment with approximately four hundred (400) gaming tables and one thousand two hundred (1,200) slot machines for both mass and VIP markets; and (c) Nine hundred sixty (960) car parking slots for the 5-Star hotel and Casino establishment erected or to be erected at the Project Site
“Megaworld”	Megaworld Corporation, a company incorporated in the Philippines, the shares of which are listed on the PSE (stock code: MEG)

DEFINITIONS

“Megaworld Shares Subscription”	the conditional subscription of the Megaworld Subscription Shares at PHP2,177,165,008, being the aggregate subscription price for the Megaworld Subscription Shares at a subscription price of PHP1.0 per Megaworld Subscription Share by Megaworld under and pursuant to the Megaworld Shares Subscription Agreement
“Megaworld Shares Subscription Agreement”	the conditional subscription agreement dated 28 October 2019 in relation to the Megaworld Shares Subscription entered into by SunTrust as issuer and Megaworld as subscriber
“Megaworld Shares Subscription Completion”	completion of the issuance and subscription of the Megaworld Subscription Shares pursuant to the Megaworld Shares Subscription Agreement
“Megaworld Subscription Shares”	2,177,165,008 new SunTrust Shares conditionally agreed to be subscribed by Megaworld under the Megaworld Shares Subscription Agreement
“Mr. Chau”	Mr. Chau Cheok Wa, an executive Director and the chairman of the Company who is also a controlling shareholder of the Company
“MSRD”	MSRD Corporation Limited, a company incorporated in Japan with limited liability and a non-wholly owned subsidiary of the Company upon completion of the MSRD Acquisition
“MSRD Acquisition”	the acquisition by Modest Achieve Limited, a company incorporated in the British Virgin Islands with limited liability being a wholly-owned subsidiary of the Company, of 51% interest in MSRD as disclosed in the announcement of the Company dated 30 August 2019 which was completed on 2 September 2019
“O&M Agreement”	the operations and management/services agreement for the appointment of SunTrust (or such other person as SunTrust may nominate) as the sole and exclusive operator and manager to operate and manage the Main Hotel Casino, the principal terms of which are set out in the Co-Development Agreement
“PAGCOR”	the Philippine Amusement and Gaming Corporation
“PHP”	Philippine peso, the lawful currency of Philippines
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Project”	the project of construction, development, operation and management of the Main Hotel Casino

DEFINITIONS

“Project Site”	the three parcels of land located at Manila Bayshore Integrated City (Site A) in Paranaque City, the Philippines upon which the Main Hotel Casino is to be constructed and erected
“Project Site Payment”	the US\$200 million payment payable by SunTrust to Westside for the use of the Project Site and reimbursement of the costs incurred on the Project Site and construction works done on the Project Site under and pursuant to the Co-Development Agreement (as supplemented by the Supplemental Agreements)
“PSE”	The Philippines Stock Exchange Inc.
“Purchaser”	Fortune Noble Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of the Company
“Right-of-Use Asset (Lease)”	an asset representing the value of the Group’s right (as lessee) to use the Project Site under the Lease Agreement in its consolidated financial statements pursuant to HKFRS 16 Leases
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SEC”	the Philippines Securities and Exchange Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder”	the holder of any Share or Shares
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shares Subscription”	the conditional subscription of the Subscription Shares at the Shares Subscription Price by the Purchaser under and pursuant to the Shares Subscription Agreement
“Shares Subscription Agreement”	the conditional subscription agreement dated 28 October 2019 in relation to the Shares Subscription entered into by SunTrust as issuer, the Purchaser as subscriber and Westside and Travellers as warrantors
“Shares Subscription Price”	PHP2,550,000,000, being the aggregate subscription price for the Subscription Shares at a subscription price of PHP1.0 per Subscription Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Shares”	2,550,000,000 new SunTrust Shares conditionally agreed to be subscribed by the Purchaser under the Shares Subscription Agreement
“SunTrust”	Suntrust Home Developers, Inc., a company incorporated in the Philippines, the shares of which are listed on the PSE (stock code: SUN)
“SunTrust Group”	SunTrust and its subsidiaries from time to time
“SunTrust Shares”	ordinary shares of par value of PHP1.0 each in the share capital of SunTrust
“Travellers”	Travellers International Hotel Group, Inc., a company incorporated in the Philippines
“US\$”	United States dollars, the lawful currency of the United States of America
“Valuer”	Grant Sherman Appraisal Limited, an independent qualified valuer to the Company providing a valuation of the Project Site, the report of which is set out in Appendix III to this circular
“Westside”	Westside City Resorts World Inc., a company incorporated in the Philippines
“%”	per cent
“sq.m.”	square meter

LETTER FROM THE BOARD



太陽城集團
SUNCITY GROUP

SUNCITY GROUP HOLDINGS LIMITED

太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

Executive Directors:

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

Independent non-executive Directors:

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

Registered office:

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Cayman Islands

*Principal place of business
in Hong Kong*

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

26 March 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS:
ACQUISITION OF RIGHT-OF-USE ASSET – PROJECT SITE PAYMENT
AND
LEASE AGREEMENT**

INTRODUCTION

Reference is made to the Announcement on, among other matters, the Project Site Payment and the Lease Agreement.

LETTER FROM THE BOARD

The Project Site Payment and the Lease Agreement have been approved by way of written approvals of the Controlling Shareholder, which as well as all other Shareholders do not have a material interest in the Project Site Payment and the Lease Agreement and are not required to abstain from voting at a general meeting of the Company if one were to be convened and held to approve the Project Site Payment and the Lease Agreement. The Stock Exchange has granted a waiver to despatch this circular beyond the 15-business day timeline as that required under Rule 14.41(a) to on or before 27 March 2020. Accordingly, no extraordinary general meeting of the Company will be convened and held to approve the Project Site Payment and the Lease Agreement.

The purpose of this circular is to provide you for information purposes only with, among other matters, (i) further details of the Project Site Payment and the Lease Agreement; (ii) certain financial information and other information of the Group and the Enlarged Group; (iii) the valuation report on the Project Site; and (iv) information on the Gambling Activities, all as required to be included in this circular under the Listing Rules.

PROJECT SITE PAYMENT

Under and pursuant to the Co-Development Agreement (as supplemented by the Supplemental Agreements), Travellers and Westside is to lease the Project Site to SunTrust for the Project and to appoint SunTrust as the sole and exclusive operator and manager of the Main Hotel Casino, and SunTrust is to effect payment of the Project Site Payment to Westside.

The Project Site Payment represents a right-of-use asset under the HKFRS 16 Leases and constituted an acquisition of asset by SunTrust under Chapter 14. Details of the Co-Development Agreement (as supplemented by the Supplemental Agreements) insofar as are relating to the Project Site Payment are set out below:

The Co-Development Agreement

Date: 28 October 2019.

Payee: Westside.

Westside is an associate of Megaworld and a connected person of the Company. “Letter from the Board – Information of Megaworld, Travellers and Westside” in this circular contained further information on the relationship between Westside and Megaworld.

Payer: SunTrust, a 51% owned subsidiary of the Company immediately upon completion of the Acquisition.

Consideration of the Project Site Payment: US\$200,000,000.

The Project Site Payment shall be paid from the US\$300,000,000 as may be raised by SunTrust for financing the development and construction of the Main Hotel Casino.

LETTER FROM THE BOARD

The Project Site Payment was determined by reference to (i) the valuation of the Valuer on the Project Site in the value of US\$340,000,000; and (ii) the costs incurred and construction work performed on the Project Site of approximately US\$21,159,000.

The Directors, including the independent non-executive Directors, considered that the Project Site Payment is fair and reasonable. Please refer to “FAIRNESS AND REASONABLENESS OF THE PROJECT SITE PAYMENT AND THE ANNUAL RENTAL” below in this circular for the bases. The valuation report of the Project Site performed by the Valuer is set out in Appendix III to this circular.

Payment term of the Project Site Payment: The payment schedule of the Project Site Payment is to be agreed between SunTrust and Westside. By the second supplemental agreement dated 20 January 2020 as disclosed below in “Project Site Payment – The Supplemental Agreements” in this circular, SunTrust and Westside have agreed to the payment schedule of the Project Site Payment.

Conditions Precedent of Project Site Payment: The Project Site Payment is conditional on, among other conditions, the obtaining of the Shareholders’ approval and the signing of the Lease Agreement and the O&M Agreement.

As at the date of this circular, the Shareholders’ approval has been obtained by way of written approval of the Controlling Shareholder. Details of the Lease Agreement are disclosed below in “LEASE AGREEMENT”. The O&M Agreement is yet to be agreed and entered into.

The Supplemental Agreements

The first supplemental agreement dated 25 November 2019 was entered into between Westside and SunTrust to supplement and amend the Co-Development Agreement by, among other things, making the Co-Development Agreement and the transactions contemplated thereunder to be conditional upon the obtaining of the approval of the Shareholders in accordance with the Listing Rules.

The second supplemental agreement dated 20 January 2020 to the Co-Development Agreement was entered into between Westside and SunTrust to provide for the payment schedule of the Project Site Payment and other related matters as follows:

- (1) a refundable deposit in the sum of US\$20,000,000 (“**Deposit**”) shall be paid on or before 31 January 2020;
- (2) the balance of the Project Site Payment shall be paid within 10 days from the date on which all the conditions precedent to the Co-Development Agreement are fulfilled; and
- (3) in case the conditions precedent to the Co-Development Agreement are not fulfilled by 28 March 2020 (or such other period as Westside and SunTrust may agree in writing), the Deposit shall be refunded by Westside to SunTrust within 10 business days. Failing which, the Deposit shall be charged with interest at the rate of 6% per annum from the due date of payment of the said refund of the Deposit to and inclusive of the date of actual receipt thereof.

LETTER FROM THE BOARD

LEASE AGREEMENT

Under and pursuant to the Lease Agreement, Travellers and Westside, as Lessor, are to lease the Project Site to SunTrust, as Lessee, for the Project.

Pursuant to HKFRS 16 Leases, the Company will recognise the Right-of-Use Asset (Lease) in its consolidated financial statements as an asset. The Lease Agreement is regarded as an acquisition of assets under Chapter 14. Details of the date, parties and principal terms and conditions of the Lease Agreement are set out below:

Date:	21 February 2020.
Lessor:	Travellers and Westside. Each of Travellers and Westside is an associate of Megaworld and a connected person of the Company. “Letter from the Board – Information of Megaworld, Travellers and Westside” in this circular contained further information on the relationship between Travellers, Westside and Megaworld.
Lessee:	SunTrust, a 51% owned subsidiary of the Company immediately upon completion of the Acquisition.
Premises:	The Project Site on which the Main Hotel Casino will be built and operated.
Lease term and renewal:	Commencing from the date on which the handover of the Project Site is delivered to SunTrust until 19 August 2039, which shall automatically be renewed, subject to applicable laws, for another twenty-five (25) years unless otherwise agreed upon by the Lessor and the Lessee, on the same terms and conditions of the Lease Agreement (or such other terms and conditions as the Lessor and the Lessee may agree in writing).
Annual Rental:	US\$10,600,000, exclusive of the applicable value added tax, commencing from the latter of the first day of commencement of operation of the casino establishment of the Main Hotel Casino and the fulfilment of the conditions precedent in the Lease Agreement (save the Shareholders’ approval to the Lease Agreement) (or such other date as may be mutually agreed upon by the Lessor and the Lessee) in two installments payable on a semi-annual basis (or every six (6) months basis).

The Annual Rental was determined by reference to the assessment of the Valuer on the indicative market value of the Project Site of US\$340,000,000.

The Directors, including the independent non-executive Directors, considered that the Annual Rental is fair and reasonable. Please refer to “FAIRNESS AND REASONABLENESS OF THE PROJECT SITE PAYMENT AND THE ANNUAL RENTAL” below in this circular for the bases. The valuation report of the Project Site performed by the Valuer is set out in Appendix III to this circular.

LETTER FROM THE BOARD

Interest penalty and surcharge:	In the event that the Lessee fails to pay/remit to the Lessor the Annual Rental on the due date of its payment, the Lessee shall be liable to pay the Lessor an interest penalty equivalent to one percent (1%) per month plus surcharge equivalent to one percent (1%) per month of the unpaid amount from the due date for payment until full payment of the rentals in arrears and penalty charges/interest is made.
Sublease and Transfer of Rights:	The Lessee may assign or transfer its rights under the Lease Agreement, and sub-lease all or any part of the Project Site or enter into any arrangement whereby the use or possession of any part of the Project Site is transferred to any person as may be required for the operation of the Main Hotel Casino, with prior written approval of the Lessor provided that such prior written approval of the Lessor shall not be required and a written notice to the Lessor shall be sufficient in respect of all or any of the foregoing to or with any person (or persons) who is the subsidiary (or are the subsidiaries) of the Lessee.
Right of first refusal:	If at any time during the term of the Lease Agreement, the Lessor acquired the Project Site or any portion thereof in its name or in the name of its affiliate and decided to sell the same (or receive a bona fide offer to purchase the same), the Lessee (or the nominee of the lessee which is qualified under the laws of Philippines to acquire) shall, subject to the relevant laws at that time and within twenty one (21) days of being notified in writing by the Lessor of such intended sale (or bona fide offer to purchase), have the right of first refusal on such sale on such terms and conditions as may be agreed upon with the Lessor (or in respect of a bona fide offer to purchase, to match that offer).
Extension:	The Lessor and the Lessee shall negotiate in good faith for the renewal or extension of the Lease Agreement prior to the expiry of the renewed term of 25 years for a further term of not less than twenty five (25) years (or for a shorter term to be agreed upon by the Lessor and the Lessee) at an annual rent to be adjusted based on the average of the year-on-year inflation rate in Philippines as released or published by the Philippine Statistics Authority (or other competent authority replacing it) for the term of the Lease Agreement and otherwise on the terms and conditions as may be agreed upon by the Lessor and the Lessee.

LETTER FROM THE BOARD

Conditions Precedent of
the payment of
Annual Rental:

The obligation of the Lessee to effect payment of the Annual Rental is conditional on the following:

- (1) the obtaining by the Lessor of the requisite irrevocable and unconditional (or if conditional, only of such conditions as are reasonable to the Lessee) approval, consent, license, permit, authorisation or consent of the relevant government authorities in the Philippines and such other relevant third parties, if any, permitting, allowing and authorising the Lessor with the full and absolute right, power, capacity and authority to lease the Project Site and enter into the Lease Agreement and, as part of its submission to the government authorities, to allow the Lessee to have the absolute right to conceptualise, design, develop, construct, maintain, operate, invest in and/or finance the Main Hotel Casino in accordance with the project implementation plan and/or other applicable project plans (and any amendments thereof as the Lessee may require) as approved by the relevant government authorities in the Philippines from time to time and otherwise on terms of the Lease Agreement and the O&M Agreement within one year from the date of the Lease Agreement;
- (2) (if required) the due signing of the necessary deeds, agreements and other documents, if any, to vest Westside and where necessary, Travellers, with such full and absolute right, power, capacity and authority to lease and to enter into the Lease Agreement;
- (3) the due signing of the O&M Agreement;
- (4) the obtaining by the Company of the necessary Shareholders' approval to the Lease Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (5) the Lessor shall, within one year from the date of the Lease Agreement, obtain, and deliver to the Lessee, the written approval of the government authority in the Philippines the revised project implementation plan and other project plans as are necessary for the development and construction of the Main Hotel Casino, provided that the application for the government authority in the Philippines shall mention and specify, among others, the Lessee's participation in the financing of the Main Hotel Casino and its role as a developer, exclusive operator and investor in line with the Lessor's investment commitment under the Gaming License and the Lot Nos.4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession).

LETTER FROM THE BOARD

Termination:

The Lessee shall be entitled to terminate the Lease Agreement by giving notice of such termination to the Lessor under certain circumstances as set out in the Lease Agreement, the major ones are:

- (1) failure on the part of the Lessor to comply with any of the material provisions of the Lease Agreement;
- (2) if the Lessee is prevented from the continuous peaceful use of the Project Site or any part thereof or deprived of the right to exclusively possess, develop, use, enjoy and control the Project Site during the term of the Lease Agreement through any act attributable to the Lessor;
- (3) the Lessor shall be adjudged bankrupt, insolvent, or in a state of rehabilitation with finality by a court of competent jurisdiction;
- (4) material breach of representation or warranty made by the Lessor under the Lease Agreement;
- (5) the Gaming License is not extended or is pre-terminated for any reason;
- (6) the O&M Agreement is terminated due to the act, omission and/or default of all or any of the Lessor, or there shall be any material breach on the part of all or any of the Lessor of the terms and conditions of the Lease Agreement as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lease Agreement;
- (7) the Gaming License is revoked or cancelled or suspended for a continuous period of three (3) months or more in any calendar year due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions of the Gaming License as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lot Nos.4 and 6 Joint Venture Agreement and/or the Lease Agreement;
- (8) the head lease agreement under which Westside leased one of the parcels of land comprised in the Project Site is terminated due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions thereof as to adversely affect the rights and interests of the Lessee under such head lease agreement and/or the O&M Agreement and/or the Lease Agreement;

LETTER FROM THE BOARD

- (9) the Lot Nos. 4 and 6 Joint Venture Agreement (as supplemented by the Deed of Accession) is terminated due to the act, omission and/or default of all or any of the Lessor, or all or any of the Lessor commits any material breach or any act or omission giving rise to a material breach of the terms and conditions thereof as to adversely affect the rights and interests of the Lessee under the O&M Agreement and/or the Lease Agreement; or
- (10) the head lease agreement under which Westside is leased one of the parcels of land comprised in the Project Site is not renewed upon expiry of its initial first term of 25 years.

FAIRNESS AND REASONABLENESS OF THE PROJECT SITE PAYMENT AND THE ANNUAL RENTAL

The Directors consider that the Project Site Payment and the Annual Rental (with a total value of approximately US\$363 million under the HKFRS 16 Leases) are fair and reasonable and that their respective terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole on the bases set out below notwithstanding the Project Site is with an indicative market value of US\$340 million on the basis and assuming that it can be freely transferable upon obtaining the relevant consents to transfer and currently has no commercial value in the absence of such relevant consents to transfer as appraised by the Valuer in its valuation report of the Project Site set out in Appendix III to this circular:

- the use by the Group (through SunTrust) of the Project Site for the Project will effectively be under and pursuant to the Lease Agreement in respect of the Project Site;
- the Lease Agreement is effectively a long term lease of up to August 2064 with an initial term of up to 19 August 2039 renewable for a further of 25 years up to August 2064 upon expiry of the initial term;
- the practical effect of a long term lease like the Lease Agreement is very much akin to the Group acquiring the Project Site;
- the Project Site is with an indicative market value of US\$340 million as appraised by the Valuer on the basis and assuming that it can be freely transferable upon obtaining the relevant consents to transfer the Project Site;
- the fact that the title to Project Site cannot be freely assigned or transferred to or by the Group as if it is the owner and hence it has no commercial value for now is irrelevant to the Project;
- it is the right of the Group to use the Project Site for the Project (rather than ownership of the Group to the Project Site) that matters when it comes to the Project, be it pursuant to a lease or licence or otherwise;

LETTER FROM THE BOARD

- the Board has assessed the impact of the right-of-use assets under HKFRS 16 Leases as may be attributable to the Project Site Payment (i.e. with the US\$200 million payment net of approximately US\$21 million of costs incurred on and construction work done on the Project Site) and the Lease Agreement at the Annual Rental of US\$10.60 million. The assessment as assessed by the Board (subject to necessary adjustments as may require to be made) is US\$363 million. The premium of approximately US\$23 million to the market value of the Project Site of US\$340 million (assuming a freely transferable basis) is fair and reasonable is further elaborated below;
- by making the Project Site Payment and entering into the Lease Agreement, the Group is granted the right to access and use the Project Site for the Project;
- the Project Site Payment (i.e. US\$200 million) enables the Group to gain access to the Project Site for the Project as opposed to a full payment of the market value (presumably US\$340 million on a freely transferable basis) if the Group were to acquire the Project Site. The added benefits are the interest saving in not having to effect payment of an extra US\$140 million outright (if the Group were to acquire the Project Site) and deployment by the Group of that amount as would otherwise be payable for the other business uses of and deployments by the Group;
- the first three years of the lease term under the Lease Agreement is basically rent free as the Annual Rental will in broad term be only payable when the casino establishment of the Main Hotel Casino commences operation, which is expected to be prior to 2023;
- the amount of Annual Rental for the further lease term of 25 years upon renewable of the Lease Agreement in 2039 will remain unchanged at the same amount; and
- rental deposit will usually be payable in a lease agreement like that of the Lease Agreement and the amount of rental deposit payable will usually be in a significant amount. Under the Lease Agreement, no rental deposit at all is payable by the Group.

FINANCIAL EFFECTS OF THE PROJECT SITE PAYMENT AND THE LEASE AGREEMENT

Right-of-use assets under HKFRS 16 Leases

Pursuant to HKFRS 16 Leases, the Project Site Payment payable by SunTrust to Westside under and pursuant to the Co-Development Agreement will be recognised as a right-of-use asset (the “**right-of-use asset (PSP)**”).

Pursuant to HKFRS 16 Leases, the Right-of-Use Asset (Lease) will be recognised as a right-of-use asset.

The Main Hotel Casino has not commenced operation as at the Latest Practicable Date and is expected to commence operation prior to 2023. No revenue has been generated from the Project Site as at the Latest Practicable Date. Accordingly, the Project Site did not have an identifiable net income stream attributable to right-of-use asset (PSP) and the Right-of-Use Asset (Lease) for the two years ended 31 December 2019.

LETTER FROM THE BOARD

The right-of-use asset (PSP) and Right-of-Use Asset (Lease) are collectively referred to as the right-of-use asset below in this paragraph.

Accounting treatment of the right-of-use asset

Set out below is the accounting treatment of the Group in relation to the right-of-use asset:

- The cost of right-of-use asset is initially measured at the amount of the initial measurement of the lease liability plus any lease payments made at or before the lease commencement date, less any lease incentives received, any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- The right-of-use asset shall be measured using a cost model.
- Under the cost model, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date of a lease over the entire lease term (including the term upon automatic renewal), discounted at the incremental borrowing rate.
- After the initial recognition of the right-of-use asset and lease liabilities, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Given SunTrust is the lessee, the Group is required to recognise interest expense accrued on the outstanding balance of the lease liability. The lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The value of the right-of-use asset (PSP) and the lease liability as will be recognised by the Company in its consolidated financial statements are US\$178,841,000 and US\$178,841,000, respectively.

The value of the Right-of-Use Asset (Lease) and the lease liability under the Lease Agreement as may be recognised by the Company in its consolidated financial statements are US\$184,506,000 and US\$184,506,000, respectively. The values of the Right-of-Use Asset (Lease) and the lease liability are based on preliminary assessment and are subject to finalisation of discount rate to be used at the lease commencement date.

As set out in “Appendix II – Unaudited Pro Forma Financial Information of the Enlarged Group” to this circular, assuming the Project Site Payment and the Lease Agreement had been made and entered into on 30 June 2019, as at 30 June 2019:

- the unaudited pro forma consolidated total assets of the Enlarged Group would be increased by approximately RMB2,642.7 million to approximately RMB6,679.9 million; and
- the unaudited pro forma consolidated total liabilities of the Enlarged Group would be increased by approximately RMB2,642.7 million to approximately RMB8,627.1 million.

LETTER FROM THE BOARD

Differences between the property valuation of the Project Site and accounting treatment of the right-of-use asset

Set out in “Appendix III – Valuation Report” to this circular, is the valuation report on the Project Site prepared by the Valuer, an independent valuer.

The valuation methodology adopted by the Valuer is the market approach, which as advised by the Valuer, is a commonly used valuation methodology in property valuations of premises similar to the Project Site. Under the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors, the RICS Valuation, Global Standards 2017 published by the Royal Institution of Chartered Surveyors and the International Valuation Standards (2017 Edition) published by the International Valuation Standards Council, the market approach is based on comparable sales evidences as available in the relevant market.

The accounting treatment of the right-of-use asset under the HKFRS 16 Leases and the market approach method adopted by the Valuer in the valuation of the Project Site are based on two different professional standards. Set out below is a summary of the differences between the two standards in relation to the right-of-use asset and the Project Site:

	Property Valuation	Accounting Treatment
Professional standards adopted	: HKIS Valuation Standards (2017 Edition), the RICS Valuation, Global Standards 2017 published by the Royal Institution of Chartered Surveyors and International Valuation Standards (2017 Edition).	HKFRS 16 Leases.
Subject matter	: The Project Site.	The Project Site Payment. The aggregated present value of the Annual Rental during the entire term of the Lease Agreement.
Market value	: US\$340,000,000 (equivalent to approximately HK\$2,640,000,000) subject to the assumption that the Project Site has obtained the relevant consent and is freely transferrable in the market.	Not applicable.
Right-of-use asset (PSP) recognised	: Not applicable.	US\$178,841,000 (equivalent to HK\$1,397,231,000)
Right-of-Use Asset (Lease) recognised	: Not applicable.	US\$184,506,000 (equivalent to HK\$1,441,490,000)

LETTER FROM THE BOARD

	Property Valuation	Accounting Treatment
Difference between the property valuation method and accounting treatment	: The market approach is based on comparable sales evidence as available in the relevant market.	The right-of-use asset is initially measured at cost, comprising the initial amount of any lease liability plus any lease payments made on or before commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. The lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the incremental borrowing rate.

Market value is not identical to the recognised right-of-use asset in the accounting treatment. Market value is prepared for illustrative purpose only.

In addition, as described above, the right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Therefore, this accounting measurement of the right-of-use asset does not necessarily represent the fair value of the Project Site upon initial recognition.

The Company assessed the recoverable amount of the right-of-use asset and considered that there was no impairment loss of right-of-use asset upon the initial recognition.

INFORMATION OF MEGAWORLD, TRAVELLERS AND WESTSIDE

Megaworld is a company incorporated in the Philippines, the shares of which are listed on the PSE. Megaworld is the listing vehicle of its group of companies, the principal business of which is real estate development.

Travellers is a company incorporated in the Philippines principally engaged in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses including operating casinos and other gaming activities. Travellers is a fellow subsidiary of Megaworld for being an indirect non-wholly owned subsidiary (of approximately 68%) of Alliance Global Group, Inc. (being the holding company of Megaworld).

LETTER FROM THE BOARD

Westside is a company incorporated in the Philippines principally engaged in the business of hotels and restaurants. Westside is a 95% non-wholly owned subsidiary of Travellers.

On the date of completion of the Acquisition, Megaworld was holding 12.79% interest in SunTrust and is a connected person of the Company at the subsidiary level for Megaworld being solely a substantial shareholder of a subsidiary (i.e. SunTrust) of the Company. Each of Travellers and Westside is an associate of Megaworld and therefore is a connected person of the Company at the subsidiary level.

Megaworld is holding 34.00% in SunTrust upon Megaworld Shares Subscription Completion. None of Travellers and Westside is holding any interest in SunTrust upon Megaworld Shares Subscription Completion.

INFORMATION OF SUNTRUST AND MSRD

Set out below is the information of MSRD, which was acquired by the Group, and SunTrust, which was acquired and agreed to be acquired by the Group, in each case, after 31 December 2018, being the date to which the latest published audited accounts of the Company have been made up.

MSRD

MSRD is an investment holding company incorporated in Japan.

The principal asset of MSRD is a plot of land with a total site area 108,799 sq.m. located at Nishihara*, Aza Nikadori*, Hirara*, Miyakojima-shi*, Okinawa, Japan (日本沖繩縣宮古島市平良荷川取西原). The designated uses of the said land before the MSRD Acquisition were natural fields, windbreak forest/barrier, farmland, or public roads. The Company intends to apply to Okinawa's Legal Affairs Bureau for conversion of its designated use for resort hotel development.

MSRD became a 51% owned subsidiary of the Company immediately after the MSRD Acquisition and its financial results will be consolidated into the Group's financial statements.

The aggregate value of the consideration for the MSRD Acquisition is US\$9,588,000 and was satisfied by the financing from a company wholly owned by Mr. Chau, which has previously made available to the Company a facility in the principal amount of up to HK\$1,500,000,000 for the purposes of the Group's daily operations, mergers and acquisitions, investments, business development and other corporate purposes. Apart from the consideration, the Group has advanced US\$12,990,566 to MSRD to repay the shareholder's loan then due from MSRD to AIIA (HK) Corporation Limited (as vendor).

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of MSRD in consequence of the MSRD Acquisition.

LETTER FROM THE BOARD

SunTrust

SunTrust is a company incorporated in the Philippines, the shares of which (i.e. the SunTrust Shares) are listed on PSE.

SunTrust is principally engaged in investment holding and as the listing vehicle of the SunTrust Group on PSE. The principal business of the SunTrust Group, through its subsidiaries, was management of real estate properties and provision of transportation services in the Philippines.

SunTrust became a 51% owned subsidiary of the Company immediately after the Acquisition and its financial results will be consolidated into the Group's financial statements.

The aggregate value of the consideration for the Acquisition is PHP1,100,569,230 (equivalent to approximately HK\$166,394,912) and was satisfied by the loan facility from Star Hope Limited (the "**Substantial Shareholder Facility**"), which is a connected person of the Company for it being a company wholly-owned by Mr. Chau, to the Group up to the extent of HK\$1,750,000,000 at an annual interest rate of 3.5%.

On 28 October 2019, the Purchaser conditionally agreed to subscribe for the Subscription Shares (i.e. 2,550,000,000 new SunTrust Shares) on and subject to the terms and conditions of the Shares Subscription Agreement, completion of which is to be proceeded simultaneously with the Megaworld Shares Subscription Completion and the Aurora Shares Subscription Completion. The aggregate value of the consideration for the Shares Subscription is PHP2,550,000,000 at a subscription price of PHP1.0 per Subscription Share. The consideration will be satisfied by the Substantial Shareholder Facility.

There will be no variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of SunTrust in consequence of the Acquisition and/or completion of the Shares Subscription.

INFORMATION ON THE GROUP AND REASONS OF THE PROJECT SITE PAYMENT AND THE LEASE AGREEMENT

The Group is principally engaged in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC; (iii) provision of hotel and integrated resort general consultancy service in Vietnam and Cambodia; and (iv) provision of travel related products and service. The Group has been expanding and seeking opportunities to expand its tourism-related business, in particular, investment in integrated resort and provision of hotel and integrated resort general consultancy services in the South East Asia region, including Vietnam, Cambodia and Korea.

By the Project Site Payment and the Lease Agreement, SunTrust will be having access to and the right to use the Project Site for the Project. The Directors consider that the Project Site Payment and the Lease Agreement are on terms fair and reasonable and in the interests of the Company and the Shareholders as a whole. Please refer to "FAIRNESS AND REASONABLENESS OF THE PROJECT SITE PAYMENT AND THE ANNUAL RENTAL" above in this circular for the bases.

LETTER FROM THE BOARD

INFORMATION ON THE GAMBLING ACTIVITIES

Gambling activities will be conducted at the Main Hotel Casino, which is expected to commence operation prior to 2023, of which SunTrust (a 51% owned subsidiary of the Company) will be appointed as the sole and exclusive operator and manager under and pursuant to the terms of the Co-Development Agreement upon the entering into of the O&M Agreement.

Types of Authorised Gambling Activities

The Main Hotel Casino will involve the operation of approximately four hundred (400) gaming tables and one thousand two hundred (1,200) slot machines for both mass and VIP markets at which gambling activities will be operated.

The types of gambling activities as are currently authorised under the Gaming License to be operated at the Main Hotel Casino cover baccarat, blackjack, pontoon, roulette, casino war, craps, stud poker, big and small, money wheel, pai gow, pula at puti, slot machines, electronic gaming machines and poker (collectively, the “**Authorised Gambling Activities**”).

The operation of the Authorised Gambling Activities has to be in compliance with the applicable licensing requirements, anti-money laundering laws, other laws, rules and regulations of the Philippines regulating the operation of the Authorised Gambling Activities as set out below (the “**Applicable Laws**”).

The Applicable Laws in the Philippines

The licensing regime in the Philippines

The operation of casinos in the Philippines is a regulated activity under the auspice of PAGCOR. PAGCOR is a government owned and controlled corporation responsible for the licensing and monitoring of casinos in the Philippines and enforcement of the Applicable Laws.

Every casino licensee has to be licensed by PAGCOR and obtain a valid licence from PAGCOR for the operation of their gambling activities. PAGCOR has granted the Gaming License to Travellers and Westside authorising them to operate the Authorised Gambling Activities and to enter into any agreement for the operation and/or management of the casino without need of prior written approval of PAGCOR provided that (i) such agreement will not result in the assignment, transfer, sale, lease or sub-leasing of the Gaming License; and (ii) the appointed casino manager or operator, if a juridical entity, should be registered with the SEC and not included in PAGCOR’s list of banned personalities.

LETTER FROM THE BOARD

The major applicable laws, rules and regulations in the Philippines

Set out below are the major laws, rules and regulations in the Philippines to which the operation of the Authorised Gambling Activities is subject:

(1) *Casino Regulatory Manual for Entertainment City Licenses (January 2016) (“Casino Manual”)*

- The Casino Manual comprises detailed regulations and standards which are formulated and enforced by PAGCOR to maintain an orderly and predictable regulatory environment, enforce license terms and conditions, promote fairness and integrity in the conduct of games, and provide an underlying platform for responsible gambling, among others. Under the Casino Manual, a casino licensee, and effectively its operator, operating the Authorised Gambling Activities, should observe the regulations in the Casino Manual.
- Casino licensee is required to formulate, in consultation with PAGCOR, operational rules and guidelines governing the day-to-day casino operations of the licensee prior to the commencement of the casino operation. Once confirmed by PAGCOR, the operational rules and guidelines will form an integral part of the licence.
- Compliance with PAGCOR’s rules and regulations is monitored by the PAGCOR monitoring team assigned to different licensed casinos.

(2) *Gaming Employment License Manual and Handbook for Applicants and Employees (April 2016)*

- The Gaming Employment License (“GEL”) is an authorisation issued by PAGCOR granting a person the privilege to be employed as a gaming employee within the Philippines jurisdiction.
- It is a pre-employment and continuing requirement for employment in any gaming establishment in the Philippines and should form part of the employee’s handbook.
- No employer operating a gaming facility shall hire and keep an individual without a valid GEL.
- PAGCOR will conduct periodic GEL compliance verification on all licensees.

(3) *Code of Practice on Responsible Gaming*

- It is a code of practice which sets out the rules and guidelines on responsible gaming required to be adopted by all PAGCOR-licensed entities in authorised gaming establishments, in order to minimize potential harm to the individual players and the community, to prevent gambling addiction and to prohibit underage gambling.

(4) *Provisional License*

- The continuing validity of the Gaming License is subject to compliance with certain continuing obligations and conditions, including but not limited to compliance with the licensees to the 70–30 debt to equity ratio, maintenance of performance assurance in the amount of PHP100 million to ensure punctual payment of PAGCOR licence fee, maintenance of 100% of licensees’ employees of a GEL and maintenance of at least 95% of the total employees for the Main Hotel Casino shall be locally hired.

LETTER FROM THE BOARD

- The Gaming License is specific to, among others, the Project Site. Travellers and Westside must not commit any breach of the terms and conditions of the Lot Nos. 4 and 6 Joint Venture Agreement with PAGCOR and the lease agreement entered into between Westside and its lessor as stated in the valuation report of the Project Site in Appendix III to this circular dated 20 August 2014 in respect of part of the Project Site so as to lose their right to occupy and develop the Project Site.

(5) *Anti-Money Laundering Act (“AMLA”) of the Philippines*

- AMLA and its implementing rules and regulations designated casinos as covered persons and purport to govern casino cash transactions relating to gaming operations.
- The Anti-Money Laundering Council (“AMLC”), PAGCOR, and other concerned government agencies of the Philippines jointly adopted and promulgated the Casino Implementing Rules and Regulations (“CIRR”), under which casinos in the Philippines shall comply with the required customer due diligence, record keeping and reporting of transactions determined to be both a suspicious transactions and covered transitions (single casino cash transaction involves an amount in excess of PHP5,000,000 or its equivalent in any other currency) to the AMLC.
- The AMLC is responsible for investigating suspicious transactions and covered transactions deemed suspicious, money laundering and terrorist financing and other violations of the AMLA, its implementing rules and regulations, the CIRR and other AMLC issuances, examine particular bank accounts that are deemed related to a predicate offense or money laundering offense or financing of terrorism as defined under the laws of the Philippines, and conduct on-site compliance checking to validate the compliance of covered persons on the requirements of the AMLA and the CIRR.

Having reviewed and considered the Philippines legal opinion obtained by the Company, the Board confirms that the operation of the Authorised Gambling Activities in the Main Hotel Casino will be considered lawful and in compliance with the Applicable Laws.

Implementation and interpretation of the foregoing laws and regulations are subject to the determination of PAGCOR and other administrative agencies, taking into account jurisprudence and previous resolutions. However, jurisprudence or decisions involving casinos and gambling activities are limited and future administrations may revise or modify these resolutions and interpretation.

The Gambling Ordinance (Cap.148 of the Laws of Hong Kong)

On the basis that the Authorised Gambling Activities are to be undertaken or otherwise conducted abroad outside Hong Kong at the Main Hotel Casino, the Gambling Activities shall not be governed by and will not be in contravention of the Gambling Ordinance (Cap.148 of the Laws of Hong Kong).

Internal controls

The Project is still in the construction and planning stage. The operation of the Authorised Gambling activities is expected to commence prior to 2023 only after completion of the construction and development of the Main Hotel Casino.

LETTER FROM THE BOARD

To ensure compliance with the Applicable Laws (including those on anti-money laundering), the Group will:

- in consultation with the Group's internal control advisers who is expected to be reputable international audit firm, **devise** internal controls, policies and procedures (including those on anti-money laundering and prevention of serious crimes) specific to the operations of the Authorised Gambling Activities;
- arrange to conduct independent **review and assessment** by independent consultant of the internal controls, policies and procedures as devised prior to their adoption and implementation;
- arrange independent **review and audit** by its internal control advisers of its internal controls, policies and procedures adopted from time to time and on an as needed basis for their recommendations for improvement;
- seek **advice** from Philippines legal advisers and other professional advisers, and where necessary, liaise with the relevant government authorities in the Philippines on the relevant requirements of and compliance with the Applicable Laws on a regular and as needed basis;
- in compliance with CIRR, designate a compliance officer of senior management status with the authority and mandate to ensure the day-to-day compliance of the Group with its anti-money laundering and countering the financing of terrorism (CFT) obligations, including reporting on matters pertaining to its anti-money laundering and countering the financing of terrorism obligations, ensuring compliance measures reflect readily available information concerning new trends in money laundering and terrorist financing and detection techniques;
- designate a separate officer to be responsible and accountable for all record-keeping requirements under the CIRR; and
- on advice of its professional advisers, set up an anti-money laundering committee to devise, monitor, implement internal controls, policies and procedures in relation to the operation of the Authorised Gambling Activities to ensure its operation in a compliant environment from time to time, where the committee will be headed by Mr. Manuel Assis Da Silva ("**Mr. Manuel**"), the current executive Director of the Company. Mr. Manuel has served at the Gaming Inspection and Coordination Bureau ("**DICJ**"), the Macau gaming regulator, for more than 43 years and was appointed as the Head of Inspection at DICJ from 2003 to 2016, during which he was responsible for the casino operation in Macau. Mr. Manuel is recognised across Asia as an expert on casino game rules, internal controls in casinos, the control of junket and VIP gaming operations and in the regulation of gaming machines.

The Company will publish an announcement to update the status and progress of the internal control work and disclose the implementation and follow-up of the internal control measures in the Company's interim and annual report.

LETTER FROM THE BOARD

Risk on the operation of the Authorised Gambling Activities

Set out below are certain specific risks in relation to the operation of the Authorised Gambling Activities. Additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or that the Directors currently deem immaterial, may also adversely affect the operation of the Authorised Gambling Activities in a material aspect.

The listing of the Company on the Main Board of the Stock Exchange and the listing of SunTrust on the PSE are at risk of being suspended or cancelled

The Group is required to comply with the Applicable Laws so long as it operates or invests directly or indirectly in gambling activities, the Shares are listed on the Main Board of the Stock Exchange and the shares of SunTrust are listed on the PSE. The Company and SunTrust are at risk of having their listing on the Main Board of the Stock Exchange and the PSE be suspended and cancelled in the event of non-compliance with the Applicable Laws.

The Authorised Gambling Activities are based primarily on gaming, which inherently involves elements of chance that are beyond the control of SunTrust

The gaming industry is characterised by the elements of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skills and experience, the financial resources of players, the volume of bets placed by the players of the Main Hotel Casino and the amount of time the players spent on gaming. These factors, alone or in combination, have the potential to negatively impact win rates. As a result, actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause the results of operations of the Authorised Gambling Activities to be volatile.

There could still be incident of money laundering notwithstanding compliance with the Applicable Laws

The gaming industry is prone to potential money laundering and other illegal activities. The Group may not be able to negate incident of money laundering and other illegal activities altogether notwithstanding compliance with the Applicable Laws.

Risk of fraud or cheating by players

Players of the Authorised Gambling Activities may commit fraud or attempt to cheat in order to increase winnings by using counterfeit currency, chips or other tactics. Failure to discover such acts in a timely manner could result in losses in the operation of the Authorised Gambling Activities. In addition, negative publicity arising from such acts could have a material and adverse impact on the Group's reputation, thereby adversely affecting the Main Hotel Casino's business, cash flow, financial condition, results of operations and prospects.

LETTER FROM THE BOARD

No direct operating history

The Project is currently in the construction and planning phase. The operation of the Authorised Gambling activities is expected to commence prior to 2023 only after completion of the construction and development of the Main Hotel Casino. The Group may not be able to prepare for and respond to any adverse changes in the business environment, economy and/or the Applicable Laws. If these risks are not managed successfully, it could have a material and adverse effect on the results of operations, financial performance and business of the Main Hotel Casino.

The Main Hotel Casino may face intense competition in the Philippines and elsewhere in Asia

The Group expects competition in the Philippines to be intense as multiple integrated casino-resort projects in the Philippines have been approved and the Philippines authority is developing Entertainment City, Manila, the Philippines, of which the Project Site lies, into the casino hub in Manila. There are three casinos currently operating within the Entertainment City. Further hotel, casino and entertainment complex projects may also be approved by the Philippines authority and elsewhere in Asia. Competitive pressures in the Philippines's gaming industry could have a material and adverse effect on the Main Hotel Casino's business, financial condition and results of operations.

Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending

Demand for luxury services, gaming-related services and leisure activities are sensitive to global economic downturn. Changes in discretionary consumer spending or consumer preferences could be driven by economic conditions. Any reduction in consumer demand for the gaming-related services could adversely affect the Main Hotel Casino's business.

Conducting business in the Philippines involves certain economic and political risks

Conducting business in the Philippines involves certain economic and political risks. Changes in the Philippines's political, economic and social conditions will affect the business operating environment in the Philippines's economy. Other factors which may affect business operation in the Philippines include but not limited to governmental policies, changes in the Philippines laws or regulations, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, and travelling policies.

The ability to attract and retain a sufficient number of qualified employees to run the operation

The Main Hotel Casino will depend on its ability to attract and retain a sufficient number of qualified employees to run the operations of the Authorised Gambling Activities and the facilities in the Main Hotel Casino. The ability to maintain its competitiveness is, to a large extent, dependent on the efforts, skills and continued service of key management and operating personnel. The loss of key management and operating personnel may have an adverse impact on the Main Hotel Casino's business.

LETTER FROM THE BOARD

Renewal of the Gaming License is contingent upon the extension of PAGCOR Charter

The term of the Gaming License shall be co-terminus with PAGCOR's franchise granted under the PAGCOR Charter of the Philippines (also known as Presidential Decree 1869, as amended by Republic Act No. 9487) (the "**PAGCOR Charter**"), which will expire in July 2033. The Gaming License shall be renewed subject to the terms of extension of the PAGCOR Charter. It is unclear whether the Gaming License will be automatically renewed when the PAGCOR Charter extends and if so, whether the validity of the Gaming License will remain for the period co-terminus with the PAGCOR Charter. Uncertainty in the renewal of the Gaming License could have a material and adverse effect on the operation of the Main Hotel Casino.

Continued validity of the Gaming License depends on Westside and Travellers' continued compliance with the Master Development Plan

The Gaming License provides for key terms of the master development plan (the "**Master Development Plan**") and project implementation plan (the "**Project Implementation Plan**") of the project to develop various parcels of land located in the Manila Bay Area in Paranaque City of which the Project Site forms part of. Prior written approval of PAGCOR is required for any material change in the Master Development Plan and Project Implementation Plan, As SunTrust, pursuant to the Co-Development Agreement, is only responsible for developing the Project Site among other sites as contemplated under the latest approved Project Implementation Plan, it has no control over the continued compliance of Westside and Travellers, the co-licensees and co-holders of the Gaming License, in developing other parcels of land within the latest approved Project Implementation Plan. Failure to comply with the Master Development Plan and the latest approved Project Implementation Plan on the part of Westside and Travellers without the prior written approval of PAGCOR may be a ground for the revocation of the Gaming License and hence affects the operation of the Main Hotel Casino.

Epidemics and other communicable diseases may affect our business operation

Outbreak of epidemics and other communicable diseases, such as swine flu, avian flu, SARS and Novel Corona Virus Disease-2019 ("**COVID-19**") are beyond the Group's control. With the increasing number of confirmed COVID-19 cases in the Philippines, PAGCOR has ordered a suspension of all gaming operations since mid-March 2020 and will last for the duration of the National Capital Region community quarantine imposed by the Philippines government. These events may adversely affect the current construction and planning phase of the Project, as well as the business operating environment in the Philippines' economy. The operation of the Authorised Gambling Activities is expected to commence prior to 2023.

LISTING RULES IMPLICATIONS

The Project Site Payment represents the payment for the use of the Project Site and reimbursement of the costs incurred on the Project Site and the construction works done on the Project Site under and pursuant to the Co-Development Agreement. The Right-of-Use Asset (Lease) represents the value for the use of the Project Site under and pursuant to the Lease Agreement. Each of the Project Site Payment and the Right-of-Use Asset (Lease) represents a right-of-use asset under the HKFRS 16 Leases. Each of the Project Site Payment and the Lease Agreement constituted an acquisition of asset by SunTrust under Chapters 14 and 14A.

LETTER FROM THE BOARD

As one of the applicable percentage ratios in respect each of the Project Site Payment and the Right-of-Use Asset (Lease) on the Aggregation Basis exceeds 25% but is less than 100%, each of the Project Site Payment and the Right-of-Use Asset (Lease) constituted a major transaction for the Company under Chapter 14 and is subject to announcement and Shareholders' approval requirements under Chapter 14.

Each of Westside and Travellers is a connected person of the Company as briefly described in "Information of Megaworld, Travellers and Westside" in this circular.

Each of the Project Site Payment by SunTrust and the Lease Agreement constituted a connected transaction for the Company under Chapter 14A. Under Rule 14A.101, each of the Project Site Payment and the Lease Agreement is subject to reporting and announcement requirements but is exempt from the circular, independent financial adviser and independent Shareholders' approval under Chapter 14A as (a) the Board has approved the Project Site Payment and the Lease Agreement; and (b) all the independent non-executive Directors have confirmed that the terms of the Project Site Payment and the Lease Agreement are fair and reasonable, the Project Site Payment and the Lease Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. No Director is interested in the Project Site Payment and the Lease Agreement and none of the Directors was required to abstain from voting at the resolution of the Board approving the Project Site Payment and the Lease Agreement.

The Project Site Payment and the Lease Agreement will therefore be subject to Shareholders' approval under Chapter 14.

To the best of the knowledge of the Directors, no Shareholders, including the Controlling Shareholder, a controlling shareholder of the Company holding 4,991,643,335 Shares (representing 74.87% interest in the Company) which does not have a material interest in the Project Site Payment and the Lease Agreement, are required to abstain from voting at a general meeting of the Company if one were to be convened and held to approve the Project Site Payment and the Lease Agreement.

A waiver has been granted by the Stock Exchange to the Company from strict compliance with Rule 14.41(a) to despatch this circular on, among others, the Project Site Payment and the Lease Agreement within 15 business days as that required under that Rule to on or before 27 March 2020 as time is required by the Company to gather the information required to be included in this circular, including, among others, the valuation report on the Project Site, the pro forma statement of the assets and liabilities of the Group combined with the right-of-use asset to which the Project Site Payment is related and the Right-of-Use Asset (Lease) and the other financial information of the Group (including any company which will become a subsidiary of the Company which has been acquired or agreed to be acquired by the Group since 31 December 2018, being the date to which the latest audited accounts of the Company have been made up), the statement of indebtedness and the working capital projection for the purpose of the statement on sufficiency of working capital. Each of the Project Site Payment and the Lease Agreement has been approved by way of written approval of the Controlling Shareholder. Accordingly, no extraordinary general meeting of the Company will be convened and held to approve the Project Site Payment and the Lease Agreement.

LETTER FROM THE BOARD

FURTHER INFORMATION

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

WARNING NOTICE

The Project Site Payment and the Lease Agreement may or may not proceed as it is subject to satisfaction of the conditions precedent set out in “Letter from the Board – Project Site Payment – The Co-Development Agreement – Conditions Precedent of Project Site Payment” and “Letter from the Board – Lease Agreement – Conditions Precedent of the Payment of Annual Rental” in this circular. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

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

1. FINANCIAL SUMMARY

A summary of the financial information with respect to the profits and losses, financial record and position of the Group for the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 is set out in a comparative table on pages 6 and 7 of the annual report of the Company for the year ended 31 December 2018.

The audited financial statements of the Group for the year ended 31 December 2018 together with the notes thereto are contained in the annual report of the Company for the year ended 31 December 2018 published as “2018 Annual Report” on 30 April 2019 on the websites of the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn201904301107.pdf>) and are incorporated in this circular by way of reference.

2. STATEMENT OF INDEBTEDNESS

The Group

As at 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness, the Group had aggregate outstanding indebtedness:

	Secured <i>RMB'000</i>	Unsecured <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of bank borrowings	419,705	–	419,705
Carrying amount of other borrowings	216,442	618,000	834,442
Carrying amount of loans from non-controlling shareholders	82,952	–	82,952
Carrying amount of interest payables of loans from non-controlling shareholders	–	824	824
Carrying amount of amount due to a director	–	4,947	4,947
Principal amount of amount due to a related company	–	268,428	268,428
Carrying amount of interest payables of amount due to a related company	–	2,303	2,303
Principal amount of convertible bonds payable to related companies	–	619,244	619,244
Principal amount of loans from a related company	–	1,736,942	1,736,942
Carrying amount of interest payables of loans from a related company	–	36,290	36,290
Lease liabilities	3,873	–	3,873
	<u>722,972</u>	<u>3,286,978</u>	<u>4,009,950</u>

As at 31 January 2020, except for a bank loan of approximately RMB60,955,000 was guaranteed by Mr. Chau, all of the above indebtedness were unguaranteed.

Pledged assets

The Group pledged the entire equity interest of a subsidiary, its certain property, plant and equipment, investment properties, inventories, right-of-use assets and bank deposits for credit facilities granted to the Group.

As at 31 January 2020, the indirect equity interest of approximately 34% in Hoi An South Development Limited (“**HASD**”), a subsidiary of the Company’s joint venture, were pledged to a bank for the banking facilities granted to HASD.

Contingent liabilities and guarantees

As at 31 January 2020, the Group provided guarantees to certain banks in respect of mortgage facilities granted in connection with the mortgage loans entered into by buyers of the Group’s properties of approximately RMB1 million. Pursuant to the terms of the guarantees contract, if there are any defaults on the mortgages, the Group is liable to the repayment of the outstanding mortgage principals together with the accrued interest and penalty payable by the defaulting buyers to banks. The Group is then entitled to take over the legal title and possession of the related properties. The guarantees shall be released upon the issue of the relevant buyer’s property ownership certificate and in the custody of the banks.

Bank balances of approximately RMB298,000 have been pledged with the banks as guarantee deposits for the mortgage loan facilities granted by the banks to buyers of the Group’s properties as at 31 January 2020.

As at 31 January 2020, the Group was under several litigations in relation to the construction of the Group’s properties under development in the PRC with several contractors, who are independent third parties to the Group. Based on the legal opinion from the PRC lawyer, it is not probable that the Group will be liable to these litigations and therefore, liabilities in relation to these litigations have been disclosed as contingent liabilities.

General

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising in the ordinary course of business, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills), mortgages and charges, acceptance credits, hire purchase commitments, other material contingent liabilities or guarantees outstanding as at 31 January 2020.

3. MATERIAL ADVERSE CHANGE

Due to the seize of certain portion of the investment properties in relation to the 2013 Litigation as described in “Appendix IV (General Information) – 7. Litigation” in this circular, the subsidiary of the Group breached the covenants of a bank borrowing, which led to an event of default for such bank borrowing. Accordingly, the bank borrowing amounting to RMB62,500,000 is reclassified from non-current liabilities to current liabilities as of 30 June 2019. On discovery of the breach, the Company has informed the relevant bank and commenced negotiations to obtain waiver from strict compliance on the relevant financial covenants. Up to the Latest Practicable Date, the Group has not obtained written waiver from the relevant bank and the Group has not received any demand for immediate repayment of such bank borrowing.

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the Group recorded a net loss of RMB1,254,366,000 during the six months ended 30 June 2019 and, as at 30 June 2019, the Group’s current liabilities exceeded its current assets by RMB3,029,405,000 and total liabilities exceeded its total assets by RMB1,947,176,000.

The significant portion of the liabilities of RMB2,679,143,000 was attributable to the derivative financial instruments in relation to the convertible bonds of the Company as a result of fair value change and will have no impact on the operations of the Company.

As announced in the Company’s announcement dated 20 March 2020, the Group is expected to record a loss attributable to owners of the Company of approximately RMB1.51 billion for the financial year ended 31 December 2019 as compared to the loss attributable to owners of the Company of RMB1.46 billion for the year ended 31 December 2018. Further details are contained in the said announcement of the Company

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed there has not been any material adverse change in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

4. SUFFICIENCY OF WORKING CAPITAL

As at 31 January 2020, the Group’s total borrowings comprising bank and other borrowings, loans from a related company and non-controlling shareholders, convertible bonds due to related companies, non-trade related amounts due to related companies, non-controlling shareholders and a director and lease liabilities amounted to approximately RMB4,009,950,000.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than 12 months from the date of this circular. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including Project Site Payment, that will be due in the coming twelve months from the date of this circular based on the Group's existing resources and upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

- SunTrust will be succeeded in raising fund to the extent of PHP16.6 billion (equivalent to RMB2.3 billion through debt and/or equity financings of which PHP2.55 billion (equivalent to approximately RMB0.36 billion) was subscribed by the Group and to be financed by the existing loan facility granted by a related company, to finance the Project Site Payment in 2020.

In the unlikely event that the financings of PHP16.6 billion (equivalent to approximately HK\$2,500 million) cannot be raised, the impact of the working capital sufficiency forecast will be minimal, if at all, on the basis that the availability of the Substantial Shareholder Facility of HK\$1,750 million and the continuing financing support from Mr. Chau if and when needed by the Group as stated in a letter of financial support from Mr. Chau have been factored when assessing the working capital sufficiency forecast of the Group.

- The Group had certain loans from non-controlling shareholders of MSRDC with principal amount of JPY1,323,000,000 (equivalent to approximately RMB82,952,000) as at 31 January 2020, which will mature in July 2020. The Group has obtained a letter of undertaking from the non-controlling shareholders of MSRDC that the loans from non-controlling shareholders will be renewed upon the relevant maturity date for more than one year.
- As at 31 January 2020, the Group had 2016 Convertible Bond with outstanding principal amount of HK\$402,000,000 (equivalent to approximately RMB356,132,000) and 2018 Convertible Bond with outstanding principal amount of HK\$297,000,000 (equivalent to approximately RMB263,112,000), which are held by related companies controlled by Mr. Chau, the controlling shareholder of the Group, and Mr. Lo Kai Bong, the director of the Group, and will mature in December 2020 and August 2020 respectively. The Group has obtained a written agreement from Mr. Chau and Mr. Lo Kai Bong that both 2016 Convertible Bond and 2018 Convertible Bond will be extended upon the relevant maturity date for more than one year.
- As at 31 January 2020, the Group had a promissory note issued to a related company in the principal amount of HK\$303,000,000 (equivalent to approximately RMB268,428,000) which will mature in August 2020. The Group has obtained a written agreement from Mr. Chau that promissory note will be extended upon the relevant maturity date for more than one year.
- As at 31 January 2020, the Group had a promissory note issued to a director of the Company in the principal amount of HK\$5,584,000 (equivalent to approximately RMB4,947,000) which will mature in August 2020. The Group has obtained a written agreement from Mr. Chau that promissory note will be extended upon the relevant maturity date for more than one year.
- The Group is currently negotiating with a bank for additional financing for the hotel project of MSRDC in Japan amounted to approximately JPY12,433 million (equivalent to RMB780 million). It has received preliminary proposal from the bank for banking facility with repayment periods for more than one year.

- The non-controlling shareholders of MSRDC will inject approximately JPY2,031 million (equivalent to approximately RMB127 million), representing the consideration for potential subscription of 49% of new shares to be issued by MSRDC or further shareholders' loan, to MSRDC upon finalising the development plan of the plot of land of MSRDC in 2020.
- Mr. Chau, its controlling shareholder, will provide financial support to the Group to meet its financial obligation if it is required. Based on the Board's review of Mr. Chau's financial background and information, assets backing and the track record of Mr. Chau's continuous financial support to the Group, the Board is of the view that Mr. Chau has sufficient financial resources to render his financial support to the Group.

As at the Latest Practicable Date, the aggregate unconditional loan facilities amount of up to HK\$3,970,000,000 have been granted by the related company owned by Mr. Chau to the Group, of which approximately HK\$2,011,000,000 have been drawn down and the unutilised amount of the facilities is approximately HK\$2,000 million. Approximately half of the unutilized amount of approximately HK\$2,000 million of the unconditional loan facilities will be used as the Substantial Shareholder Facility for or in connection with the investment of the Group in SunTrust, which has been factored into when assessing the Group's working capital sufficiency.

After taking into account the Group's business prospects, financial support from controlling shareholder, internal resources, and the available committed and uncommitted financing facilities and arrangements, equity issuance as mentioned above, the Directors are satisfied that, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

Notwithstanding the above, significant uncertainties exist as to whether the Group can achieve the plans and measures described above. The sufficiency of the Group's working capital to satisfy its present requirements for at least the next twelve months from the date of this circular is highly dependent on the Group's ability to obtain sufficient financial support from its controlling shareholder, Mr. Chau, generate adequate financing cash flows through successful securing of the financing from banks or financial institutions, extending loans, convertible bonds and promissory note which will be matured in the next twelve months from the date of this circular, issuance of convertible bonds and shares by subsidiaries and other long-term financing.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group continued to engage in (i) property development in Guangdong and Anhui Provinces in the PRC; (ii) property leasing in Shenzhen in the PRC, (iii) provision of hotel and integrated resort general consultancy services in Vietnam and Cambodia; and (iv) travel related products and services.

Outside the Greater China, in addition to the entering into several technical service and casino management agreements in Vietnam and Cambodia in 2018, the Group has been expanding its tourism-related business in the South East Asia region. The Group has successfully acquired a joint venture which primarily holds approximately 34% equity interest in the Hoiana Project in 2018. Phase 1 of the Hoiana Project is currently under development and is expected to be completed in the first quarter of 2020. It will include more than 1,000 hotel rooms, a casino with 140 gaming tables and over 300 slot machines as well as a 18-hole golf course.

The Group owns approximately 24.74% equity interest in Summit Ascent Holdings Limited (“**Summit Ascent**”) which holds 60% of the issued share capital of an integrated resort named “TIGRE DE CRISTAL” in Russian Far East. Phase 1 of TIGRE DE CRISTAL has commenced operation since 2015 and is comprised of gaming area with about 30 VIP gaming tables, 35 mass gaming tables and 330 slot machines and a 121 rooms 5-star hotel with F&B and retail outlets. Phase 2 of TIGRE DE CRISTAL is expected to be comprised of a 4-star hotel with 350 rooms, 50 VIP gaming tables, 25 mass gaming tables and 300 slot machines, four restaurants, additional entertainment and retail facilities and an indoor beach club.

The Group also owns 51% of the issued share capital of MSRD, which held a plot of land with a total site area 108,799 sq.m. located on Miyako Island, Okinawa, Japan. Subject to the final development plan to be approved by the Group, MSRD intends to build 40 villas with pool and a hotel of more than 100 rooms on the land.

Upon the completion the Acquisition on 28 October 2019, SunTrust became a 51% owned subsidiary of the Company. Pursuant to the O&M Agreement as contemplated under the Co-Development Agreement, SunTrust will be the sole and exclusive operator and manager of the Main Hotel Casino, which will be a 5-star hotel and casino complex at the Entertainment City, Manila, the Philippines expected to commence operation prior to 2023. Entertainment City is the casino hub in Manila. The investment in SunTrust marked the first step towards establishing the Group’s footprint in the casino and entertainment market of the Philippines and allowing the Group to tap into this growing market as well as providing synergies to the overall tourism-related business of the Group in the South East Asia region.

The Group will continue to diversify its businesses to tourism-related business in Asian countries and grasp opportunities on the provision for hotel and integrated resort general consultancy services. During 2019, the Group signed a non-legal binding memorandum of understanding with Paradise Co., Ltd. (“**Paradise**”) on a possible co-operation on Paradise’s casino in Busan, Korea, and we believe that the cooperation can enable both parties to create a synergy and develop our own strengths, resources and expertise. The Group aims to build an integrated tourism related platform with equity investments in integrated resorts as well as a tourism-related service provider to integrated resorts within the Asian region.

The Group’s business strategies will continue in tourism-related business in Asian countries. The Group is dedicated to bring greater value to the Shareholders in the long run.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 28 October 2019, Suntrust Home Developers, Inc. (“**SunTrust**”), a non-wholly owned subsidiary of Suncity Group Holdings Limited (the “**Company**”) entered into a co-development agreement with Westside City Resorts World Inc. (“**Westside**”), a subsidiary of Travellers International Hotel Group, Inc. (“**Travellers**”) (the “**Co-Development Agreement**”). On 21 February 2020, SunTrust entered into a lease agreement with Westside and Travellers (the “**Lease Agreement**”). Under the terms of Co-Development Agreement and Lease Agreement, Westside and Travellers are to lease a project site (the “**Project Site**”) to SunTrust for development of a main hotel casino in the Philippines (the “**Transactions**”).

The following unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”), together with the right-of-use asset and property in respect of the Transactions (collectively referred to as the “**Enlarged Group**”) (“**Unaudited Pro Forma Financial Information**”) is prepared by the directors of the Company (“**Directors**”) in accordance with Rule 4.29 of the Listing Rules to illustrate the financial effect of the proposed Transactions on the Enlarged Group as if the Transactions had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the Company’s published interim consolidated financial statements for the six months ended 30 June 2019, after making pro forma adjustments relating to the Transactions, as if the Transactions had been completed on 30 June 2019.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group upon completion of the Transactions as at 30 June 2019 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the published interim consolidated financial statements of the Company for the six months ended 30 June 2019 and other financial information included elsewhere in this circular.

The additional pro forma information regarding the scenario as if the Transactions were completed concurrently together with (i) the acquisition of 51% equity interest in MSRDC Corporation Limited (“**MSRD**”) which hold certain freehold land in Japan (the “**MSRD Acquisition**”), (ii) the acquisition of 51% equity interest in SunTrust together with a put option in relation to the 51% equity interest in SunTrust issued by the related companies of a non-controlling shareholder of SunTrust, in which the Group is entitled, at its sole discretion, to exercise with consideration of its original investment on SunTrust plus interest of 3.5% per annum (“**Put Option**”) upon the happening of any of the Put Option Events (as defined in Company’s announcement dated 29 October 2019) during the option period (the “**SunTrust Acquisition**”) and (iii) the subsequent deemed disposal of 75.73% equity interest in First Oceanic Property Management, Inc (“**FOPM**”), a subsidiary of SunTrust which, together with FOPM’s subsidiary, conducted property management business, being SunTrust’s sole operation at the time of the SunTrust Acquisition, in the Philippines (“**FOPM Disposal**”). Although the transactions in (i) to (iii) occurred during August to November 2019, these transactions are also prepared by the Directors voluntarily for illustrative purpose only, to illustrate the effect of the completion

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

of the MSR D Acquisition, the SunTrust Acquisition, the FOPM Disposal and the Transactions concurrently for further information of the investors and other users of this circular. The Company would like to draw to your attention that the completion of the MSR D Acquisition, the SunTrust Acquisition, FOPM Disposal and the Transactions are independent and not interconditional.

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

**(1) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2019**

	Unaudited pro forma financial information prepared under rule 14.67 of the Listing Rules		Additional pro forma information				
	Pro forma adjustment for the Transactions		The Enlarged Group, as if the Transactions, MSRD Acquisition, SunTrust Acquisition and FOPM Disposal had been completed				
	The Group as at 30 June 2019 RMB'000 <i>Note 1</i>	as if the Transactions have been completed RMB'000 <i>Note 2</i>	The Group as at 30 June 2019 RMB'000	Pro forma adjustments for MSR D Acquisition, SunTrust Acquisition and FOPM Disposal RMB'000 RMB'000 <i>Note 3a</i> <i>Note 3b</i>		Total pro forma adjustments RMB'000	as at 30 June 2019 RMB'000
Non-current assets:							
Property, plant and equipment	2,761	145,422	148,183	–	305,486	305,486	453,669
Right-of-use assets	2,954	2,497,231	2,500,185	–	–	–	2,500,185
Investment properties	1,657,400	–	1,657,400	–	–	–	1,657,400
Prepayment and deposit for non-current assets	28,219	–	28,219	–	–	–	28,219
Pledged bank deposits	7,150	–	7,150	–	–	–	7,150
Interest in associates	735,352	–	735,352	19,422	–	19,422	754,774
Interest in a joint venture	767,592	–	767,592	–	–	–	767,592
Derivative financial instrument	–	–	–	2,619	–	2,619	2,619
Deferred tax assets	83,419	–	83,419	–	–	–	83,419
	<u>3,284,847</u>	<u>2,642,653</u>	<u>5,927,500</u>	<u>22,041</u>	<u>305,486</u>	<u>327,527</u>	<u>6,255,027</u>

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**(1) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2019
(CONTINUED)**

	Unaudited pro forma financial information prepared under rule 14.67 of the Listing Rules		Additional pro forma information				
	The Group as at 30 June 2019 <i>RMB'000</i> <i>Note 1</i>	Pro forma adjustment for the Transactions as if the Transactions have been completed <i>RMB'000</i> <i>Note 2</i>	The Group as at 30 June 2019 <i>RMB'000</i>	Pro forma adjustments for MSRD Acquisition, SunTrust and FOPM Disposal <i>RMB'000</i> <i>Note 3a</i> <i>Note 3b</i>		Total pro forma adjustments <i>RMB'000</i>	The Enlarged Group, as if the Transactions, MSRD Acquisition, SunTrust Acquisition and FOPM Disposal had been completed as at 30 June 2019 <i>RMB'000</i>
Current assets							
Inventories	596,470	-	596,470	-	-	-	596,470
Trade and other receivables and prepayments	66,018	-	66,018	298	-	298	66,316
Amounts due from directors	250	-	250	-	-	-	250
Amounts due from related parties	-	-	-	3,768	-	3,768	3,768
Pledged bank deposits	303	-	303	-	-	-	303
Restricted bank deposits	2,301	-	2,301	-	-	-	2,301
Bank balances and cash	87,037	-	87,037	175,882	282	176,164	263,201
	<u>752,379</u>	<u>-</u>	<u>752,379</u>	<u>179,948</u>	<u>282</u>	<u>180,230</u>	<u>932,609</u>
Total assets	<u>4,037,226</u>	<u>2,642,653</u>	<u>6,679,879</u>	<u>201,989</u>	<u>305,768</u>	<u>507,757</u>	<u>7,187,636</u>
Current liabilities							
Trade and other payables	214,368	145,422	359,790	7,224	339	7,563	367,353
Amounts due to related companies	47,135	-	47,135	-	-	-	47,135
Contract liabilities	129,310	-	129,310	-	-	-	129,310
Receipt in advance	903	-	903	-	-	-	903
Rental and other deposits	7,108	-	7,108	-	-	-	7,108
Provisions for potential claims	22,564	-	22,564	-	-	-	22,564
Bank and other borrowings	290,752	-	290,752	-	-	-	290,752
Lease liabilities	1,001	1,229,148	1,230,149	-	-	-	1,230,149
Loans from non-controlling shareholders	-	-	-	-	88,712	88,712	88,712
Derivative financial instruments	2,679,143	-	2,679,143	-	-	-	2,679,143
Current tax liabilities	389,500	-	389,500	-	-	-	389,500
	<u>3,781,784</u>	<u>1,374,570</u>	<u>5,156,354</u>	<u>7,224</u>	<u>89,051</u>	<u>96,275</u>	<u>5,252,629</u>

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**(1) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2019
(CONTINUED)**

	Unaudited pro forma financial information prepared under rule 14.67 of the Listing Rules		Additional pro forma information				
	The Group as at 30 June 2019 RMB'000 <i>Note 1</i>	Pro forma adjustment for the Transactions as if the Transactions have been completed RMB'000 <i>Note 2</i>	The Group as at 30 June 2019 RMB'000	Pro forma adjustments for MSR Acquisition, SunTrust Acquisition and FOPM Disposal RMB'000 RMB'000 <i>Note 3a Note 3b</i>		Total pro forma adjustments RMB'000	The Enlarged Group, as if the Transactions, MSRD Acquisition, SunTrust Acquisition and FOPM Disposal had been completed as at 30 June 2019 RMB'000
Non-current liabilities							
Bank and other borrowings	520,500	–	520,500	–	–	–	520,500
Interest payables	5,959	–	5,959	–	–	–	5,959
Lease liabilities	1,832	1,268,083	1,269,915	–	–	–	1,269,915
Amount due to a related company	252,627	–	252,627	876	–	876	253,503
Amount due to a director	4,912	–	4,912	–	–	–	4,912
Loans from a related company	525,515	–	525,515	60,816	72,627	133,443	658,958
Convertible bonds	544,004	–	544,004	–	–	–	544,004
Deferred tax liabilities	347,269	–	347,269	–	–	–	347,269
	<u>2,202,618</u>	<u>1,268,083</u>	<u>3,470,701</u>	<u>61,692</u>	<u>72,627</u>	<u>134,319</u>	<u>3,605,020</u>
Total liabilities	<u>5,984,402</u>	<u>2,642,653</u>	<u>8,627,055</u>	<u>68,916</u>	<u>161,678</u>	<u>230,594</u>	<u>8,857,649</u>
Net (liabilities) assets	<u>(1,947,176)</u>	<u>–</u>	<u>(1,947,176)</u>	<u>133,073</u>	<u>144,090</u>	<u>277,163</u>	<u>(1,670,013)</u>
Capital and reserves							
Share capital	582,811	–	582,811	–	–	–	582,811
Reserves	(2,532,418)	–	(2,532,418)	(48,800)	83,142	34,342	(2,498,076)
(Deficit) Equity attributable to owners of the Company	(1,949,607)	–	(1,949,607)	(48,800)	83,142	34,342	(1,915,265)
Non-controlling interests	2,431	–	2,431	181,873	60,948	242,821	245,252
Total deficit	<u>(1,947,176)</u>	<u>–</u>	<u>(1,947,176)</u>	<u>133,073</u>	<u>144,090</u>	<u>277,163</u>	<u>(1,670,013)</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(2) NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

1. The amounts are extracted from the unaudited condensed interim consolidated financial statements of the Group as set out in the published interim consolidated financial statements of the Company for the six months ended 30 June 2019, dated 29 August 2019.
2. The adjustment reflects the pro forma fair value of property, right-of-use asset, other payable and lease liability arising from the Transactions.

Pursuant to the Co-Development Agreement and Lease Agreement, SunTrust will pay Westside and/or Travellers (1) United States Dollars (the “US\$”) 200,000,000 (equivalent to approximately RMB1,374,570,000 based on the exchange rate of RMB6.8728 to US\$1) as the upfront payment (the “**Upfront Payment**”) which is assumed to be settled by 27 March 2020 or a later date mutually agreed and (2) the fixed annual rental in the amount of US\$10,600,000, exclusive of the applicable value added tax (equivalent to approximately RMB72,852,000) in consideration of the right of use of the land, commencing from the first day of commencement of operation of the main hotel casino over lease till year 2064 (the “**Lease Payments**”).

One of the conditions precedent of completion for the Co-Development Agreement and Lease Agreement is that SunTrust has to raise funds of US\$300,000,000 (equivalent to approximately RMB2,061,840,000) for the construction and development of the main hotel casino. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, it is assumed that (1) the Upfront Payment is solely for the use of the land and will be satisfied by cash and (2) the first day of commencement of operation of the casino establishment of the main hotel casino will be on 1 January 2023.

The Upfront Payment consists of (1) US\$178,841,000 (equivalent to approximately RMB1,229,148,000) will be paid for use of the Project Site, which will be accounted for under lease accounting in accordance with Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”); and (2) US\$21,159,000 (equivalent to approximately RMB145,422,000) will be paid as reimbursement of costs incurred on the Project Site and construction works done on the Project Site will be capitalised as property of the Enlarged Group.

The pro forma fair value of right-of-use asset and lease liability consists of Upfront Payment amounting to US\$178,841,000 (equivalent to approximately RMB1,229,148,000) and Lease Payments amounting to US\$184,506,000 (equivalent to approximately RMB1,268,083,000). The pro forma fair value of right-of-use asset and lease liability attributable to the Transactions are based on the estimation of Directors, with reference to a valuation report issued by Grant Sherman Appraisal Limited dated 26 March 2020 and the pro forma fair value of property is based on the estimation of Directors, with reference to a quantity surveyor report issued by Rider Levett Bucknall Philippines, Inc. dated 24 February 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

3. The following additional pro forma adjustments had been made as the additional pro forma financial information to the unaudited pro forma condensed consolidated statement of financial position of the Enlarged Group as at 30 June 2019, assuming the Transactions, together with the MSRD Acquisition, the SunTrust Acquisition and FOPM Disposal which were independent and not interconditional parts of the Transactions, had taken place on 30 June 2019.
- a. SunTrust is engaged in property management, which are carried out by its subsidiary, FOPM and FOPM's subsidiary, and listed on the Philippines Stock Exchange. The SunTrust Acquisition was completed on 28 October 2019 to establish the Group's footprint in the growing casino and entertainment market of the Philippines.

The principal businesses of the FOPM is entirely unrelated to the casino and entertainment market of the Philippines in which the Group is investing and has never been the basis upon which the Group made its investment in SunTrust. To allow SunTrust to devote its resources to tourism-related business, the FOPM Disposal was completed on 10 December 2019.

Pursuant to the FOPM Disposal, FOPM issued 150,000,000 new shares to a related company of a non-controlling shareholder of SunTrust and SunTrust's equity interest in FOPM was diluted from 100% to 24.27%. Accordingly, SunTrust lost control over FOPM which ceased to be a subsidiary of the Group as from 10 December 2019 and became an associate of the Group with effect from the same date.

Upon the completion of the FOPM Disposal, majority of the assets, including goodwill, acquired and liabilities assumed in relation to the SunTrust Acquisition were derecognised and the 24.27% retained interest in FOPM was accounted as an associate of the Group, with a loss on FOPM Disposal recognised in profit or loss.

The unaudited adjustments reflect the unaudited consolidated financial position of SunTrust as at 31 December 2019, which is the net impact of (i) the provisional fair value adjustments of the identifiable assets acquired and liabilities assumed and fair value of Put Option acquired in relation to the SunTrust Acquisition; and (ii) the assets and liabilities derecognised and recognition on interest in an associate in relation to the FOPM Disposal, as set out in the management accounts of SunTrust and converted to the presentation currency of the Group. The conversion of Philippine peso (the "PHP") into RMB for the statement of consolidated financial position of SunTrust is based on the exchange rate of PHP7.2674 to RMB1, being the exchange rates prevailing on 31 December 2019. No representation is made that PHP amount has been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates or at all.

For purposes of the Unaudited Pro Forma Financial Information of the Enlarged Group, the investment cost of the associate is based on the provisional fair value of 24.27% retained interest in FOPM. This provisional fair value are unaudited and subject to change based on the fair value of the interest in an associate is finalised on the date of actual completion of the FOPM Disposal.

For purposes of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Group's management considers that there is no impairment indicator in respect of the interest in an associate in accordance with HKAS 36.

However, should there be any adverse changes to the business of the associate, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against interest in an associate in accordance with HKAS 36 and the Group's accounting policies.

The directors confirmed that they will assess impairment of interest in an associate in subsequent reporting periods in accordance with the requirements of HKAS 36 if there is any impairment indicator.

- b. On 2 September 2019, the MSRDR Acquisition was completed. The principal activity of MSRDR is the holding of land with no other significant assets and business operation, the acquisition is considered as asset acquisition. For the purpose of Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that the MSRDR Acquisition is completed on 30 June 2019.

The adjustment reflects the inclusion of the unaudited consolidated financial position of MSRDR as at 31 August 2019, as set out in the management accounts of MSRDR and converted to the presentation currency of the Group. The conversion of Japanese Yen (the “JPY”) into RMB for the statement of financial position of MSRDR is based on the exchange rate of JPY0.067 to RMB1, being the exchange rates prevailing on 31 August 2019. No representation is made that JPY amount has been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates or at all.

For purposes of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Group’s management considers that there is no impairment indicator in respect of the property, plant and equipment in accordance with HKAS 36.

The directors confirmed that they will assess impairment of property, plant and equipment in subsequent reporting periods in accordance with the requirements of HKAS 36 if there is any impairment indicator.

**C. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE ENLARGED GROUP**

The following is the text of a report on the unaudited financial information of the Enlarged Group, prepared for the sole purpose of inclusion in this circular, received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION
OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

TO THE DIRECTORS OF SUNCITY GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Suncity Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2019 and related notes as set out on pages II-1 to II-7 of the circular issued by the Company dated 26 March 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-7 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the recognition of right-of-use asset on the Group's financial position as at 30 June 2019 as if the acquisition had taken place at 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2019, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26 March 2020

The following is the text of letter and valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent property valuer, in connection with their valuation as at 31 January 2020 of the property interests to be acquired by the Company in the Republic of the Philippines.



Unit 1005, 10/F., Capital Centre,
151 Gloucester Road,
Wanchai,
Hong Kong

26 March 2020

The Directors
Suncity Group Holdings Limited
Unit 1705, 17/F., West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests to be acquired by Suncity Group Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (hereinafter referred to as the “**Group**”) in the Republic of the Philippines (hereinafter referred to as the “**Philippines**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest in existing state as at the 31 January 2020 (the “**Valuation Date**”) for the purpose of incorporation into the circular issued by the Company on the date hereof.

Our valuation is our opinion of the market value of the property interest where we would define market value as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests of the Property, we have valued the property by market approach assuming sale in their existing state by making reference to comparable sales evidences as available in the relevant market.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have been provided with copies of extracts of title documents relating to the property in the Philippines. However, we have not caused title searches to be made for the property interests at the relevant government bureaus in the Philippines and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the Philippines, we have relied on the legal opinion (“**the Philippines legal opinion**”) provided by the Group’s Philippines legal adviser, Martinez Vergara Gonzalez & Serrano.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupancy, lettings, site and floor areas and in the identification of the property and other relevant matter. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us and have no reason to suspect that any material information has been withheld. All documents have been used for reference only. We consider that we have been provided with sufficient information to reach an informed view.

All dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exteriors of the property, in the course of our inspection, we did not note any serious physical defects on the property.

We have not carried out investigation to determine the suitability of the ground conditions or the services for any property developments to be erected thereon. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expense or delay will be incurred during the construction period. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the sites held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property interest, we have fully complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors (HKIS), the RICS Valuation, Global Standards 2017 published by the Royal Institution of Chartered Surveyors (RICS) and the requirements set out in Chapter 5 of and Practice Note 12 to the Rule Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in US Dollars (USD). The exchange rate adopted in valuing the property interest in the Philippines as at the Valuation Date was USD1: HK\$7.7643. There has been no significant fluctuation in the exchange rate for this currency against US Dollars between that date and the date of this letter.

We enclose herewith our valuation report.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Lawrence Chan Ka Wah
MRICS MHKIS RPS(GP)MCIREA MHIREA
RICS Registered Valuer
Director
Real Estate Group

Note:

Mr. Lawrence Chan Ka Wah is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong institute of Surveyors, Registered Professional Surveyors in the General Practice Section and a member of China Institute of Real Estate and Agents, who has over 16 years' experience in the valuation of properties in Hong Kong, Macau, the PRC and the Asian Rim.

VALUATION REPORT

Group I – Property interests to be acquired by the Group for future development purpose

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2020
The leasehold interests of the portion of three adjacent land parcels with a site area of approximately 44,531.9 sq.m. situated at Westside City, Barangay Tambo, Paranaque City, Metro Manila, the Philippines	<p>Westside City (the “Development”) comprises three adjacent commercial land parcels with a total site area of approximately 134,292 sq.m.</p> <p>The Property comprises the leasehold interests of the portion of the three adjacent land parcels of the Development with a total site area of approximately 44,531.9 sq.m.</p> <p>The land use rights of the Property were leased for a term expiring on 19 August 2039, renewable for a term of 25 years for integrated hotel and casino complex uses.</p>	The Property was a clear site as at the Valuation Date.	No commercial value

Notes:

1. According to the Philippines Legal Opinions provided by the Group’s Philippines legal adviser, Martinez Vergara Gonzalez & Serrano, which contains, inter alia, the following information:

- (a) the registered owner of the Development with a total site area of approximately 134,292 sq.m. are as follows:

Lot Nos.	Approximate Site	
	Area (sq.m.)	Owner(s)
Lot 4	68,953	Philippine Amusement and Gaming Corporation
Lot 5	54,276	Nayong Pilipino Foundation
Lot 6	11,063	Philippine Amusement and Gaming Corporation
Total	134,292	

- (b) Lots 4, 5 and 6 are all held on freehold basis;

- (c) According to a Joint Venture Agreement (the “**JVA**”) entered into between Philippine Amusement and Gaming Corporation (“**PAGCOR**”) and Travellers International Hotel Group, Inc. (“**Travellers**”) dated 7 May 2010, the ownership of Lots 4 and 6 (the “**Lots**”) will be transferred from PAGCOR to Travellers upon completion of development on the Lots. Subsequently, the interests of Travellers in the JVA was transferred from Travellers to Westside City Resorts World Inc. (“**Westside City**”) (formerly known as “**Resorts World Bayshore City, Inc.**”) according to a Deed of Accession;
 - (d) According to the Lease Agreement (the “**NPF Lease**”) entered into between Nayong Pilipino Foundation (“**Nayong**”) and Westside City dated 20 August 2014, Lot 5 is leased from Nayong to Westside City for a term of 25 years, renewable for a further term of 25 years;
 - (e) The Development is free from any mortgages, orders and other legal encumbrances which may cause adverse effect to the title of the Development;
 - (f) The owners of the Property are PAGCOR and Nayong and the ownership of the Property is not vested in the Company, hence the Company is not entitled to transfer the Property; and
 - (g) Approval from PAGCOR and the relevant government organization on the Development Proposal stated in Note 4 was not yet obtained as at the Valuation Date. However, there are no foreseeable legal impediments for the Company to obtain such approval.
2. According to a co-development agreement (the “**Co-development Agreement**”) entered into between Westside City and Suntrust Home Developers Inc. (“**Suntrust**”) dated 28 October 2019 provided by the Company, Westside City and Suntrust shall enter into a lease agreement (the “**Lease Agreement**”) as more particularly described in Note 3 and Suntrust shall pay Westside City US\$200,000,000, for occupation of the Property and reimbursement of costs incurred on the Property.
3. Pursuant to the Lease Agreement to be entered into between Westside City and Travellers (the “**Lessor**”) and Suntrust (the “**Lessee**”), the Property with a total site area of approximate 44,531.90 sq.m. shall be leased from the Lessor to Lessee. The detailed breakdowns of the approximate site area are as follows:

Lot Nos.	Approximate Site Area (sq.m.)
Portion of Lot 4	1,386.75
Portion of Lot 5	32,092.00
Portion of Lot 6	11,053.15
Total	44,531.90

The Lessee shall develop the Property into:

- (a) a 5-star hotel building with approximately 400 rooms, the standard room size of which shall not be less than 34 sq.m. (the “**5-Star Hotel**”);
- (b) a casino establishment with approximately 400 gaming tables and 1,200 slot machines for both mass and VIP markets (the “**Casino Establishment**”); and
- (c) 960 parking slots for the 5-Star Hotel and the Casino Establishment.

The Lessee shall pay the Lessor an annual rental of US\$10,600,000, exclusive of the applicable value added tax, commencing on the latter of the first day of commencement of operation of the Casino Establishment and the conditions precedent as contained in the Lease Agreement. The Property shall be leased for a term commencing from the date of handover of the Property and expiring on 19 August 2039, renewable for a further term of 25 years.

4. According to the development proposal (the “**Development Proposal**”) provided by the Company, the Property will be developed into an integrated hotel and casino complex with a total gross floor area of approximately 173,696 sq.m. together with landscape area with a site area of approximately 26,764 sq.m.. The details are as follows:

Uses	Approximate Gross Floor Area (sq.m.)	Floors
Casino	23,722	Levels 1 to 3
Hotel and retail facilities	48,472	Levels 1 to 4
Guestrooms	45,126	Levels 3 to 12
Car Parking Spaces	56,376	Upper Ground Floor
Total	173,696	(inclusive of car parking spaces)

The proposed development will comprise (a) a 5-Star hotel with at least 400 rooms, the average standard room size of which shall not be less than 34 sq.m.; (b) Casino establishment with approximately 400 gaming tables and 1,200 slot machines for both mass and VIP markets; and (c) 960 car parking slots for the 5-Star hotel upon completion.

5. The Property was inspected by our Mr. Cris Chan Kwan Lok (B.Sc.) and Mr. Tony Wong Yik Hin (M.Sc.) on 30 October 2019, the condition of the Property was reasonable.
6. According to a Cost Plan Report prepared by Rider Levett Bucknall Philippines, Inc. dated 24 February 2020 provided by the Company, the incurred development cost (excluding land cost) of the Development is approximately USD21,159,000 (equivalent to approximately HK\$164,000,000). If there are any difference between the information provided and the actual incurred construction cost, we reserved the rights to revise our valuation opinions.
7. According to the information provided by the Company, the Property is estimated to commence operation prior to 2023.
8. According to information provided by the Company, Suntrust is a company incorporated in the Philippines, the share of which are listed on the Philippine Stock Exchange Inc. (stock code: SUN) and a 51% owned subsidiary of the Group.
9. The Property is situated at Jose Diokno Boulevard South in Pasay City, developments in the locality are medium to high-rise resort hotels, casinos and shopping malls. It takes about 10-minute driving distance to Ninoy Aquino International Airport. Taxis and buses are accessible to the Property.
10. The average unit rate of commercial land parcel in the locality as at the Valuation Date is in the range of USD6,000 per sq.m. to USD9,000 per sq.m.
11. According to the Philippines Legal Opinions, the Property is not entitled to be transferred by the Company. In the course of our valuation, we have ascribed no commercial value to the Property as it is not entitled to be transferred.

However, for indicative purpose, the market value of land parcel and the construction works in progress of the Property as at the Valuation Date are USD 340,000,000 (equivalent to approximately HK\$2,640,000,000) and USD 21,000,000 (equivalent to approximately HK\$163,000,000) respectively, by assuming that the Property has obtained the relevant consents and is freely transferrable in the market. The market value of 51% interests of the land parcel and the construction works in progress of the Property to be attributable to the Group as at the Valuation Date are USD173,400,000 (equivalent to approximately HK\$1,346,400,000) and USD 10,710,000 (equivalent to approximately HK\$83,130,000) respectively, by assuming the Property has obtained the relevant consents and is freely transferrable in the market.

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 Company. 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. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests in the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to (i) Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

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

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

Notes:

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

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

The 196,666,666 underlying Shares held by Star Hope Limited represents the maximum of 196,666,666 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Star Hope Limited at the initial conversion price of HK\$0.90 (subject to adjustments). Mr. Chau has 100% interests in Star Hope Limited and is therefore deemed to be interested in 196,666,666 underlying Shares.
3. This represents interests held by Mr. Lo Kai Bong through Better Linkage Limited and Ever Smart Capital Limited (companies wholly and beneficially owned by Mr. Lo Kai Bong).
4. This represents the maximum of 133,333,333 conversion Shares to be issued upon the full conversion of another convertible bonds issued by the Company to Better Linkage Limited, at the initial conversion price of HK\$0.90 (subject to adjustments). Mr. Lo Kai Bong has 100% interests in Better Linkage Limited and is therefore deemed to be interested in 133,333,333 underlying Shares.
5. Mr. Lo Kai Bong is interested in 40,000,000 share options at an exercise price of HK\$0.455 per Share to subscribe for Shares.
6. Mr. Au Chung On John is interested in 40,000,000 share options at an exercise price of HK\$1.920 per share to subscribe for Shares.
7. Mr. Manuel Assis Da Silva is interested in 3,000,000 share options at an exercise price of HK\$0.455 per Share to subscribe for Shares.
8. The percentage has been calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 6,666,972,746 Shares).

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

Name of associated corporation	Name of Director	Capacity/ nature of interest	Number of Shares held	Percentage of the issued share capital of the Company (Note 2)
Summit Ascent Holdings Limited ("Summit Ascent")	Mr. Chau	Interest of controlled corporation (Note 1)	446,308,464	24.74%

Notes:

1. On 23 April 2019, the Group acquired 370,006,464 ordinary shares of Summit Ascent (representing approximately 24.68% of the issued share capital of Summit Ascent as at 23 April 2019) (the “**Acquisition**”). Prior to the Acquisition, the Group held 49,302,000 ordinary shares of Summit Ascent (representing approximately 3.29% of the issued share capital of Summit Ascent as at 23 April 2019). Upon the completion of the Acquisition, Summit Ascent was classified as an associate of the Group. After the Acquisition, the Group further acquired 27,000,000 ordinary shares of Summit Ascent from the open market. As at the Latest Practicable Date, the Group held 446,308,464 ordinary shares of Summit Ascent (representing approximately 24.74% of issued capital of Summit Ascent). By virtue of the SFO, Mr. Chau is taken to be interested in 446,308,464 ordinary shares of Summit Ascent which are being held by the Group, as a result of his interest in the Company held through Fame Select Limited. This represents interest deemed to be held by the relevant Director through his controlled corporation(s).
2. The percentage has been calculated based on the total number of shares of Summit Ascent in issue as at the Latest Practicable Date (i.e. 1,803,777,836 shares)

3. COMPETING INTEREST

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

4. DIRECTORS’ SERVICE CONTRACTS

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

5. DIRECTORS’ INTERESTS IN CONTRACTS OR ASSETS

On 6 February 2017, Sun Travel Ltd. (“**Sun Travel**”), an indirect wholly-owned subsidiary of the Company, and Sun City Gaming Promotion Company Limited (“**Sun City Gaming Promotion**”), a company wholly owned by Mr. Chau, entered into two agreements in relation to (i) the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel, as amended by the supplemental agreement dated 15 May 2017 and (ii) the supply of ferry tickets and related services by Sun Travel to Sun City Gaming Promotion, respectively (together, the “**2017 CCT Agreements**”). As Sun City Gaming Promotion is wholly owned by Mr. Chau, Mr. Chau is deemed to have a material interest in the 2017 CCT Agreements.

On 27 July 2018, the Company entered into a loan facility agreement with Star Hope Limited, a company which is beneficially wholly owned by Mr. Chau as lender for an unconditional loan facility of up to HK\$400,000,000 and as at the Latest Practicable Date, the entire HK\$400,000,000 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 8 April 2019, the Company entered into a loan facility agreement with Star Hope Limited as lender for an unconditional loan facility of up to HK\$1,500,000,000 and as at the Latest Practicable Date, approximately HK\$991,000,000 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 30 October 2019, the Company entered into a loan facility agreement with Star Hope Limited as lender for an unconditional loan facility of up to HK\$1,750,000,000 and as at the Latest Practicable Date, approximately HK\$570,000,000 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 5 November 2019, Sun Travel and Sun City Gaming Promotion entered into two agreements in relation to (i) the supply of hotel accommodation and related services by Sun City Gaming Promotion to Sun Travel and (ii) the supply of travel related products and services including ferry tickets between Hong Kong and Macau, entertainment tickets/vouchers, travel packages and other transportation tickets by Sun Travel to Sun City Gaming Promotion, respectively (together, the “**2019 CCT Agreements**”). As Sun City Gaming Promotion is wholly owned by Mr. Chau, Mr. Chau is deemed to have a material interest in the 2019 CCT Agreements.

On 6 March 2020, the Company entered into a loan facility agreement with Star Hope Limited as lender for an unconditional loan facility of up to HK\$320,000,000 and as at the Latest Practicable Date, approximately HK\$50,000,000 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).

As at the Latest Practicable Date, the Group has outstanding convertible bond (“**2016 Convertible Bond**”) with a principal amount of HK\$402,000,000 held by Fame Select Limited, the immediate holding company of the Company which is owned as to 50% by Mr. Chau. The 2016 Convertible Bond will mature on 7 December 2020 and is non-interest bearing. The 2016 Convertible Bond is convertible into Shares at the conversion price of HK\$0.26 per Share (subject to adjustments).

As at the Latest Practicable Date, the Group has outstanding convertible bond (“**2018 Convertible Bond**”) with a principal amount of HK\$297,000,000 held by Star Hope Limited, a company beneficially wholly owned by Mr. Chau and Better Linkage Limited, a company beneficially wholly owned by Mr. Lo Kai Bong, an executive Director of the Company respectively. The 2018 Convertible Bond will mature on 28 August 2020 and is non-interest bearing. The 2018 Convertible Bond is convertible into Shares at the conversion price of HK\$0.90 per Share (subject to adjustments).

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (1) the Shares Subscription Agreement;
- (2) the Megaworld Shares Subscription Agreement;
- (3) the Aurora Shares Subscription Agreement;
- (4) the agreement dated 29 September 2018 entered into between Suncity Group Management and Consultancy (Sihanoukville) Limited (“**SGMC (Sihanoukville)**”), a wholly-owned subsidiary of the Company, and Golden Sun Sky Entertainment Co., Ltd, a company incorporated in Cambodia, in relation to the provision of pre-opening and technical services by SGMC (Sihanoukville) to Golden Sun Sky Entertainment Co., Ltd in respect of the casino to be established under an integrated resort project being developed in Sihanoukville, Cambodia prior to its opening;
- (5) the agreement dated 29 September 2018 entered into between SGMC (Sihanoukville) and Golden Sun Sky Entertainment Co., Ltd in relation to the provision of management services by SGMC (Sihanoukville) to Golden Sun Sky Entertainment Co., Ltd in respect of the casino to be established under an integrated resort project being developed in Sihanoukville, Cambodia after its opening;
- (6) the loan agreement dated 6 December 2018 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US\$26,214,650 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries;
- (7) the agreement dated 23 April 2019 entered into between (i) Victor Sky Holdings Limited (as purchaser), a wholly-owned subsidiary of the Company, (ii) Mr. Kuo Jen-Hao and Heritage Riches Limited (together as vendors) and (iii) First Steamship Company Limited (as second guarantor), pursuant to which Victor Sky Holdings Limited conditionally agreed to acquire 24.68% interest in Summit Ascent Holdings Limited in consideration of HK\$717,812,540;
- (8) the agreement dated 13 May 2019 entered into between Suncity Group Management And Consultancy (Hoi An) Limited (“**SGMC (Hoi An)**”), an indirectly wholly-owned subsidiary of the Company and Hoi An South Development Ltd, a company incorporated in Vietnam in relation to the provision of (i) management services to the casino to be developed under an integrated resort project currently being developed in Quang Nam Province (the “**Quang Nam Project**”), Vietnam and the (ii) food and beverages facilities of the Quang Nam Project on an exclusive basis by SGMC (Hoi An) to Hoi An South Development Ltd;

- (9) the agreement dated 30 August 2019 entered into between AIIA (HK) Corporation Limited (as vendor) and Modest Achieve Limited, a wholly-owned subsidiary of the Company (as purchaser) pursuant to which Modest Achieve Limited acquired 51% interest in MSRSD in consideration of US\$9,588,000;
- (10) the share subscription agreement dated 28 November 2019 entered into between First Oceanic Property Management, Inc (“**FOPM**”), a wholly owned subsidiary of SunTrust and an indirect 51% owned subsidiary of the Company immediately prior to the completion of the subscription of 150 million new FOPM ordinary shares (the “**FOPM Subscription Shares**”) and Asian E-Commerce, Inc., a connected person of the Company at the subsidiary level (as subscriber) to which Asian E-Commerce, Inc. agreed to subscribe the FOPM Subscription Shares at PHP150 million;
- (11) the loan agreement dated 7 January 2020 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US\$17,022,500 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries; and
- (12) the loan agreement dated 6 March 2020 entered into between Star Admiral Limited, an indirect wholly owned subsidiary of the Company (as lender) and Gold Yield Enterprises Limited, in which Star Admiral Limited owns 50% equity interest (as borrower), pursuant to which Star Admiral Limited will advance a loan of US\$17,022,500 to Gold Yield Enterprises Limited for investment and development of an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam and engaged by Gold Yield Enterprises Limited and its subsidiaries.

7. LITIGATION

As disclosed in the interim report of the Company for six months ended 30 June 2019 (the “**2019 Interim Report**”), a subsidiary of the Group (the “**Defendant**”) was involved in a litigation with an individual (the “**Plaintiff**”) in respect of the right to use of an area located at certain investment properties of the Group (the “**Unit**”) during 2013 (the “**2013 Litigation**”). The Plaintiff claimed that she had a lease agreement regarding the right to use the Unit for the period from 26 September 2011 to 24 October 2062 and sought for damages in respect of the loss arising from failing to use of the Unit (the “**Claim**”). Four judgments were handed down between 2014 and 2019. The judge rejected all the demands from the Plaintiff in the first and second hearings, however at the end of 2018, the judge accepted the appeal by the Plaintiff and remanded the case for a re-trial in the Shenzhen People’s Court.

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

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

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

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

In addition, the Group was involved in several litigations with several contractors in respect of the construction of the Group’s properties under development in the PRC during 2019 (the “**2019 Litigations**”). The 2019 Litigations are currently undergoing legal proceedings without any judgment being handed down.

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

8. QUALIFICATION AND CONSENTS OF EXPERTS

- (a) The following sets out the qualifications of the experts who have given their opinions or advice or statements as contained in this circular:

Name	Qualification
Grant Sherman Appraisal Limited	Independent qualified valuer
Deloitte Touche Tohmatsu	Certified public accountants

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

- (c) As at the Latest Practicable Date, each of the above experts had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (d) Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum and articles of association of the Company;
- (b) the Co-Development Agreement and the Supplemental Agreements;
- (c) the Lease Agreement;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (e) the assurance report of Deloitte Touche Tohmatsu on the compilation of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix II to this circular;
- (f) the valuation report on the Project Site issued by the Valuer, the text of which is set out in Appendix III to this circular;
- (g) the annual reports of the Company containing the audited consolidated financial statements of the Company for each of the three years ended 31 December 2016, 2017 and 2018;
- (h) the interim reports of the Company for the six months ended 30 June 2019;
- (i) the written consents of the experts referred to in the paragraph 8 of this Appendix;
- (j) the circular of the Company on renewal of continuing connected transactions dated 3 December 2019; and
- (k) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ng Wing Ching, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is at Unit 1705, 17/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (d) The principal share registrar of the Company is SMP Partners (Cayman) Limited, Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The English text of this circular shall prevail over its Chinese text.