
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular appears for information purposes only and does not constitute an invitation or offer to the Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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The securities referred to herein have not been and will not be registered under the US Securities Act or the laws of any state or jurisdiction of the United States of America, and may not be offered or sold within the United States of America, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the rights issue or any securities described herein in the United States or to conduct a public offering of securities in the United States of America.



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE;**
- (2) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION FOR CONVERTIBLE BONDS;**
- (5) PROPOSED CHANGE IN BOARD LOT SIZE;**
- (6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- AND**
- (7) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



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



Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 17 to 87 of this circular. A letter from the Independent Board Committee is set out on pages 88 to 89 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 90 to 135 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Monday, 7 September 2020 at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-6 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE SGM" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the SGM.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

14 August 2020

PRECAUTIONARY MEASURES FOR THE SGM

The Board has made reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the SGM.

VOTING BY PROXY IN ADVANCE OF THE SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.

PREVENTIVE MEASURES AT THE SGM

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures.
- (iii) Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks.
- (iv) Seating at the SGM will be arranged so as to reduce interaction between participants.
- (v) No refreshments will be served and there will be no corporate gifts.

PRECAUTIONARY MEASURES FOR THE SGM

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 1 June 2020 in relation to, among other things, the Subscription, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Authorised Gambling Activities”	the types of gambling activities as currently authorised under the Gaming License to be operated at the Main Hotel Casino covering 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
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares to 4,000 Shares
“Co-Development Agreement”	the agreement dated 28 October 2019 (as supplemented by three supplemental agreements between the same parties on 25 November 2019, 20 January 2020 and on 28 March 2020) and entered into between Westside and SunTrust
“Committed Shareholders”	collectively, (a) Victor Sky; and (b) Suncity

DEFINITIONS

“Committed Shares”	an aggregate of 669,462,696 Rights Shares to be offered to and subscribed by the Committed Shareholders under their respective entitlements as set out in the PAL pursuant to the Rights Issue and the Irrevocable Undertaking in respect of an aggregate of 446,308,464 Shares registered in their names as at the Latest Practicable Date
“Company”	Summit Ascent Holdings Limited, a company incorporated in Bermuda with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 102)
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“Concert Group”	Victor Sky, Suncity and their ultimate beneficial owners and parties acting in concert (as defined in the Takeovers Code) with each of them including Dr. U Chio Ieong, a non-executive Director
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price at which the Conversion Shares are to be issued upon exercise of the Conversion Rights, which is initially at PHP1.8 per Conversion Share, subject to adjustments in accordance with the conditions of the Convertible Bonds
“Conversion Rights”	the rights to convert the Convertible Bonds into Conversion Shares
“Conversion Shares”	the SunTrust Shares to be issued by SunTrust upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds
“Convertible Bonds”	the 6.0% coupon rate convertible bonds in the aggregate principal amount of up to PHP5.6 billion (equivalent to approximately HK\$847 million) convertible into SunTrust Shares at an initial Conversion Price of PHP1.8 per Conversion Share for an initial term of 5 years from the date of their issue extendable for a further term of 5 years to be issued by SunTrust to the Company pursuant to the Subscription Agreement

DEFINITIONS

“COVID-19”	the coronavirus disease occurred since January 2020 which is an infectious disease caused by severe acute respiratory syndrome coronavirus
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Fortune Noble”	Fortune Noble Limited, a company incorporated in the British Virgin Islands with limited liability, being a wholly-owned subsidiary of Suncity
“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$80,000,000 divided into 3,200,000,000 Shares to HK\$150,000,000 divided into 6,000,000,000 Shares
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung, established to advise the Independent Shareholders in respect of the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor

DEFINITIONS

“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Rights Issue, the Underwriting Agreement (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver
“Independent Shareholders”	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; (ii) members of the Concert Group; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Subscription, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver, who are required under the Listing Rules and the Takeovers Code (as the case may be) to abstain from voting at the SGM
“Independent Third Party”	a third party independent of and not connected with the Company and any connected person of the Company and is itself not a connected person of the Company
“Inside Information Announcement”	the announcement of the Company dated 11 August 2020 in relation to, among other things, certain financial information and management discussion and analysis of the Group for the three months ended 31 March 2020
“Irrevocable Undertaking”	the irrevocable undertaking dated 1 June 2020 executed by the Committed Shareholders in favour of the Company and the Underwriter, the details of which are set out in “PROPOSED RIGHTS ISSUE – Irrevocable Undertaking” in the Letter from the Board in this circular
“Last Trading Day”	1 June 2020, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Placing Date”	Tuesday, 13 October 2020 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
“Latest Placing Time”	5:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	Wednesday, 12 August 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 6 October 2020 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be extended to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.
“Latest Time for Termination”	4:00 p.m. on the first Business Day immediately after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter
“Lease Agreement”	the lease agreement entered into between SunTrust and Westside and Travellers dated 21 February 2020 in relation to the Project Site
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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) and a non-wholly owned subsidiary of Alliance Global Group, Inc., an Independent Third Party and the shares of which are listed on the PSE (stock code: AGI)
“Mr. Chau”	Mr. Chau Cheok Wa, the Chairman and a non-executive Director of the Company
“Mr. Lo”	Mr. Lo Kai Bong, an executive Director and Deputy Chairman of the Company

DEFINITIONS

“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, based on advice provided by legal advisers in the relevant jurisdictions, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Option Holders’ Undertakings”	Mr. Lau Yau Cheung and Mr. Li Chak Hung, each an independent non-executive Director, whereby each of them irrevocably undertakes to the Company and the Underwriter not to exercise the Share Options held by each of them from the date of the undertaking to and up to the date of completion of the Rights Issue or, where applicable, date of lapse of the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“PHP”	Philippine peso, the lawful currency for the time being of the Philippines and when translated, for ease of reference and unless otherwise specified, each HK\$ amount stated in this circular was translated at the exchange rate of HK\$1.0 to PHP6.6142 which is the same conversion rate used in the Announcement (As at the Latest Practicable Date, It is noted that the exchange rate for the conversion has become HK\$1.0 into PHP6.3141)
“Placees”	any individual, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) nor a party acting in concert with the Concert Group, and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	Merdeka Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
“Placing Agreement”	the placing agreement dated 1 June 2020 (as supplemented by an extension letter dated 12 August 2020) and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
“Placing Period”	the period commencing from the third Business Day after the Latest Time for Acceptance, which is expected to be Tuesday, 6 October 2020, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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

DEFINITIONS

“Profit Estimate”	the statement of estimated material loss based on the unaudited consolidated results of the Group for the six months ended 30 June 2020 as set out in the Profit Warning Announcement and section headed “5. MATERIAL CHANGE” in Appendix I of the circular
“Profit Warning Announcement”	the announcement of the Company dated 11 August 2020 in relation to, among other things, the Profit Estimate
“Project Site Payment”	the US\$200 million (equivalent to approximately HK\$1,550.00 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, of which a refundable deposit in the sum of US\$20 million (equivalent to approximately HK\$155.00 million) was paid on 30 January 2020 and a refundable further deposit in the sum of US\$46 million (equivalent to approximately HK\$356.5 million) was paid on 16 June 2020
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Prospectus Posting Date”	Friday, 18 September 2020 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“PSE”	The Philippine Stock Exchange Inc.
“PSE Listing Rules”	the PSE Consolidated Listing and Disclosure Rules
“Qualifying Shareholder(s)”	Shareholder(s) who(se) name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Thursday, 17 September 2020 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue

DEFINITIONS

“Registrar”	the branch share registrar of the Company, being Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price payable in full on acceptance pursuant to the Prospectus Documents
“Rights Share(s)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of three (3) Rights Shares for every two (2) existing Shares in issue on the Record Date, being 2,705,666,754 Shares based on the Company’s issued share capital as at the date of the Announcement, or assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders’ Undertakings and no buyback of Shares from the Latest Practicable Date up to and inclusive of the Record Date, an aggregate of 2,736,167,754 Shares
“RUB”	Russian Federation ruble, the lawful currency for the time being of the Russian Federation
“SEC”	the Philippine Securities and Exchange Commission
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider, among others, the Subscription, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the Increase in Authorised Share Capital
“Share Option Scheme”	the share option scheme adopted by the Company on 7 July 2011
“Share Options”	share options granted by the Company to subscribe for Shares pursuant to the Share Option Scheme
“Share(s)”	ordinary shares of par value of HK\$0.025 each in the issued and unissued share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the issued Shares
“Subscriber”	Summit Ascent Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Subscription”	the proposed subscription for the Convertible Bonds by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the agreement dated 1 June 2020 and entered into between SunTrust and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“Subscription Conditions Precedent”	the conditions precedent to completion of the Subscription
“Subscription Long Stop Date”	30 September 2020 (or such later date as the Subscriber and SunTrust may agree in writing), being the last day for fulfilment or waiver of the Subscription Conditions Precedent
“Subscription Price”	the subscription price of HK\$0.6 per Rights Share under the Rights Issue
“substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suncity”	Suncity Group Holdings Limited, 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)
“SunTrust”	Suntrust Home Developers, Inc., a company incorporated in the Philippines, the shares of which are listed on the PSE (stock code: SUN) and is 51% owned by Suncity
“SunTrust Group”	SunTrust and its subsidiaries and associated companies from time to time
“SunTrust Shares”	common shares of par value of PHP1.0 each in the share capital of SunTrust
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Travellers”	Travellers International Hotel Group, Inc., 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, and is an indirect non-wholly owned subsidiary of Alliance Global Group, Inc., an Independent Third Party and the shares of which are listed on the PSE (stock code: AGI)
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 1 June 2020 (as supplemented by an extension letter dated 12 August 2020) in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares (other than the Committed Shares) being not less than 2,036,204,058 Rights Shares and not more than 2,066,705,058 Rights Shares to be underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders which do not include the Committed Shares
“US\$”	United States dollars, the lawful currency for the time being of the United States of America and when translated, each HK\$ amount stated in this announcement was translated at the exchange rate of US\$1.0 to HK\$7.75
“Victor Sky” or “Underwriter”	Victor Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial shareholder of the Company and the Underwriter, which in turn is a wholly-owned subsidiary of Suncity
“Westside”	Westside City Resorts World Inc., a company incorporated in the Philippines principally engaged in the business of hotels and restaurants and is a non-wholly owned subsidiary of Travellers

DEFINITIONS

“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the taking up of the Unsubscribed Rights Shares, the NQS Unsold Rights Shares and the unsold fraction of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
“%”	per cent

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue, which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	2020
Latest time for lodging transfer of Shares in order to be qualified for attendance and voting at the SGM	4:30 p.m. on Tuesday, 1 September
Register of members of the Company closes (both days inclusive).	Wednesday, 2 September – Monday, 7 September
Latest time for lodging proxy forms for the SGM (not less than 48 hours prior to the time of the SGM).	3:00 p.m. on Saturday, 5 September
Record date for determining attendance and voting at SGM	Monday, 7 September
Expected date and time of the SGM	3:00 p.m. on Monday, 7 September
Announcement of results of the SGM	Monday, 7 September
Last day of dealings in the Shares on a cum-rights basis	Tuesday, 8 September
First day of dealings in the Shares on an ex-rights basis.	Wednesday, 9 September
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 10 September
Register of members of the Company closes (both days inclusive)	Friday, 11 September – Thursday, 17 September
Record Date for the Rights Issue.	Thursday, 17 September
Despatch of the Prospectus Documents	Friday, 18 September
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 22 September
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 24 September

EXPECTED TIMETABLE

Event	2020
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 29 September
Latest time for holders of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	4:00 p.m. on Tuesday, 6 October
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 6 October
Latest time for termination of the Underwriting Agreement and for the Rights Issue to become unconditional.	4:00 p.m. on Wednesday, 7 October
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares	Friday, 9 October
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent.	Friday, 9 October
Latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Tuesday, 13 October
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Shares under the Compensatory Arrangements and the NQS Unsold Rights Shares)	Wednesday, 14 October
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) on or before	Thursday, 15 October
Despatch of certificates for fully-paid Rights Shares, refund cheques (if any) and completion of Placing to take place on or before.	Thursday, 15 October
Last day for trading of the Shares in board lots of 2,000 Shares each in original counter.	Thursday, 15 October
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Friday, 16 October
Effective date of change in board lot size from 2,000 Shares to 4,000 Shares	9:00 a.m. on Friday, 16 October

EXPECTED TIMETABLE

Event	2020
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Friday, 16 October
Payment of Net Gain to relevant No Action Shareholders (if any).	Wednesday, 28 October
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares	Friday, 6 November

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate in accordance with the Listing Rules

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The Latest Time for Acceptance and payment for the Rights Shares will be postponed if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, or come into effect:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or
- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
- (3) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
- (6) any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business or the financial or trading position or prospects of the Group as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it; or
- (3) make it inexpedient or inadvisable to proceed further with the Rights Issue,

the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

Executive Directors:

Mr. Lo Kai Bong (*Deputy Chairman*)
Mr. Chiu King Yan

Non-executive Directors:

Mr. Chau Cheok Wa (*Chairman*)
Mr. Wong Pak Ling Philip
Dr. U Chio Ieong

Independent non-executive Directors:

Mr. Lam Kwan Sing
Mr. Lau Yau Cheung
Mr. Li Chak Hung

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:

Unit 1704, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

14 August 2020

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE;**
(2) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;
(3) APPLICATION FOR WHITEWASH WAIVER;
(4) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION FOR CONVERTIBLE BONDS;
(5) PROPOSED CHANGE IN BOARD LOT SIZE;
(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
AND
(7) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 1 June 2020 in relation to the Subscription, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the Increase in Authorised Share Capital.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Subscription, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the Increase in Authorised Share Capital; (ii) a letter of recommendation from the Independent Board Committee in respect of the Subscription, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Subscription, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iv) other information required pursuant to the Listing Rules and the Takeovers Code in relation to the Rights Issue and the Whitewash Waiver; and (v) a notice of the SGM.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the SGM, the Board proposes to raise not less than approximately HK\$1,623.40 million before expenses (assuming no Share Options being exercised) and not more than approximately HK\$1,641.70 million before expenses (assuming all Share Options being exercised other than Share Options which are under the Option Holders' Undertakings) by the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.6 per Rights Share.

On 1 June 2020 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) existing Shares held at the close of business on the Record Date
Subscription Price	:	HK\$0.6 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,803,777,836 Shares
Minimum number of Rights Shares (assuming no new Shares are issued (including none are issued under the Share Options) and no buyback of Shares from the Latest Practicable Date up to and inclusive of the Record Date)	:	2,705,666,754 Rights Shares, represent approximately: <ul style="list-style-type: none">• 150% of the Shares in issue as at the Latest Practicable Date; and• 60.00% of enlarged issue share capital of the Company immediately upon completion of the Rights Issue

LETTER FROM THE BOARD

Maximum number of Rights Shares (assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings and no buyback of Shares from the Latest Practicable Date up to and inclusive of the Record Date)	:	2,736,167,754 Rights Shares, represent approximately:
		<ul style="list-style-type: none">• 151.69% of the Shares in issue as at the Latest Practicable Date; and• 60.00% of enlarged issue share capital of the Company immediately upon completion of the Rights Issue
Amount to be raised before expenses	:	Not less than approximately HK\$1,623.40 million (assuming no Share Options being exercised) and not more than approximately HK\$1,641.70 million (assuming all Share Options being exercised other than Share Options which are under the Option Holders' Undertakings)
Aggregate nominal value of the Rights Shares	:	Not less than approximately HK\$67.64 million and not more than approximately HK\$68.40 million
Number of Rights Shares underwritten by the Underwriter	:	All the Rights Shares other than the Committed Shares, being not less than 2,036,204,058 Rights Shares and not more than 2,066,705,058 Rights Shares
Enlarged number of Shares in issue immediately upon completion of the Rights Issue	:	Not less than 4,509,444,590 Shares (assuming no new Shares are issued (other than the Rights Shares) and no buyback of Shares from the Latest Practicable Date up to and inclusive of the date of completion of the Rights Issue) and not more than 4,560,279,590 Shares (assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings and no buyback of Shares from the Latest Practicable Date up to and inclusive of the date of completion of the Rights Issue)

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 22,334,000 Shares under the Share Option Scheme, of which 7,104,000 Share Options are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021 (both days inclusive) at an exercise price of HK\$1.99 per Share and 15,230,000 Share Options are exercisable from 13 December 2018 to 12 December 2023 (both days inclusive) at an exercise price of HK\$0.98 per Share. Save as disclosed above, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

LETTER FROM THE BOARD

By virtue of the connection between Mr. Chau and Mr. Lo and the Underwriter as disclosed in the section headed “THE UNDERWRITING AGREEMENT” in this circular below, each of Mr. Chau and Mr. Lo is deemed to have a material interest (or a potential conflict of interest) in the transactions contemplated under the Underwriting Agreement and has abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Subscription Price

The Subscription Price is HK\$0.6 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to the Qualifying Shareholder’s shareholding in the Company held on the Record Date.

The Subscription Price:

- (i) represents a premium of approximately 15.38% over the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) is equivalent to the closing price of HK\$0.600 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) represents a premium of approximately 0.67% over the average of the closing price of approximately HK\$0.596 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) represents a discount of approximately 1.48% to the average of the closing price of approximately HK\$0.609 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) is equivalent to the theoretical ex-rights price of HK\$0.600 per Share based on the closing price of HK\$0.60 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) represents a discount of approximately 34.21% to the audited consolidated net asset value per Share of approximately HK\$0.912 based on the published audited equity attributable to owners of the Company of approximately HK\$1,644.39 million as at 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 and the issued share capital of the Company of 1,803,777,836 Shares as at the Latest Practicable Date;

LETTER FROM THE BOARD

- (vii) represents a discount of approximately 33.63% to the audited consolidated net asset value per Share of approximately HK\$0.904 based on the published audited equity attributable to owners of the Company of approximately HK\$1,631.12 million as at 31 March 2020 as extracted from the Inside Information Announcement for the three months ended 31 March 2020 and the issued share capital of the Company of 1,803,777,836 Shares as at the Latest Practicable Date; and
- (viii) represents a discount of approximately 33.77% to the adjusted audited consolidated net asset value per Share of approximately HK\$0.906 based on the published audited equity attributable to owners of the Company of approximately HK\$1,631.12 million as at 31 March 2020 as extracted from the Inside Information Announcement for the three months ended 31 March 2020 of the Company and adjusted upward by the valuation of the property interests held by the Company attributable to owners of the Company of approximately HK\$3.98 million (a comparison between the Group's property interests with a book value of approximately HK\$838.01 million as at 31 March 2020 and the valuation of the property interests as at the valuation date of RUB7,749,000,000 (equivalent to HK\$844,641,000), an adjustment upward by the valuation of the property interests held by the Company attributable to owners of the Company of approximately HK\$3.98 million on the net asset value of the Group as at 31 March 2020 (i.e. 60% equity interest held by the Company on the difference between net book value and appraised value of approximately HK\$6.63 million)).

There is no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of HK\$0.600 per Share is equivalent to the benchmarked price of HK\$0.600 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.600 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.596 per Share).

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, among other factors, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions including but not limited to, the percentage discount(s) in other recent market comparable rights issues, the market price of the Shares prior to and including the Last Trading Day and the amount of funds the Company intends to raise under the Rights Issue; and (iii) the funding and capital needs of the Group for its business plans and prospects set out in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE SUBSCRIPTION" in this circular below.

LETTER FROM THE BOARD

The Directors noted the Shares have been traded at a general downward trend during the period from 2 December 2019 to the Last Trading Day (up to 1 June 2020) (the “**Review Period**”) which the Directors considered that the Review Period is an appropriate benchmark to reflect the prevailing market conditions and recent market sentiment. Considering the Shares have been trading on the Stock Exchange in the price range between HK\$0.50 and HK\$1.11 with an average of HK\$0.81 during the Review Period, the Subscription Price of HK\$0.6 represents (i) a premium of approximately 20.00% to the lowest closing price of the Shares of approximately HK\$0.50; (ii) a discount of approximately 45.95% to the highest closing price of the Shares of approximately HK\$1.11; and (iii) a discount of approximately 25.93% to the average closing price of the Shares of approximately HK\$0.81. As compared to the average closing price of the Shares during the Review Period, the Directors consider that a discount of 25.93% had already demonstrated a reasonable discount to the Shareholders who wish to participate in the proposed Rights Issue since the Directors believe the recent trading prices of the Shares have been highly affected by the recent downturn of stock prices of stock market globally and locally and low investors sentiment due to the recent volatility and market downturn of the global economy, in particular in Hong Kong and the PRC, as well as the unprecedented deteriorating market sentiment caused by the impacts of the COVID-19 pandemic.

To assess the fairness and reasonableness of the Subscription Price which had made reference to the net asset value attributable to owners of the Company per Share of approximately HK\$0.912 as at 31 December 2019 (the “**NAV per Share**”), the Directors look into the ratio of the Subscription Price to the NAV per Share (the “**P/B Ratio**”), which is approximately 0.66 times. Further, the Company has been trading at the P/B Ratio in a range of 0.55 times to 1.22 times (based on the range of the closing prices from HK\$0.50 per Share to HK\$1.11 per Share as quoted on the Stock Exchange during the Review Period and the net asset value attributable to owners of the Company per Share of HK\$ HK\$0.912 as at 31 December 2019). The Directors believe that the recent closing price of the Shares has been traded in a substantially low level as the P/B Ratio of 0.66 times is close to the minimum level of the range of the P/B Ratio during the Review Period and that the Subscription Price may attract more investors who generally target to invest in securities trading with attractive P/B Ratio offering.

The Directors have made reference to the prevailing market conditions including but not limited to, the percentage discount(s) or premium in other recent market comparable rights issues (the “**Market Comparables**”), the market price of the Shares prior to and including the Last Trading Day during the Review Period to understand the trend of the recent market practice. Considering that the six-month Review Period is appropriate in providing a general reference for the recent market practice in relation to the key terms of the comparable cases under similar market conditions, given that (i) the timeframe is sufficient in generating a reasonable and meaningful amount of samples for the purpose of the analysis; and (ii) the inclusion of all Market Comparables without any artificial selection represents a true and fair view of the recent market trends for similar transactions conducted by other listed issuers in Hong Kong.

LETTER FROM THE BOARD

Announcement Date	Stock code	Company name	Basis	Maximum dilution effect (%)	Discount of the subscription price to the share price on the last trading day (%)	Premium/ (Discount) of the subscription price over/to the average share price for the ten consecutive trading days up to and including the last trading day (%)	Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (%)
6 December 2019	401	Wanjia Group Holdings Limited	2 for 1	66.67	(31.43)	(32.63)	(62.72)
9 December 2019	2868	Beijing Capital Land Ltd.	5 for 10	33.33	(29.17)	(29.70)	(84.24)
13 December 2019	2133	Greenway Mining Group Limited	1 for 4	20.00	0.00	(0.90)	(90.96)
18 December 2019	539	Victory City International Holdings Limited	2 for 1	66.67	(22.86)	(21.97)	(96.91)
23 December 2019	907	Elegance Optical International Holdings Limited	1 for 2	33.33	(21.79)	(22.44)	(79.90)
24 December 2019	8245	On Real International Holdings Limited	1 for 2	33.33	(61.54)	(62.69)	(30.26)
2 January 2020	305	Wuling Motors Holdings Limited	1 for 2	33.33	(32.20)	(31.03)	(74.62)
3 January 2020	1498	Purapharm Corporation Limited	1 for 2	33.33	(37.50)	(33.21)	(61.60)
10 January 2020	55	Neway Group Holdings Limited	2 for 1	66.67	(20.00)	(21.57)	(94.54)
10 January 2020	8163	Merdeka Financial Group Limited	4 for 1	80.00	(8.33)	2.80	N/A
14 January 2020	1788	Guotai Junan International Holdings Limited	1 for 3	25.00	(2.68)	(0.28)	0.83
21 January 2020	729	FDG Electric Vehicles Limited	1 for 2	33.33	(14.16)	(12.66)	N/A
3 February 2020	471	CMMB Vision Holdings Limited	1 for 2	33.33	(5.80)	(17.41)	(93.18)
11 February 2020	645	Ares Asia Limited	2 for 2	33.33	(20.24)	(20.14)	105.02
3 March 2020	80	China New Economy Fund Limited	1 for 1	50.00	(27.30)	(27.30)	0.00
6 March 2020	1400	Moody Technology Holdings Limited	1 for 2	33.33	(26.06)	(12.59)	N/A
25 March 2020	922	Anxian Yuan China Holdings Limited	3 for 2	60.00	(32.89)	(36.02)	(84.86)
9 April 2020	8377	Shen You Holdings Limited	1 for 2	33.33	(12.24)	(12.24)	(18.87)
11 May 2020	539	Victory City International Holdings Limited	2 for 1	66.67	(30.35)	(29.29)	(98.40)
15 May 2020	1822	HongDa Financial Holding Limited	1 for 5	16.67	0.00	0.00	270.37
19 May 2020	8103	hmvod Limited	5 for 1	83.33	(64.00)	(73.80)	N/A
22 May 2020	572	Future World Financial Holdings Limited	1 for 2	33.33	(10.00)	(36.62)	(87.98)
26 May 2020	8089	Chinese Strategic Holdings Limited	1 for 2	33.33	(24.53)	(28.51)	(62.93)

LETTER FROM THE BOARD

Announcement Date	Stock code	Company name	Basis	Maximum dilution effect (%)	Discount of the subscription price to the share price on the last trading day (%)	Premium/ (Discount) of the subscription price over/to the average share price for the ten previous consecutive trading days up to and including the last trading day		Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (%)
27 May 2020	1239	Teamway International Group Holdings Limited	2 for 1	66.67	(14.89)	(12.09)		175.86
29 May 2020	2310	Forebase International Holdings Limited	1 for 2	33.33	0.00	(0.48)		72.62
		Minimum			(64.00)	(73.80)		(98.40)
		Maximum			0.00	2.80		270.37
		Average			(22.00)	(22.91)		(23.68)
		Median			(21.79)	(21.97)		(62.93)
		The Company	3 for 2	60.00	0.00	(1.48)		(34.21)

The Directors noted it is a normal market practice for listed companies to set the subscription price of rights issue at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders' participation. Nevertheless, the Subscription Price is equivalent to the closing price as quoted on the Stock Exchange on the Last Trading Day, representing a discount of approximately 1.48% to the average closing price as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day, still falls within the range of those of the Market Comparable which (i) the discount represented by the subscription prices to the closing price of shares of the Market Comparables on respective last trading day ranges from 0.00% to approximately 64.00% with average of approximately 22.00% and a median of approximately 21.79%; and (ii) the premium/discount represented by the subscription prices over/to the closing price of shares of the Market Comparables for the ten previous consecutive trading day ranges from a premium of 2.80% to a discount of approximately 73.80% with the average discount of approximately 22.91% and a median of approximately 21.97%.

LETTER FROM THE BOARD

Although the discount of the Subscription Price to the closing price as quoted on the Stock Exchange on the Last Trading Day is a lot less than the average and median of the Market Comparables, the Subscription Price should be commercially determined by the Company rather than solely based on the Market Comparables as whether the Subscription Price is fair and reasonable as the level of discount for each rights issue is dependent on multiple factors such as prevailing market sentiment, the reasons for and benefits of the proposed fund raising activity, the historical share price performance and liquidity, and the profile and industry of each company. Having regard to the recent weak stock market sentiment which causes the recent closing price of the Company to be deeply undervalued, the Directors consider it would be more appropriate to make reference to the net asset value attributable to owners of the Company per Share as P/B ratio is one of the most widely used and accepted methods for valuing a business and is commonly used benchmarks in valuing a company. As noted in the Market Comparables, the premium/discount of the subscription prices over/to the consolidated net asset value per share of the Comparables ranged from a premium of approximately 270.37% to a discount of approximately 98.40% (the “Comparable NAV Range”), with an average discount of approximately 23.68% (the “Comparable NAV Average”). The discount of the Subscription Price to the net asset value attributable to owners of the Company per Share as at 31 December 2019 of approximately 34.21% is within the Comparable NAV Range and represents a larger discount than the Comparable NAV Average. The Directors consider that it is justifiable for the Company to set the Subscription Price at a discount to the market average so as to attract the Shareholders to participate in the Rights Issue under the current market sentiment.

Furthermore, since 23 April 2019, Suncity has become the substantial shareholder of the Company. With the extensive experience in the rolling chip business, the Board believes the cooperation with the Suncity Group, which is one of Asia’s leading VIP services and entertainment conglomerates founded in Macau, will continue to grow in scope and scale to revitalize the true worth of the Company.

Nevertheless, the Directors noted from the published consultation document titled “Consultation Conclusions – Capital Raisings by Listed Issuers “ released by the Stock Exchange in May 2018, “*where controlling or substantial shareholders are allowed to act as underwriters, the Stock Exchange considers mandatory compensatory arrangements provide an additional safeguard to address the concern that controlling or substantial shareholders may deliberately price the offer shares at an artificially discounted price and increase their stakes at low cost. If compensatory arrangements are required, unsubscribed shares must first be offered to independent investors at market price, which may be at a premium to the offer price. This premium would be paid to the non-subscribing shareholders*”. In view of avoiding the potential highly dilutive capital raisings for the good corporate governance, the Subscription Price is determined with a relatively slight discount of 1.48% to the average closing price as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day and is equivalent to the closing price of HK\$0.60 on the Last Trading Day.

After taking into consideration the reasons for the Rights Issue as stated in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE SUBSCRIPTION” below, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK0.598.

Irrevocable Undertaking

As at the Latest Practicable Date, (i) Victor Sky (i.e. the Underwriter), a wholly owned subsidiary of Suncity, is beneficially interested in 397,006,464 Shares, representing approximately 22.01% of the existing issued Shares of the Company; and (ii) Suncity is beneficially interested in 49,302,000 Shares, representing approximately 2.73% of the existing issued Shares of the Company. Pursuant to the Irrevocable Undertaking, Victor Sky and Suncity have irrevocably and unconditionally undertaken to the Company and the Underwriter to, among other things and subject to the granting of the Whitewash Waiver by the Executive accept and pay for in full the Committed Shares (being 595,509,696 Rights Shares and 73,953,000 Rights Shares respectively to be provisionally allotted to Victor Sky and Suncity respectively under the Rights Issue) on or before the Latest Time for Acceptance in accordance with the terms and conditions of the Prospectus Documents.

Holders of Share Options

The holders of the Share Options who wish to participate in the Rights Issue should exercise the Share Options in accordance with the terms and conditions of the Share Option Scheme, and be registered as holders of the Shares allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

The outstanding Share Options are set out below:

	As at the Latest Practicable Date	Date of grant	Exercise price (HK\$)	Exercise period (Note)
Directors				
Mr. Lau Yau Cheung	1,000,000	13 December 2018	0.98	3
Mr. Li Chak Hung	1,000,000	13 December 2018	0.98	3
Employees	1,292,000	1 September 2016	1.99	2
	13,230,000	13 December 2018	0.98	3
Consultants	<u>5,812,000</u>	1 September 2016	1.99	2
Total	<u><u>22,334,000</u></u>			

LETTER FROM THE BOARD

Notes:

1. Each Share Option gives the holder the right to subscribe for one Share and the vesting period of the Share Options is from the date of grant until the commencement of the exercise period.
2. The Share Options granted on 1 September 2016 are divided into 2 tranches exercisable from 1 September 2016 and 1 September 2017 respectively to 31 August 2021.
3. The Share Options granted on 13 December 2018 are exercisable from 13 December 2018 to 12 December 2023.

As at the Latest Practicable Date, aside from Mr. Lau Yau Cheung and Mr. Li Chak Hung, each an independent non-executive Director and a holder of Share Options, all other holders of Share Options are Independent Third Parties.

The Option Holders' Undertakings

As at the Latest Practicable Date, each of Mr. Lau Yau Cheung and Mr. Li Chak Hung, each an independent non-executive Director and holding outstanding Share Options carrying the right to subscribe for 1,000,000 Shares, has signed an Option Holders' Undertaking not to exercise the Share Options held by each of them from the date of the undertaking to and up to the date of completion of the Rights Issue or, where applicable, date of lapse of the Rights Issue.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date but will only send the Prospectus (without the PAL), for information purposes only, to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 10 September 2020. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 8 September 2020 and the Shares will be dealt with on an ex-rights basis from Wednesday, 9 September 2020.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements, if any). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

LETTER FROM THE BOARD

Closure of register of members

The register of members of the Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will be closed from Friday, 11 September 2020 to Thursday, 17 September 2020 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

Number of Overseas Shareholders	Jurisdiction of the registered address of the Overseas Shareholders	Number of Shares held
1	The United States of America	4,131,220

The shareholding of the Overseas Shareholder represents less than 1% of the total issued Shares as at the Latest Practicable Date.

This circular and the Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the jurisdiction set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the legal advice provided by the legal adviser of the United States of America engaged by the Company, the Directors are of the view that it is expedient not to extend the Rights Issue to such Overseas Shareholders given the expenses and effort which may be incurred or involved in compliance with the relevant regulatory requirements in the United States of America, and hence, the Overseas Shareholders with registered addresses (as shown in the register of members of the Company) in the United States of America shall be Non-Qualifying Shareholders.

LETTER FROM THE BOARD

As such, assuming that the Non-Qualifying Shareholders remain on the register of members of the Company on the Record Date, the Company will send this circular and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them.

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, to be sold in the market in their nil-paid form as soon as practicable after dealing in nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

For the avoidance of doubt, the Non-Qualifying Shareholders will be entitled to vote at the SGM unless such person is an associate of Victor Sky or a member of the Concert Group or is otherwise not an Independent Shareholder.

Any NQS Unsold Rights Shares will first be placed by the Placing Agent under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter.

Net Gain (if any) will be paid (without interest) on a pro-rata basis (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit.

For the nil-paid Rights Shares that are sold in the market by the Company, if the buyer(s) of such nil-paid Rights Shares does not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 15 October 2020 by ordinary post to the allottees, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares. If the Rights Issue is terminated, refund cheques are expected to be despatched on or before Thursday, 15 October 2020 by ordinary post at the respective Shareholders' own risk.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated, rounded down to the nearest whole number and will be disposed of by the Company in the open market if a premium (net of expenses) can be obtained. The Company will keep the net proceeds for its own benefits. The unsold fractions of the Right Shares will be underwritten by the Underwriter.

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Rights Shares arising from the Rights Issue and the Change in Board Lot Size, Merdeka Securities Limited is appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from Friday, 16 October 2020 to Friday, 6 November 2020 (both dates inclusive). Holders of the Shares in odd lots represented by the existing certificates for the Shares who wish to take advantage of this facility either to acquire odd lots of the Shares to make up a full board lot or dispose of their odd lots of the Shares may, directly or through their broker, contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Central, Hong Kong (telephone number (852) 2868 1063) during such period.

Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is on the best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

LETTER FROM THE BOARD

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Stamp duty and other fees and charges payable

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and any other applicable fees and charges in Hong Kong.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter is a substantial shareholder of the Company which is beneficially interested in an aggregate of 397,006,464 Shares, representing approximately 22.01% of the existing issued Shares, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(2) of the Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on Tuesday, 13 October 2020, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

LETTER FROM THE BOARD

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders; and
- (iv) in respect of NQS Unsold Rights Shares which are successfully placed under the Compensatory Arrangements, to the Non-Qualifying Shareholders who are excluded from the Rights Issue.

Non-Qualifying Shareholders (i.e. Overseas Shareholders who are excluded from the Rights Issue on the basis as referred to in this circular) are not entitled to Net Gain payable under (iii) above as the Net Gain payable thereunder will only be payable if the Rights Issue is extended to them.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iv) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Conditions of the Rights Issue

The Rights Issue is not conditional on the Subscription Agreement having been signed or completed but will be conditional upon (i) obtaining the Independent Shareholders' approval for the Rights Issue, Underwriting Agreement and the Whitewash Waiver; and (ii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. For details of the conditions of the Underwriting Agreement, please refer to "Underwriting Agreement – Conditions of the Underwriting Agreement" in this circular.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

On 1 June 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

- Date : 1 June 2020 (after trading hours)
- Placing Agent : Merdeka Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Placing Agent confirmed that:
- (a) it is an Independent Third Party;
 - (b) as at the Latest Practicable Date, neither the Placing Agent nor any of its associates hold any Shares; and
 - (c) there is no arrangement, agreement, understanding or undertaking with the Underwriter in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, save for the proposed terms of the Underwriting Agreement by which the Underwriter will take up all Unsubscribed Rights Shares and the NQS Unsold Rights Shares.
- Placing fee and expenses : The higher of HK\$150,000 or 1.50% of the gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and reimbursement for the expenses in relation to the Placing (including but not limited to all out-of-pocket expenses actually and reasonably incurred by the Placing Agent in connection with the Placing), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at the completion of the Placing.

LETTER FROM THE BOARD

- Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case may be) : The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (i.e. the prevailing market price of the Shares as compared to the Subscription Price during the process of placement).
- The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall not be less than the Subscription Price. It is impractical for the placing price to be higher than the prevailing market price of the Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placees who and whose ultimate beneficial owner(s) are Independent Third Parties.
- For the avoidance of doubt, no Placee shall become a substantial shareholder of the Company.
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Condition Precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional and not terminated in accordance with the Underwriting Agreement.
- Placing Completion Date : the second Business Day after the Latest Placing Date or such other date as the Company and the Placing Agent may agree in writing.

LETTER FROM THE BOARD

- Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given by the Placing Agent to the Company at any time prior to 10:00 a.m. on the date of completion of the Placing, which shall be the second Business Day after the Latest Placing Date (or such other date as the Company and the Placing Agent may agree in writing) upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse material effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:
- (i) there develops, occurs or comes into force:
 - (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions; or
 - (b) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (c) any change in conditions of local, national or international securities markets occurs; or

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- (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
 - (e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere; or
 - (f) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days; or
- (ii) any breach of any of the representations and warranties of the Company set out in Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
 - (iii) there may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any Places as contemplated under the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

LETTER FROM THE BOARD

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

The principal terms and conditions of the Underwriting Agreement are set out below:

Date	:	1 June 2020 (after trading hours)
Underwriter	:	Victor Sky, a substantial shareholder of the Company, beneficially interested in 397,006,464 Shares, representing approximately 22.01% of the existing issued Shares of the Company
Total number of Underwritten Shares	:	All the Rights Shares other than the Committed Shares, being not less than 2,036,204,058 Rights Shares and not more than 2,066,705,058 Rights Shares
Commission	:	The Underwriter will not receive any underwriting commission in respect of the maximum number of Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription.

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not taken up by the Qualifying Shareholders and not placed by the Placing Agent under the Compensatory Arrangements, unsold entitlement of the Non-Qualifying Shareholders to the Rights Shares and unsold fractions of the Rights Shares.

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions in view of global economic uncertainty arising from the impact of the COVID-19 pandemic.

LETTER FROM THE BOARD

Mr. Chau, the Chairman and a non-executive Director, is an executive director and a controlling shareholder of Suncity. Mr. Lo, an executive Director, is also an executive director of Suncity. Each of Mr. Chau and Mr. Lo is deemed to have a material interest (or a potential conflict of interest) in the transactions contemplated under the Underwriting Agreement and has abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the in the “Letter from the Independent Board Committee” in this circular) are of the view that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Prior to approaching the Underwriter to act as the underwriter to fully underwrite the Rights Issue, the Company approached three independent securities brokers to act as the underwriter to fully underwrite the Rights Issue, but none of them was willing to act as the underwriter to fully underwrite the Rights Issue given the prevailing market conditions. Thereafter, the Company approached the Underwriter which is the substantial shareholder of the Company. It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter’s role as an underwriter in respect of the Rights Issue and the Irrevocable Undertaking given by itself and Suncity signify strong support from a substantial shareholder of the Company to the Group and its confidence in the prospects and development of the Group.

Since no commission is payable to the Underwriter, the Board (excluding the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) considers that the Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

Conditions of the Underwriting Agreement

The obligations of the Underwriter to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement are not conditional on the Subscription Agreement having been signed or completed but are conditional on the fulfilment (or waiver, if applicable, by the Underwriter and subject as mentioned below) of the following conditions:

- (1) the Company despatching the Circular together with the form of proxy to the Shareholders and the passing of the resolutions for approving the Rights Issue and the Increase in Authorised Share Capital of the Company from HK\$80,000,000 to HK\$150,000,000 at the SGM;
- (2) the approval by the Independent Shareholders of the Rights Issue and the Underwriting Agreement (and the transactions contemplated under the Underwriting Agreement) (more than 50% of the Independent Shareholders at the SGM by way of poll), and the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll), in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (3) the grant by the Executive of the Whitewash Waiver (and such grant not having been withdrawn or revoked) and the satisfaction of any condition as may be attached to the Whitewash Waiver granted;
- (4) the grant (or agreement to grant) by the Listing Committee of the Stock Exchange (and such grant not having withdrawn or revoked) of the listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) (subject only to allotment and despatch of the appropriate documents of title) by no later than the business day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms respectively);
- (5) the delivery of the Prospectus to the Stock Exchange and the issue by the Stock Exchange on or prior to the Prospectus Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (6) registration of the Prospectus Documents (and other documents required to be attached thereto) with the Registrar of Companies in Hong Kong on or before the Prospectus Posting Date;
- (7) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (8) the Shares remain listed on the Stock Exchange and no indication being received before the Latest Time for Termination from the Stock Exchange that such listing may be withdrawn or objected to (or conditions will or may be attached thereto);
- (9) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares pursuant to the Rights Issue;
- (10) the compliance with and performance of all the Company's obligations and undertakings under the Underwriting Agreement and by the time specified;
- (11) no breach of any of the warranties of the Company contained in the Underwriting Agreement by the Latest Time for Termination;
- (12) each of the Committed Shareholders complying with its obligations under the Undertaking Letter;
- (13) each of Mr. Lau Yau Cheung and Mr. Li Chak Hung as holders of the Share Options providing his Option Holders' Undertaking, and complying with his obligations under his Option Holders' Undertaking;
- (14) the Placing Agreement not being terminated on or before the Latest Time for Termination;
- (15) the Underwriting Agreement not being terminated by the Underwriter pursuant to its terms on or before the Latest Time for Termination; and

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- (16) (where required) the approval by the shareholders of Suncity of the acquisition of interest in the Company as a result of taking up of the Underwritten Shares pursuant to the Underwriting Agreement.

None of the Company and the Underwriter may waive the conditions precedent set out in the above conditions (1) to (9) and (12) to (16). The Underwriter may waive the conditions precedent set out in the above conditions (10) to (11) in whole or in part by written notice to the Company.

If the conditions precedent are not satisfied and/or waived (to the extent such conditions precedent are capable of being waived) in whole or in part by the Latest Time for Acceptance or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save in respect of any provisions, clauses and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

Termination of the Underwriting Agreement

If at any time prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, or come into effect:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever; or
- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
- (3) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
- (6) any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs,

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which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business or the financial or trading position or prospects of the Group as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it; or
- (3) make it inexpedient or inadvisable to proceed further with the Rights Issue,

the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

LETTER FROM THE BOARD

EFFECT OF RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY

For illustration purposes only, the shareholding structure of the Company as at the Latest Practicable Date, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement are set out as follows:

Scenario 1: Assuming no Share Options being exercised and that there is no change in the number of issued Shares from the Latest Practicable Date up to the Record Date

	As at the Latest Practicable Date		Assuming (i) no Share Options being exercised and no other issue or buyback of Shares on or before the Record Date; and (ii) all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming (i) no Share Options being exercised and no other issue or buyback of Shares on or before the Record Date; (ii) no Qualifying Shareholders (except the Underwriter and its associate pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares, and 100% of the Unsubscribed Rights Shares, and the NQS Unsold Rights Shares are fully placed to the Places under the Compensatory Arrangements		Assuming (i) no Share Options being exercised and no other issue or buyback of Shares on or before the Record Date; (ii) no Qualifying Shareholders (except the Underwriter and its associate pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter (Note 1)	397,006,464	22.01%	992,516,160	22.01%	992,516,160	22.01%	3,028,720,218	67.16%
Suncity (Note 1)	49,302,000	2.73%	123,255,000	2.73%	123,255,000	2.73%	123,255,000	2.73%
U Chio Ieong (Note 2)	40,906,000	2.27%	102,265,000	2.27%	40,906,000	0.91%	40,906,000	0.91%
Sub-total of the Underwriter and parties acting in concert with it	487,214,464	27.01%	1,218,036,160	27.01%	1,156,677,160	25.65%	3,192,881,218	70.80%
Li Chak Hung (Note 3)	400,000	0.02%	1,000,000	0.02%	400,000	0.01%	400,000	0.01%
Public Shareholders	1,316,163,372	72.97%	3,290,408,430	72.97%	3,352,367,430	74.34%	1,316,163,372	29.19%
Total	1,803,777,836	100.00%	4,509,444,590	100.00%	4,509,444,590	100.00%	4,509,444,590	100.00%

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Scenario 2: Assuming new Shares have been allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings but otherwise no other Shares (other than the Rights Shares) have been allotted and issued on or before the Record Date

	As at the Latest Practicable Date		Assuming (i) all Share Options other than Share Options which are under the Option Holders' Undertakings being exercised and no other issue or buyback of Shares on or before the Record Date; and (ii) all the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full		Assuming (i) all Share Options other than Share Options which are under the Option Holders' Undertakings being exercised and no other issue or buyback of Shares on or before the Record Date; (ii) no Qualifying Shareholders (except the Underwriter and its associate pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares, and 100% of the Unsubscribed Rights Shares, and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements		Assuming (i) all Share Options other than Share Options which are under the Option Holders' Undertakings being exercised and no other issue or buyback of Shares on or before the Record Date; (ii) no Qualifying Shareholders (except the Underwriter and its associate pursuant to the Irrevocable Undertaking) have taken up any entitlements of the Rights Shares, and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter (Note 1)	397,006,464	22.01%	992,516,160	21.76%	992,516,160	21.76%	3,059,221,218	67.08%
Suncity (Note 1)	49,302,000	2.73%	123,255,000	2.71%	123,255,000	2.71%	123,255,000	2.70%
U Chio Ieong (Note 2)	40,906,000	2.27%	102,265,000	2.24%	40,906,000	0.89%	40,906,000	0.90%
Sub-total of the Underwriter and parties acting in concert with it	487,214,464	27.01%	1,218,036,160	26.71%	1,156,677,160	25.36%	3,223,382,218	70.68%
Li Chak Hung (Note 3)	400,000	0.02%	1,000,000	0.02%	400,000	0.01%	400,000	0.01%
Public Shareholders	1,316,163,372	72.97%	3,341,243,430	73.27%	3,403,202,430	74.63%	1,336,497,372	29.31%
Total	1,803,777,836	100.00%	4,560,279,590	100.00%	4,560,279,590	100.00%	4,560,279,590	100.00%

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Notes:

1. Suncity, a company listed on the Stock Exchange (stock code:1383), is the beneficial owner of 49,302,000 Shares and is also interested in 397,006,464 Shares through its wholly-owned subsidiary, namely, Victor Sky, being the Underwriter. As at the Latest Practicable Date, Suncity is approximately 74.87% owned by Fame Select Limited, which is owned as to 50% by Mr. Chau, the Chairman and non-executive Director of the Company, and 50% by Mr. Cheng Ting Kong.
2. Dr. U Chio Ieong is a non-executive Director and is presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of “acting in concert” under the Takeovers Code until completion of the Rights Issue. This class (6) presumption will cease to apply after completion of the Rights Issue and Dr. U Chio Ieong will not be party acting in concert with the Underwriter under the definition of “acting in concert” under the Takeovers Code.
3. Mr. Li Chak Hung is an independent non-executive Director.

Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

Save as disclosed below, the Company did not raise funds on any issue of equity securities raising activities during the past twelve months immediately preceding the Latest Practicable Date:

Date of completion	Event	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
19 August 2019	Placing of new Shares under general mandate	Approximately HK\$297 million	Develop the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region in the Russian Federation	Placed on short-term interest bearing deposits with licensed commercial banks

The Company intends to utilise the net proceeds of approximately HK\$297 million from the placing of new Shares under general mandate disclosed above for part of the development costs of Tigre de Cristal Phase II. The Company has reviewed and are finalizing conceptual designs, and plan to commence the construction works of Tigre de Cristal Phase II in the fourth quarter of 2020 subject to any potential impacts from COVID-19.

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POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS

The Company has 22,334,000 outstanding Share Options granted by the Company on 1 September 2016 and 13 December 2018 pursuant to the Share Option Scheme which each Share Option shall entitle the holder of the Share Options to subscribe for one Share.

Set out below is the table demonstrating different scenarios under which adjustments may require to be made to the exercise prices of and/or the number of the Shares falling to be issued upon exercise of the outstanding Share Options granted by the Company under the Share Option Scheme as a result of the Rights Issue (assuming no outstanding Share Options being exercised and no other issue or buyback of Shares from the Latest Practicable Date to completion of the Rights Issue) as if the closing price as at the last day of dealings in the Shares on a cum-rights basis is higher/ lower than the Subscription Price (i.e. taking the highest closing price and the lowest closing price in the Review Period as the last day of dealings in the Shares on a cum-rights basis for illustrative purpose only). The calculations are based on the preliminary assessment by the Board with reference to the information currently available to it and such adjustments have not been certified by an independent financial adviser or auditors of the Company as at the Latest Practicable Date, and are for the Shareholders' information purposes only.

Date of grant	Immediately prior to the adjustments as a result of completion of the Rights Issue		Immediately after the adjustments as a result of completion of the Rights Issue	
	<i>Number of Shares falling to be issued upon exercise of the outstanding Share Options</i>	<i>Exercise price per Share (HK\$)</i>	<i>Adjusted number of Shares falling to be issued upon exercise of the outstanding Share Options</i>	<i>Adjusted exercise price per Share (HK\$)</i>

Scenario A: assuming the closing price as at the last day of dealings in the Shares on a cum-rights basis is higher than the Subscription Price (i.e. HK\$1.11 which is the highest closing price in the Review Period)

1 September 2016	7,104,000	1.99	9,807,782	1.44
13 December 2018	15,230,000	0.98	21,026,538	0.71

Scenario B: assuming the closing price as at the last day of dealings in the Shares on a cum-rights basis is lower than the Subscription Price (i.e. HK\$0.50 which is the lowest closing price in the Review Period)

1 September 2016	7,104,000	1.99	6,343,162	2.23
13 December 2018	15,230,000	0.98	13,598,867	1.10

Save for the above possible adjustments, all other terms of the outstanding Share Options will remain unchanged.

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The Company has calculated the necessary adjustments to the exercise prices of and the number of Shares falling to be issued upon exercise of the outstanding Share Options in accordance with the terms of the Share Option Scheme and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules. Any adjustments required under the Share Option Scheme and the Listing Rules will give the holder the same proportion of the equity capital as that to which that person was previously entitled, subject to the actual alteration in the capital structure of the Company arising as a result of the Rights Issue.

The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

INFORMATION ON THE PARTIES

The Group is principally engaged in the operation of the hotel and gaming business in the Integrated Entertainment Zone (“IEZ”) of the Primorye Region in the Russian Federation.

Information on the Underwriter

Victor Sky, the Underwriter, is a company incorporated in the British Virgin Islands with limited liability and is a direct wholly-owned subsidiary of Suncity. It is an investment holding company and directly holds 397,006,464 Shares, representing approximately 22.01% of the existing issued Shares of the Company as at the Latest Practicable Date and is a substantial shareholder of the Company.

Suncity, the holding company of Victor Sky holding 100% interest in Victor Sky, is 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). Suncity directly holds 49,302,000 Shares, representing approximately 2.73% of the existing issued Shares of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, Suncity is in turn owned as to approximately 74.87% by Fame Select Limited (a company incorporated in the British Virgin Islands with limited liability the principal business of which is investment holding), which is owned as to 50% by Mr. Chau, the Chairman and non-executive Director and is also an executive director of Suncity, and as to the remaining 50% by Mr. Cheng Ting Kong.

It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

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THE SUBSCRIPTION AGREEMENT

The date, parties and principal terms of the Subscription Agreement are as follows:

- Date : 1 June 2020 (after trading hours)
- Parties : (1) the Subscriber as subscriber of the Convertible Bonds; and
- (2) SunTrust as issuer of the Convertible Bonds.

As at the Latest Practicable Date, SunTrust is a company incorporated in the Philippines, the shares of which are listed on the PSE (stock code: SUN) and is owned as to (i) approximately 51% by Fortune Noble (a direct wholly-owned subsidiary of Suncity); (ii) approximately 34% by Megaworld; and (iii) approximately 15% by public shareholders. Suncity is a connected person of the Company for being a substantial shareholder of the Company which together with Victor Sky (its wholly owned subsidiary) is holding an aggregate of approximately 24.74% of the Company's issued share capital. Save as disclosed above, the shareholders of SunTrust are not Shareholders.

Subject matter of the Subscription Agreement

Pursuant to the Subscription Agreement, SunTrust has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bonds which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds.

Consideration

The consideration payable for the Subscription is PHP5.6 billion (equivalent to approximately HK\$847 million), being the aggregate principal amount of the Convertible Bonds. The consideration will be satisfied by part of the net proceeds from the proposed Rights Issue as mentioned in "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE SUBSCRIPTION" in this circular.

Conditions precedent

Completion of the Subscription and the issue of the Convertible Bonds are conditional upon fulfilment (or waiver) of the following conditions no later than the Subscription Long Stop Date:

- (1) the obtaining by SunTrust of the necessary consent, approval and waiver from SEC and other relevant governmental authority in the Philippines to the signing of the Subscription Agreement, the issue of the Convertible Bonds and the other transactions contemplated under the Subscription Agreement, including the obtaining of the prior approval of the SEC confirming the issue of the Convertible Bonds is exempt under Rule 10.1 of the Securities Regulation Code of the Philippines;

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- (2) compliance by SunTrust with the applicable requirements under the PSE Listing Rules in respect of the Subscription Agreement and the issue of the Convertible Bonds, including the disclosure by way of a Comprehensive Corporate Disclosure of the required information under the PSE Listing Rules through the Electronic Disclosure Generation Technology of the PSE;
- (3) due completion of the Rights Issue;
- (4) the approval by the independent shareholders of the Company of the Subscription Agreement, the Subscription on terms of the Subscription Agreement and the other transactions contemplated under the Subscription Agreement and compliance by the Company with the other applicable requirements under the Listing Rules in respect of the Subscription Agreement and the transactions contemplated thereunder;
- (5) (where required) the approval by the shareholders of SunTrust of the Subscription Agreement, the issue of the Convertible Bonds on terms of the Subscription Agreement and the other transactions contemplated under the Subscription Agreement and compliance by SunTrust with the other applicable requirements under the PSE Listing Rules in respect of the Subscription Agreement and the transactions contemplated thereunder;
- (6) (where required) the approval by the shareholders of Suncity of the Subscription Agreement, the issue of the Convertible Bonds on terms of the Subscription Agreement and the other transactions contemplated under the Subscription Agreement and compliance by Suncity with the other applicable requirements under the Listing Rules in respect of the Subscription Agreement and the transactions contemplated thereunder; and
- (7) as at the date of the Subscription Agreement and up to the date of completion of the Subscription Agreement, there shall have been no occurrence of any circumstances or events which individually or together, is or is likely to have a material adverse effect or a prolonged suspension or material limitation of trading in securities generally on PSE.

The Subscriber may, at its discretion and upon such terms as it thinks fit, waive compliance with the Subscription Condition Precedent set out in paragraph (7) above at or before 5:00 p.m. of the Subscription Long Stop Date. Save for the Subscription Conditions Precedent set out in paragraph (7) above, no other Subscription Conditions Precedent may be waived.

If any of the Subscription Conditions Precedent is not satisfied or (as the case may be) waived by the Subscriber on or before the Subscription Long Stop Date, the Subscription Agreement shall terminate and the Subscriber and SunTrust shall be released and discharged from their respective obligations under the Subscription Agreement with respect to the issue and subscription of the Convertible Bonds.

The shareholders' approval referred to in the above Subscription Condition Precedent (5) and (6) are not required. As at the Latest Practicable Date, none of the other Subscription Conditions Precedent have been satisfied or waived.

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Completion

Completion shall take place on the fifth Business Day after the fulfillment (or waiver) of the conditions to the Subscription Agreement (or such other date as the Company and SunTrust may agree in writing).

Principal terms of the Convertible Bonds

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

Issuer	:	SunTrust
Principal amount	:	PHP5.6 billion (equivalent to approximately HK\$847 million)
Form and denomination	:	The Convertible Bonds will be issued in registered form and in a minimum denomination of PHP50,000,000 each save where the outstanding amount of the Convertible Bond is less than PHP50,000,000 in which case the Convertible Bonds may be issued in such lesser amount
Issue price	:	100% of the aggregate principal amount of the Convertible Bonds, which is at the full face value of the Convertible Bonds
Interest	:	6.0% per annum on the aggregate principal amount of the Convertible Bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the Convertible Bonds on the basis of a 365-day year, with the last payment of interest to be made on the Maturity Date
Default interest	:	8.0% per annum on all amounts overdue from the due date for payment up to and including the date of full payment
Maturity date	:	the date falling on the fifth (5th) anniversary of the issue date of the Convertible Bonds which may, subject to agreement by the holder of the Convertible Bonds upon request by SunTrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the Convertible Bonds or, if that is not a Business Day, the first Business Day thereafter (the “ Maturity Date ”)

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Conversion Price : The price at which Conversion Shares will be issued upon conversion will initially be PHP1.8 per Conversion Share, which is subject to adjustment provisions, brief particulars of which are set out in “Adjustment events” below.

The Conversion Price represents the following closing price of the SunTrust Shares as quoted on the PSE:

- (1) a premium of approximately 52.54% over the closing price of PHP1.18 per SunTrust Share as at the Latest Practicable Date;
- (2) a premium of approximately 56.52% over the closing price of PHP1.15 per SunTrust Share on the date of prior to the date of the Subscription Agreement (“**last trading day**”);
- (3) a premium of approximately 57.89% over the average closing price of PHP1.14 per SunTrust Share for the last five trading days up to and including the last trading day;
- (4) a premium of approximately 153.52% over the unaudited net asset value per SunTrust Share (based on (a) the unaudited financial position of SunTrust as at 31 March 2020 and the number of SunTrust Shares in issue as at the Latest Practicable Date; and (b) the assumption that the subscription of new SunTrust Shares as announced on 29 October 2019 by Suncity has been completed and fully paid) of approximately PHP0.71;
- (5) a premium of approximately 53.85% over the average closing price of PHP1.17 per SunTrust Share for the last ten trading days up to and including the last trading day.

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Adjustment events : Provided that in all instances, the Conversion Price shall not be less than the par value of the SunTrust's Shares, the Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon the occurrence of certain events, including but not limited to:

- (i) consolidation, subdivision or reclassification of SunTrust's Shares;

If and whenever there shall be an alteration to the nominal value of the SunTrust Shares as a result of consolidation or subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one SunTrust Share immediately after such alteration; and

B is the nominal amount of one SunTrust Share immediately before such alteration.

Such adjustment shall become effective on the date such alteration takes effect.

- (ii) capitalisation of profits or reserves (other than in lieu of a cash dividend) and issue of SunTrust's Shares by way of a scrip dividend where the current market price exceeds the amount of the relevant cash dividend;

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If and whenever SunTrust shall issue any SunTrust Shares credited as fully paid to the shareholders by way of capitalisation of profits or reserves (including any share premium account, contributed surplus and/or capital redemption reserve), other than a Scrip Dividend where the Market Value of the SunTrust Shares issued in respect of each existing SunTrust Share does not exceed the amount of the cash dividend (or the relevant part thereof where scrip is offered in place of part of the cash dividend (“**relevant part**”)) in respect of each existing SunTrust Share, the Conversion Price shall be adjusted:

- (1) in the case of an issue of SunTrust Shares other than by way of a Scrip Dividend by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of issued SunTrust Share immediately before such issue; and

B is the aggregate nominal amount of issued SunTrust Share immediately after such issue; and

- (2) in the case of a Scrip Dividend where the Market Value of the SunTrust Shares issued in respect of each existing SunTrust Share is more than the amount of the cash dividend (or the relevant part thereto), by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

- A is the aggregate nominal amount of issued SunTrust Shares immediately before such issue;
- B is the aggregate nominal amount of SunTrust Shares issued by way of such Scrip Dividend multiplied by a fraction of which:
 - (aa) the numerator is the amount of the cash dividend per SunTrust Share or the relevant part thereof; and
 - (bb) the denominator is the Market Value of the SunTrust Shares issued by way of Scrip Dividend in respect of each existing SunTrust Share in lieu of the whole of the cash dividend, or the relevant part thereof; and
- C is the aggregate nominal amount of SunTrust Shares issued by way of such Scrip Dividend; and

for purposes of this paragraph (ii);

- (a) **Scrip Dividend** means an issue of SunTrust Shares paid up out of distributable profits or reserves (including any share premium account and/or contributed surplus and/or capital redemption reserve) and issued instead of the whole or any part of a cash dividend which the shareholders would or could otherwise have received; and

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- (b) **Market Value** means the price or value of the SunTrust Shares stated in, or calculated in accordance with the provisions and at the time of, the announcement, circular or other document relating to the relevant Scrip Dividend issued by SunTrust to its shareholders and used for the purpose of determining the nominal amount of SunTrust Shares to be issued by way of such Scrip Dividend, provided that if the Market Value is less than 80% of the current market price as at the dealing day before the publication of such announcement, circular or other document as aforesaid, the Market Value shall be deemed to be such current market price.

Such adjustment shall become effective from the earlier of the commencement of the day immediately following the record date for such issue (if any) and the date of issue of such SunTrust Shares.

- (iii) capital distribution to the shareholders of SunTrust;

If and whenever SunTrust shall pay or make any capital distribution to the shareholders (except where and to the extent that the Conversion Price falls to be adjusted under sub-paragraph (ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the current market price of one SunTrust Share on the dealing day immediately preceding the date on which the capital distribution is publicly announced or (failing such announcement) the dealing date immediately preceding the date of the capital distribution; and

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B is the fair market value on the date of such announcement (or as the case may require, the dealing date falling on the date of the capital distribution), as determined in good faith by the approved investment bank or the auditors, acting as an expert, of the portion of the capital distribution attributable to one SunTrust Share.

Provided that if in the opinion of the approved investment bank or the auditors, the fair market value as aforesaid produces a result which is significantly inequitable, the approved investment bank or the auditors may, acting as an expert, instead determine (and in such event the above formula shall be construed accordingly) the amount which should properly be attributed to the value of the capital distribution.

Such adjustment shall become effective on the date that such capital distribution is announced or (as the case may require), the dealing date falling on the date of such capital distribution.

- (iv) rights issues of SunTrust's Shares or options over SunTrust's Shares (at less than 80% of the current market price per SunTrust Share);

If and whenever SunTrust shall issue SunTrust Shares to all or substantially all shareholders as a class by way of rights, or issue or grant to all or substantially all shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any SunTrust shares, in each case at a price per SunTrust share which is less than 80% of the current market price per SunTrust Share on the dealing day immediately preceding the date of the announcement of the terms of the issue or grant of such SunTrust Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

A is the number of SunTrust Shares in issue immediately before the date of such announcement;

B is the number of SunTrust Shares which the aggregate amount (if any) payable for the SunTrust Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of SunTrust Shares comprised therein, would subscribe for or purchase at such current market price per SunTrust Share; and

C is the aggregate number of SunTrust Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of the issue of such SunTrust Shares or issue or grant of such options, warrants or other rights (as the case may be).

(v) rights issues of other securities by SunTrust;

If and whenever SunTrust shall issue any securities (other than SunTrust Shares or options, warrants or other rights to subscribe for or purchase any SunTrust Shares) to all or substantially all shareholders as a class by way of rights or grant to all or substantially all shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any securities (other than SunTrust Shares or options, warrants or other rights to subscribe for or purchase SunTrust Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Conversion Price of one SunTrust Share or the current market price of one SunTrust Share, whichever is lower, on the dealing day immediately preceding the date on which such issue or grant is publicly announced or (failing such announcement) on the dealing day immediately preceding the record date for such issue or grant; and

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B is the fair market value on the date of such announcement (or as the case may require the dealing day falling on the record date for such issue or grant), as determined in good faith by the approved investment bank or the auditors, acting as an expert, of the portion of the rights attributable to one SunTrust Share.

Such adjustment shall become effective from the commencement of the day next following the record date for such issue or grant.

- (vi) issue (other than as mentioned in (iv) above), or issue or grant (otherwise as mentioned in paragraph (iv) above) any options, warrants or other rights to subscribe for or purchase any SunTrust's Shares at a price per SunTrust Share which is less than 80% of the current market price per SunTrust Share;

If and whenever SunTrust shall issue (otherwise than as mentioned in paragraph (iv) above) wholly for cash any SunTrust Shares (other than SunTrust Shares issued on the exercise of the Conversion Right or of any rights of conversion into, or exchange or subscription for, SunTrust Shares), or issue or grant (otherwise than as mentioned in (iv) above) any options, warrants or other rights to subscribe for or purchase any SunTrust Shares, at a price per SunTrust Share which is less than 80% of the current market price per SunTrust Share on the dealing day immediately preceding the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of SunTrust Shares in issue immediately before the issue of such additional SunTrust Shares;

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B is the number of SunTrust Shares which the aggregate consideration receivable for the issue of such additional SunTrust Shares would purchase at such current market price; and

C is the maximum number of SunTrust Shares to be issued pursuant to the issue of such additional SunTrust Shares or upon exercise of the options, warrants or other rights at the initial conversion or exchange or subscription rate or price.

Such adjustment shall become effective on the date of issue or grant of such additional SunTrust Shares, options, warrants or other rights.

(vii) the issue by SunTrust or its subsidiaries (other than as mentioned in (iv), (v) or (vi) above) of any securities carrying the rights of conversion into, or exchange or subscription for SunTrust's Shares or securities which by their terms might be redesignated as SunTrust's Shares, and the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share;

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Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms of such securities themselves falling within this paragraph (vii), if and whenever SunTrust or any subsidiary or (at the direction or request of or pursuant to any arrangements with SunTrust or any subsidiary) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above) shall issue wholly for cash any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, SunTrust Shares (or shall grant any such rights in respect of existing securities so issued) or securities which by their terms might be redesignated as SunTrust Shares, and the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share on the dealing day immediately preceding the date of announcement of the terms of such securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of SunTrust Shares in issue immediately before such issue or grant;
- B is the number of SunTrust Shares which the aggregate consideration (if any) receivable by SunTrust for the SunTrust Shares to be issued, or otherwise made available, upon conversion or exchange or upon the exercise of the right of subscription attached to such securities would purchase at such current market price per SunTrust Share; and
- C is the maximum number of SunTrust Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

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Such adjustment shall become effective on the date of issue or grant of such securities.

- (viii) modification of the rights of conversion, exchange, subscription or redesignation attaching to any securities mentioned in (vii) above so that following such modification the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share; and

If and whenever there shall be any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as are mentioned in paragraph (vii) above (other than the Convertible bonds and any adjustment of the conversion price in accordance with the terms applicable to such securities) so that following such modification the consideration per SunTrust Share receivable by SunTrust in respect of such conversion, exchange, subscription or redesignation is less than 80% of the current market price per SunTrust Share on the dealing day immediately preceding the date of announcement of the proposal for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of SunTrust Shares in issue immediately before such modification;
- B is the number of SunTrust Shares which the aggregate consideration (if any) receivable by SunTrust for the SunTrust Shares to be issued, or otherwise made available, upon conversion, exchange or redesignation or upon exercise of the right of subscription attached to the securities so modified would purchase at such current market price per SunTrust Share, or the existing conversion, exchange, subscription or redesignation price of such securities; and

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C is the maximum number of SunTrust Shares to be issued, or otherwise made available, upon conversion, exchange or redesignation of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange, redesignation or subscription price or rate but giving credit in such manner as the approved investment bank or the auditors shall, acting as an expert, consider in good faith to be appropriate (if at all) for any previous adjustment under this paragraph or paragraph (vii) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription or redesignation attaching to such securities.

- (ix) other offers of securities by SunTrust or its subsidiaries or any other persons in connection with which the shareholders of SunTrust are entitled to participate in arrangements whereby such securities may be acquired by them.

If and whenever SunTrust or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with SunTrust or any of its subsidiaries) any other company, person or entity shall issue, sell or distribute any securities in connection with an offer in connection with which the shareholders generally (meaning for these purposes the holders of at least 60% of the SunTrust Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (iii) to (vii) above) at an effective price per SunTrust Share which is less than 80% of the current market price per SunTrust Share on the dealing day immediately preceding the date of announcement of the terms of such offer, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

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where:

- A is the current market price of one SunTrust Share on the dealing day immediately preceding the date on which the terms of such offer are publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by the approved investment bank or the auditors, acting as an expert, of the portion of the rights attributable to one SunTrust Share.

Such adjustment shall become effective on the date of the issue, sale or distribution of the securities.

Conversion period : the period commencing from the day immediately following the issue date of the Convertible Bonds up to 4:00 p.m. on the Maturity Date (“**Conversion Period**”)

Conversion : Each holder of the Convertible Bonds has the right to convert all or any part of the Convertible Bonds held by it into SunTrust Shares credited as fully paid at any time during the Conversion Period.

Each conversion shall be in an amount not less than a whole multiple of PHP50,000,000 unless the remaining outstanding principal amount of the Convertible Bond is less than PHP50,000,000, in which case the whole of such balance (but not part of it) may be converted into SunTrust Shares credited as fully paid.

The number of SunTrust Shares to be issued on exercise of any Conversion Rights will be determined by dividing the PHP principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the relevant date of conversion. No fractions of a Conversion Share will be issued on exercise of the Conversion Rights and no cash payment or other adjustment will be made in respect thereof.

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The Convertible Bonds may be converted into 3,111,111,111 Conversion Shares based on the initial Conversion Price of PHP1.8 per Conversion Share upon full conversion (assuming there are no “**Adjustment events**”). Taking into account the 7,250,000,000 SunTrust Shares in issue as at the Latest Practicable Date, the Conversion Shares represent approximately 42.9% of the issued share capital of SunTrust as at the Latest Practicable Date and approximately 30.0% of the issued share capital of SunTrust Shares as enlarged by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of SunTrust and there are no “Adjustment events”).

The Conversion Shares will in all respects rank *pari passu* with the SunTrust Shares then in issue, including any rights to distributions or other payments which may thereafter be declared, made or paid from time to time by SunTrust.

Full conversion of the Convertible Bonds by the Company will not trigger any mandatory takeover obligations of SunTrust in the laws of the Philippines.

Redemption : **No early redemption:**

The Convertible Bonds may not be redeemed by SunTrust at any time prior to the Maturity Date or if extended, prior to the Maturity Date as extended.

Request for early redemption by the holder of the Convertible Bonds:

The holder of the Convertible bonds may request for early redemption of the Convertible Bond at any time during the period commencing from the day immediately after the first anniversary of the issue date of the Convertible Bonds and expiring on the Maturity Date or if extended, the Maturity Date as extended at their outstanding principal amount together with interest thereon up to the date of redemption.

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Redemption at maturity:

Unless previously redeemed, converted, purchased or cancelled, SunTrust shall redeem the Convertible Bonds on the Maturity Date or if extended, on the Maturity Date as extended, at:

- their outstanding principal amount together with outstanding interest thereon up to the Maturity Date or if extended, the Maturity Date as extended;
- any other outstanding amount due but unpaid under the Convertible Bonds; and
- an amount that would make up an aggregate internal rate of return (“**IRR**”) on the Convertible Bonds at 8.0% (having included the interest paid but excluding all default interest (whether accrued, paid or unpaid)) calculated from the issue date of the Convertible Bonds to and including the Maturity Date or if extended, the Maturity Date as extended.

Redemption upon event of default:

Upon the occurrence of an event of default (brief particular of which are mentioned in “**Event of default**” below), SunTrust shall redeem the Convertible Bonds at:

- their outstanding principal amount together with interest thereon up to the date of redemption;
- any other outstanding amount due but unpaid under the Convertible Bonds; and
- an amount that would make up an aggregate IRR on the Convertible Bonds at 10% (having included the interest paid, and default interest (whether accrued, paid or unpaid)) calculated from the issue date of the Convertible Bonds to and including the actual date of payment.

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- Events of default : Among other customary events of default, set out below are the principal events of default under the Convertible Bonds, which will apply throughout and for so long as the Convertible Bonds are in issue:
- (1) **Payment default:** a default is made in the payment of any sum due on the Convertible Bonds when due and such default shall not have been cured by payment by SunTrust within 15 days after the due date; or
 - (2) **Breach of Subscription Agreement:** a material breach of any of the terms of the Subscription Agreement by SunTrust, including a breach of any warranty, covenants and/or undertakings therein; or
 - (3) **Dissolution of SunTrust or a subsidiary of SunTrust and disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that SunTrust or a subsidiary of SunTrust be wound up or dissolved or SunTrust or a subsidiary of SunTrust disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an extraordinary resolution of the holders of the Convertible Bonds; or
 - (4) **Trading suspension and delisting:** if the SunTrust Shares are suspended by PSE for a period of 30 consecutive trading days or listing of the SunTrust Shares on PSE are being revoked or withdrawn; or
 - (5) **Failure to obtain approval of shareholders:** failure to obtain the necessary approval of the majority of the minority shareholders of SunTrust required for the listing of the Conversion Shares on the PSE prior to the submission of the application for listing of the Conversion Shares on the PSE; or
 - (6) **No listing approval:** failure to obtain approval of the PSE for the listing of the Conversion Shares on PSE within one (1) year from the filing of the relevant application for listing; or

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(7) **Cross default:** any other present or future indebtedness of SunTrust or any subsidiary of SunTrust for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of an event of default (however called).

Status of the Convertible Bonds : The Convertible Bonds shall constitute direct, unconditional, unsubordinated and unsecured obligations of SunTrust and shall at all times rank *pari passu* and without any preference or priority among themselves.

Transferability of the Convertible Bonds : Subject to the terms and conditions of the Convertible Bonds, the Convertible Bonds may be transferred to any person in whole multiples of PHP50,000,000 (or such lesser amount as may represent the entire principal amount thereof).

Any transfer of the Convertible Bonds to any related party of SunTrust (a shareholder, their immediate family, holding at least 10% or more of the equity of SunTrust, or any director, officer or employee of the corporation, its parent or affiliates), shall be (i) immediately reported and disclosed to PSE and (ii) to the SEC within three (3) calendar days from its execution provided there shall be no transfer or assignment of the Convertible Bonds if such transfer or assignment will result in the Convertible Bonds being held by more than nineteen (19) holders at any one time.

Conversion restriction : Notwithstanding any other terms and conditions of the Convertible Bonds, the holder(s) of the Convertible Bonds shall exercise the Conversion Rights attaching to the Convertible Bonds only if it is confirmed by SunTrust in writing that the allotment and issue of the Conversion Shares to such holder(s) of the Convertible Bonds pursuant to an exercise of the Conversion Rights will not cause SunTrust to be in breach of the relevant minimum public float requirement under the relevant PSE rules or circular which is currently 10%.

Voting : The Convertible Bonds do not confer any voting rights on its holder at any general meetings of SunTrust.

No listing of the Convertible Bonds : No application has been or will be made for the listing of the Convertible Bonds on the PSE or any other stock exchange.

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Basis of the Conversion Price

The Conversion Price was arrived at after arm's length negotiations between SunTrust and the Company with reference to the following factors:

- (i) The prevailing market price of the SunTrust Shares. SunTrust Shares had been trading at an average price of PHP1.14 per Share as quoted on the PSE for the last five consecutive trading days immediately before the date of the Subscription Agreement and the closing price of the SunTrust Shares on the date of the Subscription Agreement is PHP1.15. As for the Conversion Price of PHP1.8, it represents (a) a premium of approximately 56.52% over the closing price of PHP1.15 per SunTrust Share as quoted on the PSE on the date of the Subscription Agreement, and (b) a premium of approximately 57.89% over the average closing price PHP1.14 per SunTrust Share as quoted on the PSE for the last five consecutive trading days immediately preceding the date of the Subscription Agreement. As for the closing price of the SunTrust Shares on the PSE for the 12 months period ended 1 June 2020 (the "**Review Period**"), the lowest closing price was PHP0.72 per SunTrust Share quoted on 10 June 2019 and 13 June 2019 and the highest closing price was PHP2.15 per SunTrust Share quoted on 23 January 2020. The Conversion Price represents a premium of 150% over the said lowest closing price per SunTrust Share, and a discount of approximately 16.28% to the said highest closing price per SunTrust Share during the Review Period. The Conversion Price is within the range of the closing market prices of the SunTrust Shares during the Review Period.

Before the announcement of the Suncity acquisition of the Project Site, the market prices of the SunTrust Shares were relatively constant with minimal fluctuation. Upon announcement of the Suncity acquisition and development project of the Main Hotel Casino, the SunTrust Shares began an overall upward trend until late January 2020 when there were confirmed COVID-19 cases outside of the PRC. Since January 2020, the COVID-19 crisis has continued to worsen, resulting in an eventual lockdown of most major cities in the Philippines from March 2020. The downturn of the market price of the SunTrust Shares since January 2020 directly correlates with the increasing severity of the COVID-19 crisis globally and in the Philippines. The market price of the SunTrust Shares has since rebounded and plateaued from the reactionary downturn displaying the market expectation that the COVID-19 situation remains stable in the Philippines. In light of the correlation between the recent trend of the market price of SunTrust Shares and the COVID-19 crisis, the Directors are of the view that upon the conclusion of the COVID-19 crisis and subsequent removal of COVID-19 related travel and social distancing restrictions, the SunTrust Shares will regain its initial upwards trend.

The Maturity Date of the Convertible Bonds is expected to be in 2025, whilst the Main Hotel Casino is expected to commence operations by 2023, meaning the Company will have the opportunity to exercise the Conversion Rights under the Convertible bonds when the price of the SunTrust Shares reflects the value of SunTrust after the completion and commencement of operations of the Main Hotel Casino. In such case that the market price of the SunTrust Shares remains below the Conversion Price until the Maturity Date, the Company has the option to either extend the Maturity Date for an additional 5 years, subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules or to simply allow the Convertible Bonds to mature.

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Taking into account the abovementioned reasons, the Directors are of the view that the recent closing prices of the SunTrust Shares are not an accurate representation of SunTrust's potential value given its long-term prospects and possible upside of SunTrust Share price in the future. Accordingly the premium of the Conversion Price to the recent closing prices of the SunTrust Shares is fair and reasonable.

- (ii) Prior to the entering into of the Subscription Agreement, based on the unaudited quarterly report of SunTrust for the nine months ended 30 September 2019, although the consolidated net asset value of SunTrust Group was only approximately PHP497.18 million as at 30 September 2019, adjustment on the financial prospects and positions, including but not limited to, the net asset value of SunTrust Group would have to be made to reflect the latest consolidated net asset value position after completion of the following.

- (a) SunTrust Shares Subscription

On 28 October 2019, SunTrust entered into the conditional subscription agreements (the “**SunTrust Shares Subscription**”) with (i) Fortune Noble; (ii) Megaworld; and (iii) Aurora Securities, Inc., a company incorporated in the Philippines, pursuant to which SunTrust has conditionally agreed to allot and issue a total of 5,000,000,000 SunTrust Shares (2,550,000,000 SunTrust Shares, 2,177,165,008 SunTrust Shares and 272,834,992 SunTrust Shares each, respectively) at the subscription price of PHP1.00 per SunTrust Share. The aggregate value of the SunTrust Shares Subscription is PHP5,000,000,000 (equivalent to approximately HK\$755.95 million). The 5,000,000,000 SunTrust Shares subscribed for under the SunTrust Shares Subscription have been allotted and issued to the subscribers in December 2019 with the listing of these SunTrust Shares on PSE expected to be obtained from the PSE on or before 31 December 2020.

- (b) The Project Site

On 28 October 2019, SunTrust and Westside entered into the Co-Development Agreement, pursuant to which Travellers and Westside are to lease the Project Site to SunTrust for construction, development of the Main Hotel Casino 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 Co-Development Agreement is not conditional on the SunTrust Shares Subscription. The Project Site Payment shall be paid from the US\$300,000,000 (equivalent to approximately HK\$2,325.00 million) as may be raised by SunTrust for financing the development and construction of the Main Hotel Casino. The proposed financing arrangements for the US\$300,000,000 are the proceeds from the SunTrust Shares Subscription of to the extent of PHP2,550,000,000 subscribed by Fortune Noble (equivalent to approximately HK\$385.55 million or US\$49.75 million), the Convertible Bonds of PHP5.6 billion (equivalent to approximately HK\$847 million or US\$109.29 million) and the convertible bonds of PHP7.3 billion (equivalent to approximately HK\$1.1 billion or US\$141.94 million) to be issued by SunTrust and subscribed by Fortune Noble on 29 May 2020. The Project Site Payment was determined by reference to (i) the valuation on the Project Site in the value of US\$340,000,000 (equivalent to approximately HK\$2,635.00 million) as disclosed in the circular of Suncity dated 26

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March 2020; and (ii) the costs incurred and construction work performed on the Project Site of approximately US\$21,159,000 (equivalent to approximately HK\$163.98 million). The payment schedule of the Project Site Payment is a refundable deposit in the sum of US\$20,000,000 (“**Deposit**”) which was paid on 30 January 2020, and a refundable further deposit in the sum of US\$46,000,000 (“**Further Deposit**”) which was paid on 16 June 2020 (collectively, the “**Deposits**”). The balance of the Project Site Payment shall be paid within 10 days from the date on which all the conditions precedent under the Co-Development Agreement are fulfilled, which is by 30 September 2020 (or such other period as SunTrust and Westside may agree in writing). In case the conditions precedent under the Co-Development Agreement are not fulfilled by 30 September 2020 (or such other period as Westside and SunTrust may agree in writing), the Deposits shall be refunded by Westside to SunTrust within 10 Business Days. Failing which, the Deposits shall be charged with interest at the rate of 6% per annum from the due date of payment of the said refund of the Deposits to and inclusive of the date of actual receipt thereof. The total capital cost required for the Main Hotel Casino project is estimated to be approximately US\$800,000,000 (subject to the finalisation of the development plan of the Main Hotel Casino) and the Main Hotel Casino is expected to commence operation prior to 2023.

To the best of the knowledge, information and belief of the Board, after making all reasonable enquiries, as at the Latest Practicable Date, Westside, Travellers and their ultimate beneficial owner are Independent Third Parties.

On 21 February 2020, SunTrust entered into a Lease Agreement with Westside and Travellers, pursuant to which Travellers and Westside, as lessor (the “**Lessor**”), agree to lease the Project Site to SunTrust, as lessee (the “**Lessee**”), for the Main Hotel Casino. Details of the principal terms and conditions of the Lease Agreement are set out below:

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 valuation on the indicative market value of the Project Site of US\$340,000,000.

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- 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 operations and management agreement as contemplated under the Co-Development 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 operations and management 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 operations and management agreement and/or the joint venture agreement entered into between Travellers and the Philippines Amusement and Gaming Corp (“**PAGCOR**”) and dated 7 May 2010 in respect of part of the Project Site and/or the Lease Agreement;

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- (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 operations and management agreement and/or the Lease Agreement;

For further details of the Lease Agreement, please refer to the circular of Suncity dated 26 March 2020.

Pursuant to the operations and management 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.

As detailed below in "INFORMATION ABOUT SUNTRUST GROUP", the Main Hotel Casino is an extensive project that will encompass a (i) 5-Star hotel with at least four hundred (400) rooms, the standard room size of which shall not be less than 34 sq.m.; (ii) 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 (iii) nine hundred sixty (960) car parking slots for the hotel and casino establishment to be erected at the Project Site and the gambling industry in the Philippines is displaying a rising trend recording double digit year on year growth since 2017 according to the financial disclosures of PAGCOR, a state-run gaming regulator and operator. Hence, the Directors consider that the current financial performances and position of SunTrust should not be the determining factor in the determination of the Subscription and the Conversion Price.

On 10 December 2019, upon completion of issuance of new shares by one of the previously wholly-owned subsidiaries (the "**SunTrust Former Subsidiaries**") to Asian E-commerce, Inc., an investment holding company which is 50%-owned by Megaworld, SunTrust's interests in the SunTrust Former Subsidiaries have been diluted to 24.27% and the SunTrust Former Subsidiaries will no longer be consolidated with the financial statements of SunTrust (the "**Deconsolidation**").

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Following the Deconsolidation and the aforementioned subscription of new SunTrust Shares, SunTrust's total assets increased from PHP761.0 million as at 31 December 2018 to PHP1,448.9 million as at 31 December 2019, of which the cash and cash equivalents increased from PHP256.8 million as at 31 December 2018 to PHP1,278.2 million as at 31 December 2019 and investment in an associate of PHP141.1 million was recorded as at 31 December 2019. In addition, as a result of the Deconsolidation, due from related parties decreased from PHP161.6 million as at 31 December 2018 to PHP27.4 million as at 31 December 2019 and due to related parties was nil as at 31 December 2019. As at 31 March 2020, total assets decreased to PHP1,377.4 million, largely due to operating losses incurred during the first quarter of 2020. Furthermore, as at 31 March 2020, trade and other receivables of the SunTrust Group is approximately PHP0.05 million. As a result, the net asset value of the SunTrust Group mainly comprised of security and other refundable deposits of approximately PHP1,018.8 million. Hence it is considered that the risk relating to the Subscription is acceptable.

- (iii) Uncertainties may arise from the operation of the Authorised Gambling Activities in the Philippines that 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 Board considers that investment by way of convertible bonds provides greater protection and flexibility to the Group at this juncture.

Pursuant to the Co-Development Agreement, the payment for the Project Site is subject to the fund raising of US\$300 million by SunTrust. The funding arrangements for that US\$300 million are the subscription proceeds of the SunTrust Share Subscription to the extent of PHP2,550,000,000 subscribed by Fortune Noble, the subscription price for the Convertible Bonds, and the subscription price for the convertible bonds of PHP7,300,000,000 subscribed by Fortune Noble; therefore, for illustrative purpose, the adjusted net asset value per share of SunTrust is calculated based on (1) the unaudited net asset of SunTrust as extracted from the quarterly report of SunTrust for the three months ended 31 March 2020; (2) the number of issued shares of SunTrust as at the Latest Practicable Date; (3) the completion of the SunTrust Shares Subscription; and (4) the assumption that the issuance of the Convertible Bonds and the convertible bonds subscribed by Fortune Noble will have no impact on the net asset value of SunTrust.

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Based on the above, the adjusted net asset value per share of SunTrust is estimated to be PHP0.71. The initial Conversion Price of PHP1.8 represents a premium of 153.52% to the adjusted net asset value per SunTrust Share. However, this comparison is a preliminary assessment by the management of the Company based on the management accounts of the SunTrust Group and the information currently available which has not been audited or reviewed by external auditor and/or the SunTrust Group's auditor, and as such the data is for illustrative purpose only.

INFORMATION ABOUT SUNTRUST GROUP

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 is management of real estate properties and provision of transportation services in the Philippines.

As at the Latest Practicable Date, SunTrust is an indirect 51% owned non-wholly owned subsidiary of Suncity.

As disclosed in the circular of Suncity dated 26 March 2020 (the "**Suncity Circular**"), SunTrust signed the Lease Agreement for the Project Site for the construction, development, operation and management of the Main Hotel Casino which is expected to commence operations before 2023. The Main Hotel Casino will encompass a (i) 5-Star hotel with at least four hundred (400) rooms, the standard room size of which shall not be less than 34 sq.m.; (ii) 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 (iii) nine hundred sixty (960) car parking slots for the hotel and casino establishment to be erected at the Project Site. Further details are set out in the Suncity Circular.

The gambling industry in the Philippines has seen double digit growth in recent years. According to PAGCOR's annual reports for the years ended 31 December 2019, 2018 and 2017, the gaming industry in the Philippines generated PHP75.75 billion for the financial year ended 31 December 2019, an 11.7% increase from PHP67.85 billion for the financial year ended 31 December 2018 which was a 13.4% increase from PHP59.85 billion for the financial year ended 31 December 2017. As such the Directors see the Main Hotel Casino as a sound investment project.

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Shareholding structure of SunTrust

Set out below is a table showing the shareholding structure of SunTrust (i) as at the Latest Practicable Date; (ii) for illustrative purposes only, immediately after the Subscription and exercising of the Convertible Bonds; and (iii) for illustrative purposes only, immediately after the subscription and exercising of the convertible bonds to be issued by SunTrust to Suncity:

	As at the Latest Practicable Date		For illustrative purposes only, after the Subscription and exercising of the Convertible Bonds <i>(Note)</i>		For illustrative purposes only, after the subscription and exercising of the convertible bonds to be issued by SunTrust to Suncity <i>(Note)</i>	
	<i>No. of issued shares of SunTrust</i>	<i>%</i>	<i>No. of issued shares of SunTrust</i>	<i>%</i>	<i>No. of issued shares of SunTrust</i>	<i>%</i>
Suncity	3,697,500,000	51.00	3,697,500,000	35.69	10,333,863,636	60.80
Megaworld	2,465,000,000	34.00	2,465,000,000	23.79	2,465,000,000	14.50
Aurora Securities, Inc.,	272,834,992	3.76	272,834,992	2.63	272,834,992	1.61
Public shareholders	814,665,008	11.24	814,665,008	7.86	814,665,008	4.79
The Company	–	–	3,111,111,111	30.03	3,111,111,111	18.30
Total	<u>7,250,000,000</u>	<u>100.00</u>	<u>10,361,111,111</u>	<u>100.00</u>	<u>16,997,474,747</u>	<u>100.00</u>

Note: The shareholding structure set out in this column is shown for illustration purposes only. Subject to conversion restrictions under the terms and conditions of the Convertible Bonds and the convertible bonds to be issued by SunTrust to Suncity, the Conversion Rights can be exercised so long as such exercise would not result in the public float of the SunTrust Shares being less than 10% (or any other percentage as required under the PSE Listing Rules).

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Financial information of SunTrust Group

The following is a summary of the audited consolidated financial information of SunTrust Group, prepared in accordance with the PFRS (*Note*), for the two financial years ended 31 December 2019, which was extracted from the annual reports of SunTrust for the year ended 31 December 2019 through public domain:

	For the year ended	
	31 December 2019	31 December 2018
	(audited)	(audited)
	(PHP'000)	(PHP'000)
Gross Revenue	551,977	576,359
(Loss) Income Before Tax	(292,500)	153,334
Net (Loss) Income After Tax	(314,780)	103,863

The following was the consolidated net asset value of the SunTrust Group as at the dates specified below, prepared in accordance with PFRS (*Note*), which was extracted from the quarterly report of SunTrust for the three months ended 31 March 2020 through public domain:

	As at	
	31 March 2020	31 December 2019
	(unaudited)	(audited)
	(PHP'000)	(PHP'000)
Total current assets	215,289	1,307,765
Total non-current assets	1,162,147	141,145
Total assets	1,377,436	1,448,910
Total liabilities	(6,696)	(57,503)
Consolidated net asset value	1,370,740	1,391,407

As at the Latest Practicable Date, based on the information available in the public domain, the market capitalisation of the SunTrust Group is PHP8.56 billion (equivalent to approximately HK\$1.30 billion) based on the closing price of the SunTrust Shares of PHP1.18 and the outstanding SunTrust Shares as at the Latest Practicable Date.

Note: The Philippines has adopted International Financial Reporting Standards (“IFRS”) as Philippine Financial Reporting Standards (“PFRS”), except on the aspect of revenue recognition under IFRS 15 for real estate companies that avail of the relief granted by the SEC. Based on the information provided by SunTrust, SunTrust is not classified as a real estate company, hence the accounting standards of PFRS are consistent with IFRS.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE SUBSCRIPTION

The principal activities of the Group are the operation of hotel and gaming business in the IEZ of the Primorye Region in the Russian Federation.

The Company has been exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. The Group's first casino hotel in Vladivostok, the Russian Federation, Tigre de Cristal, which is the largest integrated resort ever built in the Russian Federation and is one of the largest foreign investment projects in the Primorsky Krai was launched since 2015. The gaming and hotel operations are conducted through Oriental Regent Limited ("**Oriental Regent**"), a non-wholly owned subsidiary of the Group whilst the Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates generated by Oriental Regent. Due to the recent redesigns with the input of Suncity, the Group has been targeting an opening of the first stage of the Phase II development in 2022. The first stage of Phase II is expected to have more than double of the existing capacity in guest rooms and gaming facilities. As such the Group's income is predominately generated from its gaming and hotel operations in the Russian Federation with minimal external sources of income.

As disclosed in the annual reports of the Company for the years ended 31 December 2019, 2018 and 2017 respectively, the Group recorded revenue from gaming and hotel operations of approximately HK\$532.82 million, HK\$463.15 million and HK\$470.82 million respectively, of which the Group's income is predominately generated from its gaming and hotel operations in the IEZ. Whilst the Directors remain cautiously optimistic about the long-term prospects of the gaming and hotel segment in the Russian Federation, taking into account the prevailing financial market conditions, economic outlook and the political instability of the Russian Federation where the Group's operations and assets are almost entirely based, the Board is of the view that it is in the best interests of the Company to diversify its assets and revenue streams in order to reduce the Group's reliance on a single revenue source and location.

The Russian Federation faces many potential challenges, among others: a large state footprint, insufficient infrastructure, low levels of competitiveness, underinvestment, dependence on raw materials, and poor economic climate. The Russian Federation's economic and political climate is relatively unstable as illustrated by the Ukrainian crisis in 2014 that resulted in the Russian Federation's suspension from the then Group of Eight (the "**G8**") and severe economic sanctions from the other members of the G8. Such events led to a significant decline in the RUB. According to the statistics from the World Bank, the Russian Federation suffered -2.3% annual growth in gross domestic product ("**GDP**") in 2015 and whilst rebounded in 2016 has only recorded an average annual GDP growth of 1.4% from 2016 to 2019. The recent COVID-19 crisis and significant decline in oil prices are forecasted to have a significant negative impact on the Russian Federation's economy. According to a report on the Russian Economy from FocusEconomics, a leading provider of economic analysis and forecasts for 130 countries through an extensive global network of analysts, a panel of economists has predicted the Russian Federation's GDP shrinking by 4.1% in 2020.

LETTER FROM THE BOARD

Over the past few years, the Russian government has done a lot to attract the foreign direct investment. However, there is still a gap between the regulations welcoming foreign investors and their practical implementation. For instance, the Government of the Russian Federation has doubled the minimum and maximum gaming tax rates since 1 January 2018. Subsequently, the local parliament of Primorsky Krai voted to maintain the same rates at existing levels applicable to Tigre de Cristal on 28 February 2018. The Group, as a foreign investor, needs to find way to deal with this Russian willingness on the one hand and bureaucratic uncertainty on the other.

In the process of searching for investment opportunities supporting diversification, the Group focused on the Asian gaming markets which have been on the rise in the past decade and dealt with largely similar groups of customers with similar needs and wants of the Group's current patrons. In particular, the Philippines is one of the fastest-growing casino hubs in Asia. The Board considered the Subscription is the best available option to achieve the Group's purpose of diversification after taking into account, among others, (i) the accessibility of gaming license since not all Asian jurisdictions are planning to issue new gaming licenses, (ii) the scale of the investment as the Group cannot afford to buy the controlling interest in a sizeable integrated resort subject to the Group's own total asset value and human resources, (iii) whether a sound legal and regulatory framework and the sophisticated rules for the gaming industry have been developed by the regulatory authorities, (iv) the potential competition, (v) the certainty on timeframe and (vi) the collaboration with business partners, like gaming promoters and travel agents.

Furthermore, the timetable for developing the remaining part of Lot 10 by the Group is dependent on a number of factors, including but not limited to, the operating results of the Group and the business environment after the opening of Phase II of Tigre de Cristal, as well as the cluster effects after the opening of other casinos in the IEZ of the Primorye Region in the Russian Federation. The Board believes that investing part of the net proceeds from the Rights Issue for the Subscription to achieve the diversification is more compelling than expanding the current scale of the Phase II development of Tigre de Cristal.

The Subscription allows the Company to diversify the Group's asset base and enter into a new developing geographical market. Compared to the Russian Federation's average annual GDP growth of 1.4% from 2016 to 2019, the Philippines recorded an average annual GDP growth of 6.6% across the same period with the gambling sector in the Philippines growing at even faster rate as set out in "INFORMATION ABOUT SUNTRUST GROUP" in this Circular. Also with the global economic downturn caused by COVID-19, the Board is of the view that investing into a new development is a more prudent investment than investing into an existing gaming and hotel property especially as the Philippines has relatively low labour and development costs as a developing country. The Maturity Date of the Convertible Bonds is 5 years from the date of issue of the Convertible bonds which is expected to be in 2025 whilst the Main Hotel Casino is expected to commence operations before 2023. As such the Main Hotel Casino is expected to be operational for at least 2 years before the Maturity Date giving the Company the opportunity to analyse more accurately the earnings potential of the Main Hotel Casino and SunTrust before exercising the Conversion Rights attached to the Convertible Bonds.

Upon exercise of the Conversion Rights of the Convertible Bonds, the assets and liabilities of the SunTrust Group will be consolidated to the Group's consolidated statement of financial position and the interest in SunTrust will be accounted for as an associate using equity method.

LETTER FROM THE BOARD

Having considered the future prospect of SunTrust as set out in “INFORMATION ABOUT SUNTRUST GROUP” in this circular and that the convertible features of the Convertible Bonds provide more flexibility to the Group in realising the investment in SunTrust and maximising its return by exercising the Conversion Rights attaching to the Convertible Bonds when the market situation is favourable, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular) consider that fund raising through the Rights Issue and the Subscription are in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no intention to exercise the Conversion Rights attached to the Convertible Bonds.

The management of the Company has also considered other means of fundraising such as commercial debt financings (including bank borrowings) and placing of new shares. The Company has exhausted various alternatives during the past few months, but it is believed that the recent instability of the local and global financial markets has adversely affected the financing opportunities of the Company. Prior to the entering into of the Underwriting Agreement, the Company had approached two banks in Hong Kong in the course of exploring different finance options, and was informed that due to the inherent nature of the Company where the main business operations and principal assets of the Group are not in Hong Kong, it is unlikely the Company can obtain loan facilities with favourable terms. Besides, the Company also approached several Russian banks but the prevailing borrowing costs are relatively high in the Russian Federation, close to 10% per annum. Most lenders will also require a pledge of collateral that typically includes the Group’s tangible assets and accounts receivable, and impose certain restrictions on the Company’s future finance options, loan repayments and dividend distributions to Shareholders. If the Company has a proportion of interest-bearing loan capital, the Company can suffer from a squeeze on profits and returns to Shareholders. In addition, if the minimum amount to be raised by the Rights Issue before expenses (assuming no Share Options being exercised) of HK\$1,623.40 million were to be fulfilled by debt financing, the debt ratio of the Company (representing the ratio of total debts to total assets) would have increased from zero to 40.62% as at 31 December 2019 on a proforma basis. As such, the Board considered that it will be difficult for the Company to obtain debt financings of such magnitude at the relevant time on acceptable terms.

In respect of equity financing, the management of the Company considers other equity financing alternatives such as placing of new Shares under general or specific mandate can only raise funds in a relatively small size given the current market capitalisation of the Company and more importantly it will unavoidably dilute the shareholding of the Shareholders, whereas an open offer does not provide the flexibility to the Shareholders who wish to subscribe the Rights Shares to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or to the Shareholders who opt not to subscribe the Rights Shares to reduce their shareholding interests in the Company by disposing of their nil-paid Rights Shares during the prescribed period of time for economic benefits. As such, the Directors consider that placing of new Shares and undertaking an open offer are not the desirable alternatives to the Rights Issue. Furthermore, the Company has successfully completed a placing of new Shares under the general mandate as set out in the announcement of the Company dated 19 August 2019. The management of the Company also concerns about the limited number of potential investors who want to invest substantial amounts individually and if the Company offers a great discount to new subscriber(s) who is/are not existing Shareholder(s), it would further cause dilution impact to the existing Shareholders without being offered an opportunity to maintain their proportionate interests in the Company. Such arrangement would not be in the interest of the Shareholders as they cannot participate in the fund raising exercise.

LETTER FROM THE BOARD

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholdings through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlements in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds of the Rights Issue will be approximately HK\$1,618.42 million (assuming no new Shares will be issued and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date) or HK\$1,636.72 million (assuming no new Shares will be issued other than the exercise of all Share Options excluding Share Options which are under the Option Holders' Undertakings and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date), respectively.

The expenses in relation to the Rights Issue (including printing, registration, legal, accounting and documentation charges, etc.) are estimated to be approximately HK\$4.98 million, and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.598.

The net proceeds from the Rights Issue will be used for the Subscription and the Phase II development of Tigre de Cristal. The Company intends to apply the net proceeds from the Rights Issue in the following manner (assuming no new Shares will be issued and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date) as to (i) approximately 52.3% or HK\$847 million to the Subscription; (ii) approximately 37.1% or HK\$601 million to the Phase II development of Tigre de Cristal; and (iii) approximately 10.6% or HK\$170 million for general working capital.

The Group holds a gaming license granted by the Russian government for an indefinite period and the development rights on two adjacent parcels of land, namely Lot 9 and Lot 10, in the Primorye IEZ of the Russian Far East. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015. The Company is currently refining the design and construction elements of the Phase II development on Lot 10 and is targeting an opening of the Phase II of Tigre de Cristal in 2022. This new integrated resort is expected to double the Group's VIP and mass gaming tables, slots, and has at least twice the lodging capacity of the existing property, and will include four restaurants and bars, additional retail offerings, and an indoor beach club and spa.

In the event that the Subscription does not proceed to completion, the net proceeds from the Rights Issues originally allocated for the Subscription are intended to be applied for the further development of Tigre de Cristal by expanding its scale (either in respect of Phase II of Tigre de Cristal or by including subsequent phases of development on Lot 10 of Primorye IEZ of the Russian Far East as Phase II of Tigre de Cristal will be occupying only part of Lot 10 and the remaining part of Lot 10 can further be developed) by, among others, increasing its hotel capacity, number of gaming tables and slots machines, and additional facilities. Furthermore, the Company intends to utilise the net proceeds from the placing of new Shares under general mandate completed on 19 August 2019 as part of the development costs of Tigre de Cristal Phase II. The Company has been reviewing and finalizing conceptual designs, and planning to commence the construction works in the fourth quarter of 2020, targeting an opening of our Tigre de Cristal Phase II in 2022.

LETTER FROM THE BOARD

The table below summarises the breakdown of the intended use of proceeds on the Subscription and the Phase II development of Tigre de Cristal, and the estimated timeline for the use of the net proceeds.

	Estimated time period for the usage				Total
	2020	2021		2022	
	2H	1H	2H	1H	
	HK\$	HK\$	HK\$	HK\$	
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	
	<i>Approx.</i>	<i>Approx.</i>	<i>Approx.</i>	<i>Approx.</i>	<i>Approx.</i>
The Subscription	847.0				847.0
The Phase II development of Tigre de Cristal, including but not limited to,					
Procurement of construction materials	69.0	101.4	99.6	41.5	
Construction of buildings/facilities	10.1	25.2	35.3	30.2	
Interior fit-out	–	–	56.7	132.4	
	79.1	126.6	191.6	204.1	601.4
For general working capital of the Group, including but not limited to,					
(i) <i>Phase I, including:</i>					
Capital expenditures	48.0	10.0	10.0	10.0	
Repairs and maintenance	6.0	6.0	6.0	6.0	
Return of the refunded value-added tax	–	9.0	–	9.0	
(ii) <i>Pre-opening expenses for Phase II, including but not limited to,</i>					
Staff costs (training and employee relations)	–	–	–	30.0	
Security expenses	–	–	3.0	6.0	
Marketing expenses	–	–	3.0	8.0	
Others	–	–	–	–	
	54.0	25.0	22.0	69.0	170.0
Total use of proceeds in the respective time period	980.1	151.6	213.6	273.1	1,618.4

LETTER FROM THE BOARD

Further, the table below summarises the details of the Tigre de Cristal project:

Casino projects	Phase I of Tigre de Cristal	Phase II of Tigre de Cristal
Operation commencement date:	October 2015	Opening of the first stage in 2022
Site Area (square metres):	90,455 (Lot 9)	154,351 (Lot 10)
Gross Floor Area (square metres):	36,000	60,500
Estimated project cost:	US\$195 million	US\$200 million
Gaming capacity:	30 VIP gaming tables; 35 mass gaming tables; and 330 slot machines	50 VIP gaming tables; 25 mass gaming tables; and 300 slot machines
Hotel accommodation capacity:	121 hotel rooms (5-star hotel)	350 hotel rooms (4-star hotel)

As at the Latest Practicable Date, the expected total development cost of the Phase II of Tigre de Cristal is approximately US\$200 million. As the Company is interested in 60% equity interest in Oriental Regent only, the total estimated cost of the Phase II development of Tigre de Cristal attributable to the Group is approximately HK\$930 million which will be funded as to HK\$601 million by part of the net proceeds from the Rights Issue, HK\$297 million by the net proceeds raised from the placing of new Shares in July 2019 and HK\$32 million by general working capital of the Group. Based on the financial resources available to the Company, the Company may not have sufficient fund for both the development of Phase II of Tigre de Cristal and the Subscription without obtaining the net proceeds from the Rights Issue. Save for the proposed Rights Issue, the Company does not have any other plans to conduct equity fund raising, or obtain debt financing to finance the Phase II development of Tigre de Cristal, and neither are there any plans nor binding agreements signed for expanding the scale of Tigre de Cristal or the expansion of the remaining part of Lot 10.

PROPOSED CHANGE IN BOARD LOT SIZE

The Board proposes that, subject to the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange be changed from 2,000 Shares to 4,000 Shares with effect from Friday, 16 October 2020. No new share certificate will be issued to Shareholders. All Share certificates will continue to be good evidence of legal title to such Shares and be valid for transfer, delivery and settlement purposes. Based on the closing price of the Shares on the Last Trading Day of HK\$0.6, the theoretical ex-rights price of each Share is HK\$0.6. On the basis of such theoretical ex-rights price and the new board lot size of 4,000 Shares, the new board lot value would be HK\$2,400.

The Change in Board Lot Size will not result in a change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Company proposes that the authorised share capital of the Company be increased to HK\$150,000,000 divided into 6,000,000,000 Shares. The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM. As none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in respect of the resolution(s) relating to the Increase in Authorised Share Capital at the SGM.

LISTING RULES IMPLICATIONS

Rights Issue and the Underwriting Agreement

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19A(1) and 7.27A of the Listing Rules, among other things, the Rights Issue must be made conditional on approval by the Independent Shareholders at the SGM and as the Company has no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue.

As at the Latest Practicable Date, the Underwriter is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As such, Victor Sky, Suncity and Dr. U Chio Ieong (a non-executive Director holding approximately 2.27% of the issued Shares) and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

The Subscription

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Subscription exceed 25% but are all less than 100%, the Subscription constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Further, as at the Latest Practicable Date, SunTrust is an indirect non-wholly owned subsidiary of Suncity, which in turn is a substantial shareholder of the Company directly and indirectly interested in an aggregate of approximately 24.74% of the Company's issued share capital. SunTrust is therefore a connected person of the Company. Accordingly, the Subscription also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As at the Latest Practicable Date the Company has no intention to exercise the Conversion Rights attached to the Convertible Bonds. The relevant resolutions to approve the Subscription to be voted on by the Independent Shareholders at the SGM is for the approval of the Subscription of the Convertible Bonds only.

In such case that the Company wishes to extend the Maturity Date of the Convertible Bonds or exercise the Conversion Rights attached to the Convertible Bonds, either action will be subject to the relevant reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A.

As the Rights Issue and the Subscription are not interconditional, the Independent Shareholders may vote to approve the Rights Issue but reject the Subscription and vice versa.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 487,214,464 Shares, representing approximately 27.01% of the issued share capital of the Company (24.74% if class (6) presumption under the definition of "acting in concert" under the Takeovers Code are excluded). Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Suncity pursuant to the Irrevocable Undertaking) and no placement will be made under the Compensatory Arrangements, the Underwriter will be required to take up a maximum amount of 2,066,705,058 Rights Shares (assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings on or before the Record Date). In such circumstance and upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Dr. U Chio Jeong)) will, in aggregate, be interested in 3,182,476,218 Shares, representing approximately 69.78% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it if the Underwriter is required to underwrite such number of Rights Shares under the Rights Issue that would bring the aggregate interests of the Underwriter and parties acting in concert with it in the Company to or above 30%, unless the Whitewash Waiver is granted. Upon completion of the Rights Issue, Dr. U Chio Jeong will no longer be presumed as acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code.

LETTER FROM THE BOARD

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll, and the Subscription, Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the SGM by way of poll. The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; members of the Concert Group; and any Shareholders who are involved in, or interested in, or have a material interest in the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

Upon completion of the Rights Issue, the maximum potential holding by the Underwriter and parties acting in concert with it will exceed 50% of the then total number of issued Shares in which case, the Underwriter and parties acting in concert with it may increase their shareholdings in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the date of the SGM. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

SGM

The register of members of the Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement; (iii) the Whitewash Waiver; (iv) the Subscription; and (v) the Increase in Authorised Share Capital. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Subscription, Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

In accordance with the Listing Rules and the Takeovers Code, save for (i) the Underwriter and its associates; (ii) the Concert Group; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in the Subscription, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, who will be required to abstain from voting on the resolution(s) to approve the Subscription, Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM, no other Shareholders are required to abstain from voting on the resolution(s) to approve the Subscription, the Rights Issue, the Underwriting Agreement and the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

LETTER FROM THE BOARD

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors (namely Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung), has been established to advise the Independent Shareholders in respect of the Subscription, the Rights Issue, the Underwriting Agreement, the Subscription Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver, and as to the voting action therefor.

As at the Latest Practicable Date Mr. Li Chak Hung, an independent non-executive Director and a member of the Independent Board Committee, is the beneficial owner of 400,000 Shares, approximately 0.02% of the total issued Shares. Mr. Li Chak Hung, as an Independent Shareholder, intends to vote in favour of the of the resolutions in respect of the Subscription, Rights Issue, the Underwriting Agreement, the Subscription Agreement and transactions contemplated thereunder respectively, and the Whitewash Waiver.

Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Subscription Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

DESPATCH OF THE PROSPECTUS DOCUMENTS

The Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable after obtaining of the approval of the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder and the Whitewash Waiver by the Independent Shareholders at the SGM. The Prospectus only will be despatched to the Non-Qualifying Shareholders for their information only. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Rights Issue.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed “Termination of the Underwriting Agreement” under the section headed “THE UNDERWRITING AGREEMENT” in this letter from the Board). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Monday, 20 July 2020. Dealings in the Rights Shares in nil-paid form are expected to take place from 9:00 a.m. on Tuesday, 22 September 2020 to 4:00 p.m. on Tuesday, 29 September 2020 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

LETTER FROM THE BOARD

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver. Somerley has been appointed, with the Independent Board Committee's approval, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on pages 88 to 89 and pages 90 to 135 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee; and (ii) the letter from Somerley to the Independent Board Committee in respect of the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver, all of which are contained in this circular.

ADDITIONAL INFORMATION

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

LETTER FROM THE BOARD

BASIS IN PREPARING THE PROFIT ESTIMATE

We refer to the statement in respect of the Profit Estimate set forth in the Profit Warning Announcement, the Directors prepared the Profit Estimate based on the management accounts of the Group for the six months ended 30 June 2020, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2019, except for certain new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants which are applicable for the Group’s annual period beginning on 1 January 2020. The Directors consider the application of these new and amendments to HKFRSs does not have a material impact on the Profit Estimate for the six months ended 30 June 2020.

For further details, please refer to Appendices IV and V to this circular.

Yours faithfully,
For and on behalf of the Board of
Summit Ascent Holdings Limited
Chiu King Yan
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

14 August 2020

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE;**
(2) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION FOR CONVERTIBLE BONDS

We refer to the circular of the Company dated 14 August 2020 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the resolutions pursuant to the Takeovers Code at the SGM.

Somerley has been appointed, with our approval, as the Independent Financial Adviser to advise us and the Independent Shareholders as to whether the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to recommend how the Independent Shareholders should vote regarding the ordinary resolutions at the SGM. Details of the advice of the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 90 to 135 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 17 to 87 to the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Your attention is also drawn to the “Letter from the Board” in this Circular and the additional information set out in the appendices thereto.

Having taken into account the principal factors and reasons considered by, and the advice and recommendation of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 90 to 135 of the Circular, we are of the opinion that (i) the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company’s minority Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Subscription and the transactions contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,

For and on behalf of

The Independent Board Committee

Mr. Lam Kwan Sing
*Independent non-executive
Director*

Mr. Lau Yau Cheung
*Independent non-executive
Director*

Mr. Li Chak Hung
*Independent non-executive
Director*

LETTER FROM SOMERLEY

Set out below is the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

14 August 2020

*To: The Independent Board Committee and the Independent Shareholders of
Summit Ascent Holdings Limited*

Dear Sirs,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS
SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE;
(2) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION FOR CONVERTIBLE BONDS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Rights Issue, the Underwriting Agreement (including the transactions contemplated under the Underwriting Agreement) and the Whitewash Waiver (the “**Transactions**”). Details of the Transactions are set out in the circular issued by the Company to the Shareholders dated 14 August 2020 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular and the letter from the Board.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Subscription exceed 25% but are all less than 100%, the Subscription constitutes a major transaction for the Company under the Listing Rules, and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Further, as at the Latest Practicable Date, SunTrust is an indirect non-wholly owned subsidiary of Suncity, which in turn is a substantial shareholder of the Company directly and indirectly interested in an aggregate of approximately 24.74% of the Company's issued share capital. SunTrust is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

LETTER FROM SOMERLEY

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19A(1) and 7.27A of the Listing Rules, among other things, the Rights Issue must be made conditional on approval by the Independent Shareholders at the SGM and as the Company has no controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. As at the Latest Practicable Date, the Underwriter is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, Victor Sky, Suncity and Dr. U Chio Ieong (a non-executive Director holding approximately 2.27% of the issued Shares) and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 487,214,464 Shares, representing approximately 27.01% of the issued share capital of the Company (24.74% if class (6) presumption under the definition of "acting in concert" under the Takeovers Code are excluded). Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Suncity pursuant to the Irrevocable Undertaking) and no placement will be made under the Compensatory Arrangements, the Underwriter will be required to take up a maximum amount of 2,066,705,058 Rights Shares (assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings on or before the Record Date). In such circumstance and upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Dr. U Chio Ieong)) will, in aggregate, be interested in 3,182,476,218 Shares, representing approximately 69.78% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it if the Underwriter is required to underwrite such number of Rights Shares under the Rights Issue that would bring the aggregate interests of the Underwriter and parties acting in concert with it in the Company to or above 30%, unless the Whitewash Waiver is granted. Upon completion of the Rights Issue, Dr. U Chio Ieong will no longer be presumed as acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll, and the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the SGM by way of poll. The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; members of the Concert Group; and any Shareholders who are involved in, or interested in, or have a material interest in the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

LETTER FROM SOMERLEY

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung, has been established to advise the Independent Shareholders in respect of the Subscription, the Rights Issue, the Underwriting Agreement, the Subscription Agreement and the transactions contemplated thereunder respectively, and the Whitewash Waiver and to make a recommendation as to voting. The Independent Board Committee has approved our appointment as the independent financial adviser to advise them and the Independent Shareholders in the same regard.

We are not associated with the Company, SunTrust, Suncity, Victor Sky, Dr. U Chio leong or their respective core connected persons, close associates or associates or parties acting, or presumed to be acting in concert with Victor Sky and accordingly are considered eligible to give independent advice on the above matters. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, SunTrust, Suncity, Victor Sky, Dr. U Chio leong or their respective core connected persons, close associates or associates or parties acting, or presumed to be acting in concert with Victor Sky.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete in all material respects at the Latest Practicable Date. We have also assumed that all representations contained or referred to in the Circular were true, accurate and complete at the time they were made and remain so at the Latest Practicable Date. The Independent Shareholders will be informed of any material change in this regard as soon as possible up to the date of the SGM. We have reviewed, among other things, the Circular, the annual reports of the Company for the financial years ended 31 December 2018 (the “**2018 Annual Report**”) and 2019 (the “**2019 Annual Report**”), the Inside Information Announcement relating to the Company’s financial information and management discussion and analysis of the Group for the three months ended 31 March 2020, various announcements and circulars of Suncity in relation to SunTrust, the annual reports of SunTrust for the years ended 2018 (the “**2018 SunTrust Annual Report**”) and 2019 (“**2019 SunTrust Annual Report**”), the interim report of SunTrust for the six months ended 30 June 2019, the quarterly report of SunTrust for the three months ended 31 March 2020 (the “**2020Q1 SunTrust Quarterly Report**”) and the publication and statistics available on the website of PAGCOR. We have sought and received confirmation from the Directors that no material fact has been omitted from the information supplied and opinions expressed to us by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material fact has been omitted or withheld. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification on the information supplied.

LETTER FROM SOMERLEY

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have considered the principal factors and reasons set out below:

1. Information on the Group

1.1 Business of the Group

The Group is principally engaged in the operation of the hotel and gaming business in the Integrated Entertainment Zone (“IEZ”) of the Primorye Region in the Russian Federation.

1.2 Recent financial results and position of the Group

The following summarises the annual results of the Group for each of the three years ended 31 December 2019 as extracted from the 2018 Annual Report and the 2019 Annual Report and for the three months ended 31 March 2019 and 2020 as extracted from the Inside Information Announcement:

Table 1: Financial performance of the Group for the three years ended 31 December 2019 and for the three months ended 31 March 2019 and 2020

	For the year ended 31 December			For the three months ended 31 March	
	2017 <i>(audited)</i> HK\$ million	2018 <i>(audited)</i> HK\$ million	2019 <i>(audited)</i> HK\$ million	2019 <i>(unaudited)</i> HK\$ million	2020 <i>(audited)</i> HK\$ million
Gross revenue from gaming (before rebate) and hotel operations	991.6	838.0	851.6	247.2	123.0
Total revenue from gaming (after rebate) and hotel operations	470.8	463.2	532.8	132.3	91.9
Profit/(loss) attributable to the Shareholders	13.8	7.6	82.0	27.2	(13.3)

The Group engaged in the operation of the hotel and gaming business via its 60% owned subsidiary, Oriental Regent. According to the annual reports of the Company for the three years ended 31 March 2019, the rolling chip business is settled in HK\$, accounting for 55.8%–69.5% of the Group’s gross revenue (before rebate) during the three year period, whereas other businesses of the Group (i.e. mass table business, slot business and hotel operations) are settled in RUB, accounting for 30.5%–48.2% of the Group’s gross revenue (before rebate) of the same period. The consolidated financial statements of the Group are presented in HK\$ which is also the functional currency of the Company.

LETTER FROM SOMERLEY

For the years ended 31 December 2017, 2018 and 2019, the Group recorded total revenue from gaming (after rebate) and hotel operations of approximately HK\$470.8 million, HK\$463.2 million and HK\$532.8 million, respectively, of which the Group's income is predominately generated from its gaming and hotel operations in the IEZ. The slight drop in revenue in 2018 as compared to 2017 was mainly due to a weak RUB during 2018 which had a negative impact on the Group's revenue reported in its functional currency (i.e. HK\$). We are advised by the management of the Group that for book keeping of each individual group entity, transactions in currencies other than HK\$ (i.e. foreign currencies) are recognised in HK\$ at the rates of exchanges prevailing on the dates of the transactions. For illustrative purpose, if the Group had translated its total revenue for 2017, 2018 and 2019 using the monthly average exchange rates into RUB, the Group's total revenue presented in RUB would have been RUB3,523.3 million, RUB3,734.4 million and RUB4,399.2 million, respectively which would have represented an year-on-year increase of 6% in 2018 and 18% in 2019. The 15% year-on-year increase in revenue in HK\$ in 2019 was mainly benefited from the rebound in rolling chip business and growth in slot business versus previous year and the increase in contribution from hotel operations. For the three months ended 31 March 2019 and 2020, the Group recorded total revenue from gaming (after rebate) and hotel operations of approximately HK\$132.3 million and HK\$91.9 million, respectively, representing a year-on-year decline of 30.5%, primarily due to the number of foreigners visiting the Group's property plummeted after governments of various countries have issued entry restrictions, visa suspensions and quarantine measures for travelers due to COVID-19 pandemic.

The profit attributable to the Shareholders were approximately HK\$13.8 million, HK\$7.6 million and HK\$82.0 million for the years ended 31 December 2017, 2018 and 2019 respectively, representing a year-on-year decrease of 44.9% in 2018 and a year-on-year increase of 978.9% in 2019. The decline in net profit attributable to the Shareholders for 2018 is principally due to share-based payments expense of HK\$29.2 million (2017: HK\$3.1 million) which is not shared by the non-controlling interests of the Group. The increase in net profit for 2019 is largely due to the increase in revenue by HK\$69.6 million. For the three months ended 31 March 2019 and 2020, the Group recorded profit attributable to the Shareholders of approximately HK\$27.2 million and loss attributable to the Shareholders of approximately HK\$13.3 million, respectively. This was principally due to decline in total revenue from gaming and hotel operations affected by COVID-19 pandemic and partially due to net exchange losses of approximately HK\$9.6 million recorded in the first quarter of 2020 as opposed to net exchange gains of approximately HK\$9.0 million recorded in the corresponding period in 2019 as well as impairment loss on deposits for purchase of property, operating right and equipment of approximately HK\$7.3 million recognised by the Group for the period ended 31 March 2020 and no such impairment loss was incurred for the three months ended 31 March 2019. The impairment loss was attributable to a dispute with a contractor in relation to a renovation contract. The Group had terminated the contract and related deposit is fully impaired.

Furthermore, according to the Profit Warning Announcement, based on the preliminary review of the management accounts of the Group for the six-month period ended 30 June 2020, the Board is of the view that the outbreak of the COVID-2019 at the beginning of 2020 has had a huge impact on the gaming and hotel operations of the Group due to (i) the outbreak of the COVID-19 that has led to a temporary entry ban from the Russian government implemented for Chinese nationals, including passport holders from Hong Kong and Macau, which had an adverse impact on the Group's visitation in early 2020, and (ii) the measures to control the COVID-19 outbreak as announced by the Russian government that there was a temporary suspension of the Group's

LETTER FROM SOMERLEY

gaming operations since 28 March 2020, resulting in a significant decrease in the unaudited consolidated revenue of the Group of not more than approximately 63% as compared to the corresponding period in 2019 and an estimated loss attributable to owners of the Company of not more than HK\$50 million for the six months ended 30 June 2020. However, as stated in the announcement of the Company dated 15 July 2020, the integrated resort in the Russian Federation has been reopened for business from 16 July 2020 onwards.

We have discussed with the management of the Group in relation to the Group's exposure to fluctuations in exchange rates and are advised that the income and expenses and the assets and liabilities of subsidiaries which stated in currencies other than its functional currency are converted into HK\$ for financial reporting purposes. Hence, period-to-period changes in exchange rates may cause translation effects that appear to have a significant impact on results, and assets and liabilities of the Group in HK\$. As these fluctuations do not necessarily affect future cash flows, the Group does not hedge against exchange rate translation risk. Furthermore, as revenues from mass table business, slot business and hotel operations recognised in RUB are used to settle the Group's business operating expenses incurred by the Group's subsidiaries in the Russian Federation which are denominated in RUB, the management of the Group is of the view that the risk of RUB fluctuation impacting the cash flow of the Group is substantially mitigated.

The following is a summary of the Group's balance sheets as at 31 December 2017, 2018 and 2019 and 31 March 2020 as extracted from the 2018 Annual Report, the 2019 Annual Report and the Inside Information Announcement:

**Table 2: Financial position of the Group as at 31 December 2017, 2018
and 2019 and 31 March 2020**

	As at 31 December			As at 31
	2017	2018	2019	March
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Total assets	2,006.3	2,005.3	2,372.9	2,326.1
Property, operating right and equipment	1,549.0	1,460.6	1,408.5	1,403.9
Long-term prepayments and other non-current assets	15.8	16.8	39.1	26.0
Bank balances and cash	400.2	479.8	860.7	826.2
Total liabilities	398.4	378.7	336.5	318.2
Loans from non-controlling shareholders of a subsidiary	282.8	257.9	223.2	229.6
Net assets attributable to Shareholders	1,213.9	1,250.7	1,644.4	1,631.1

LETTER FROM SOMERLEY

The assets of the Group mainly include property, operating right and equipment and cash. Its property, operating right and equipment have been relatively stable while its cash increased substantially from 2017 to 2019. Bank balances and cash were HK\$400.2 million, HK\$479.8 million, HK\$860.7 million and HK\$826.2 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, representing a year-on-year increase of 19.9% in 2018 and 79.4% in 2019 and a decrease of 4.0% from 31 December 2019 to 31 March 2020. The significant increase in 2019 was primarily due to the fact that the Company raised net proceeds of HK\$297 million by way of placing of new Shares which was completed on 19 August 2019 and the proceeds has been placed on short-term interest bearing deposits with banks before it is used to further develop the gaming business in the IEZ of the Primorye Region in the Russian Federation. The slight decline in bank balances and cash for the three months ended 31 March 2020 was due to additions for equipment and less cash generated from operation as the Group's businesses were affected by COVID-19 pandemic. The Group did not have external borrowings but has been financed by loans from non-controlling shareholders of Oriental Regent, a 60% owned subsidiary of the Company. A general decreasing trend is seen in such loan amounting to HK\$282.8 million, HK\$257.9 million and HK\$223.2 million as at 31 December 2017, 2018 and 2019 respectively due to early repayments, but increased slightly to HK\$229.6 million as at 31 March 2020 due to accrual of imputed interest.

Net asset value attributable to the Shareholders (“NAV”) was HK\$1,213.9 million, HK\$1,250.7 million, HK\$1,644.4 million and HK\$1,631.1 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, representing a year-on-year increase of 3.0% in 2018 and 31.5% in 2019 and a decrease of 0.8% from 31 December 2019 to 31 March 2020. The increase in NAV of the Group in 2019 is largely due to the placing of new Shares completed on 19 August 2019.

The NAV per Share as at 31 March 2020 was approximately HK\$0.904 (calculated based on a total of 1,803,777,836 Shares in issue as at the Latest Practicable Date).

The property interests of the Group have been considered by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the “Valuer”) as at 30 June 2020 as set out in Appendix III to the Circular as no commercial value due to the subleased land nature on which the buildings and structures are erected. However, the Valuer is of the opinion that the depreciated replacement cost of the building and structures (excluding land portion) would be RUB7,749,000,000 (equivalent to HK\$844,641,000), that is the estimated cost of rebuilding the building and structures (with the inclusion of depreciation) as at the valuation date. Such estimated cost is higher than the actual cost less depreciation recorded in the Company's accounts (i.e. book value). On this basis, for illustration purpose, if the depreciated replacement cost is adopted in replace of its book value, the NAV per Share would be adjusted from approximately HK\$0.904 to approximately HK\$0.906 (“Adjusted NAV”) (calculated based on a total of 1,803,777,836 Shares in issue as at the Latest Practicable Date). As advised by the management of the Group, the book values of the building and structures as at 31 December 2017, 2018, and 2019 and 31 March 2020 were HK\$919.5 million, HK\$883.5 million, HK\$846.9 million and HK\$838.0 million, respectively.

The Subscription Price, as compared to the NAV per Share as at 31 March 2020 and Adjusted NAV per Share, therefore, represents discounts of approximately 33.63% and 33.77%, respectively.

LETTER FROM SOMERLEY

2. Information on SunTrust

2.1 Business of SunTrust

SunTrust is principally engaged in investment holding and as the listing vehicle of SunTrust Group on PSE. The principal business of SunTrust Group, through its wholly-owned subsidiaries (the “**SunTrust Former Subsidiaries**”), was management of real estate properties and provision of transportation services in the Philippines. On 28 October 2019, Suncity acquired an aggregate of 51% interest in SunTrust. On 10 December 2019, upon completion of issuance of new shares by one of the SunTrust Former Subsidiaries to Asian E-commerce, Inc., an investment holding company which is 50%-owned by Megaworld, SunTrust’s interests in the SunTrust Former Subsidiaries have been diluted to 24.27% and the SunTrust Former Subsidiaries are no longer consolidated into the financial statements of SunTrust (the “**Deconsolidation**”).

As at the Latest Practicable Date, SunTrust is an indirect 51% non-wholly owned subsidiary of Suncity.

As disclosed in the announcement of Suncity dated 29 October 2019 (the “**Suncity Announcement**”) and 6 May 2020 (the “**O&M Agreement Announcement**”) and the circular of Suncity dated 26 March 2020 (the “**Suncity Circular**”), SunTrust entered into the Co-Development Agreement, the Lease Agreement and the operations and management/services agreement for the construction, development, operation and management of the Main Hotel Casino at the Project Site which is expected to commence operations before 2023. The Main Hotel Casino will encompass (i) a 5-Star hotel with at least 400 rooms, the standard room size of which shall not be less than 34 sq.m.; (ii) casino establishment with approximately 400 gaming tables and 1,200 slot machines for both mass and VIP markets; and (iii) 960 car parking slots for the hotel and casino establishment to be erected at the Project Site. Further details are set out in the Suncity Announcement, the O&M Agreement Announcement and the Suncity Circular.

As disclosed in the letter from the Board, subject to the finalisation of the development plan of the Main Hotel Casino, the total capital cost required for the Main Hotel Casino project is estimated to be approximately US\$800 million (equivalent to approximately HK\$6,200 million).

LETTER FROM SOMERLEY

2.2 *Recent financial results and position of SunTrust Group*

The following summarises the annual results of SunTrust Group for each of the three years ended 31 December 2019 as extracted from the 2018 SunTrust Annual Report and the 2019 SunTrust Annual Report:

Table 3: Financial performance of SunTrust Group for the three years ended 31 December 2019

	For the year ended 31 December		
	2017	2018	2019
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>PHP million</i>	<i>PHP million</i>	<i>PHP million</i>
Gross revenue	527.2	576.4	552.0
– Management fee	476.6	517.2	501.0
– Rental income	24.7	37.2	32.7
– Service income	25.9	22.0	18.3
 Net profit/(loss)	 61.7	 103.9	 (314.8)

On 20 December 2019, the SEC approved the increase in the authorised capital stock of SunTrust (which had become a 51% owned non-wholly owned subsidiary of Suncity since 28 October 2019) and a total of 5,000 million new SunTrust Shares were issued, out of which 2,550 million SunTrust Shares were issued to Fortune Noble Limited, a wholly-owned subsidiary of Suncity, raising the total proceeds of PHP5,000 million.

SunTrust Group recorded gross revenue of approximately PHP527.2 million, PHP576.4 million and PHP552.0 million for the years ended 31 December 2017, 2018 and 2019, respectively. About 90% of gross revenue is derived from property management business of residential and office buildings and private estates in Metro Manila, the Philippines prior to the Deconsolidation. The year-on-year increase in revenue of 9.3% for 2018 was attributable to the increase in management fees and rental income. The year-on-year decrease in revenue of 4.2% for 2019 was principally attributable to the decrease in management fee.

SunTrust Group recorded net profits of approximately PHP61.7 million and PHP103.9 million for the years ended 31 December 2017 and 2018, respectively, and a net loss of approximately PHP314.8 million for the year ended 31 December 2019. The substantial increase in net profit for 2018 was mainly due to retirement benefit gain of approximately PHP65.4 million arising from an actuarial valuation on the retirement benefit scheme. The net loss in 2019 was largely due to loss on Deconsolidation of PHP264.7 million and the increase in operating expenses of PHP111.6 million, mainly due to taxes and filing fees for the issuance of 5,000 million new SunTrust Shares.

LETTER FROM SOMERLEY

The following is a summary of SunTrust Group's financial position as at 31 December 2017, 2018 and 2019 as extracted from the 2018 SunTrust Annual Report and 2019 SunTrust Annual Report and as at 31 March 2020 as extracted from the 2020Q1 SunTrust Quarterly Report:

Table 4: Financial position of SunTrust Group as at 31 December 2017, 2018 and 2019 and 31 March 2020

	As at 31 December			As at
	2017	2018	2019	31 March
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>PHP million</i>	<i>PHP million</i>	<i>PHP million</i>	<i>PHP million</i>
Total assets	707.3	761.0	1,448.9	1,377.4
Trade and other receivables				
– net	134.4	134.9	0.08	0.05
Due from related parties				
– net	56.9	161.6	27.4	27.4
Cash and cash equivalents	356.7	256.8	1,278.2	185.3
Investment in an associate	–	–	141.1	142.7
Security and other refundable deposits – net	4.7	5.0	–	1,018.8
Total liabilities	364.1	295.6	57.5	6.7
Trade and other payables	147.8	143.9	57.5	5.3
Due to related parties	109.2	110.1	–	1.4
Net assets	343.2	465.4	1,391.4	1,370.7

Prior to the Deconsolidation and the subscription of new SunTrust Shares as announced on 29 October 2019 by Suncity, the assets of SunTrust Group mainly include trade and other receivables and cash. Its trade and other receivables as at 31 December 2017 were about the same as at 31 December 2018 of approximately PHP134 million. Cash and cash equivalents reduced from PHP356.7 million as at 31 December 2017 to PHP256.8 million as at 31 December 2018 while amounts due from related parties increased by PHP104.7 million as compared to the previous year to PHP161.6 million as at 31 December 2018. Furthermore, SunTrust Group did not have external borrowings but was financed by unsecured, interest and non-interest bearing advances from the major stockholder and related parties under common ownership. Certain advances bear interest rate of 6% per annum.

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Following the Deconsolidation and the aforementioned subscription of new SunTrust Shares, SunTrust's total assets increased from PHP761.0 million as at 31 December 2018 to PHP1,448.9 million as at 31 December 2019, of which cash and cash equivalents increased from PHP256.8 million as at 31 December 2018 to PHP1,278.2 million as at 31 December 2019 and investment in an associate of PHP141.1 million was recorded as at 31 December 2019. In addition, as a result of the Deconsolidation, due from related parties decreased from PHP161.6 million as at 31 December 2018 to PHP27.4 million as at 31 December 2019 and due to related parties was nil as at 31 December 2019. As at 31 March 2020, total assets decreased to PHP1,377.4 million largely due to losses incurred during the quarter. Moreover, cash and cash equivalents decreased by PHP1,092.9 million to PHP185.3 million and majority of the decreased portion become the refundable deposits in the sum of US\$20 million (around PHP1.0 billion) for the development of the Main Hotel Casino pursuant to the Co-Development Agreement.

The net asset values of SunTrust Group were PHP343.2 million, PHP465.4 million, PHP1,391.4 million and PHP1,370.7 million as at 31 December 2017, 2018 and 2019 and 31 March 2020, respectively, representing a year-on-year increase of 35.6% in 2018, 199.0% in 2019 and a decrease of 1.5% as at 31 March 2020.

3. Reasons for and benefits of the Subscription and the Rights Issue

3.1 The Subscription

The Company has been exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. The Group's first casino hotel in Vladivostok, the Russian Federation, Tigre de Cristal, which is the largest integrated resort ever built in the Russian Federation and is one of the largest foreign investment projects in the Primorsky Krai since 2015. The gaming and hotel operations are conducted through Oriental Regent, a non-wholly owned subsidiary of the Group whilst the Group also receives a management fee income calculated at 3% of the total gaming revenue, net of rebates, generated by Oriental Regent. Due to the recent redesigns with the input of Suncity, the Group has been reviewing and finalizing conceptual designs, and planning to commence the construction works in the fourth quarter of 2020, targeting an opening of the first stage of the Phase II development in 2022. The first stage of Phase II is expected to have more than double of the existing capacity in guest rooms and gaming facilities. As such, the Group's income is predominately generated from its gaming and hotel operations in the Russian Federation with minimal external sources of income.

As disclosed in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the Inside Information Announcement, the Group recorded total revenue from gaming and hotel operations of approximately HK\$470.8 million, HK\$463.2 million, HK\$532.8 million for year ended 31 December 2017, 2018 and 2019 and HK\$91.9 million for the three months ended 31 March 2020, respectively, of which the Group's income is predominately generated from its gaming and hotel operations in the IEZ. Whilst the Directors remain cautiously optimistic about the long-term prospects of the gaming and hotel segment in the Russian Federation, taking into account the prevailing financial market conditions, economic outlook and the political instability of the Russian Federation where the Group's operations and assets are

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almost entirely based, the Board is of the view that it is in the best interests of the Company to diversify its assets and revenue streams in order to reduce the Group's reliance on a single revenue source and location.

The Group's investment in Oriental Regent can be traced back to 2013 when the Group subscribed new shares of Oriental Regent and is the only project that the Group has in the last 7–8 years. Upon completion, the Group was interested in 46% of Oriental Regent. In 2014, the Group had acquired a further 14% interest in Oriental Regent which has subsequently become a subsidiary of the Company. The Group reported minor profits for 2016-2018. As announced in March 2020, the Group reported a satisfactory growth in profit attributable to Shareholders for 2019 which amounted to HK\$82 million. Given the Group's only project has started to generate considerable profit, it would be logical for the Company to look for investment opportunities to diversify its business based on its expertise. We have discussed with the management of the Group and are advised that the Philippines is one of Asia's fastest-growing gambling markets and it would not be easy to secure the operating rights of casino given that gambling is highly regulated and restricted industry, especially in a desirable location. We have searched for industry reports and newspaper articles on the outlook of the Philippines gambling industry and the latest ones we found were issued before COVID-19 pandemic. Based on an article issued by The Straits Times in 2019 and an industry report issued by Ken Research, a market research service provider headquartered in Dublin Ireland, in 2020, we noted the Philippines is considered as one of the fastest growing gambling markets in Asia and integration of casino with the hospitality sector will further support the growth of the casinos industry in the future. The Project Site is located at Entertainment City which is known as casino hub in Metro Manila and SunTrust has secured the operating and management rights of the Main Hotel Casino by entering into the operations and management/services agreement with Westside. On this basis, we concur with the Directors' view set out above and also consider that the Subscription represents a valuable opportunity for the Company to extend its presence to the Philippines with potentially attractive returns. Moreover, the Directors consider and we also concur that (i) since the Main Hotel Casino is a greenfield project and has yet to commence operation, investment by way of the Convertible Bonds not only provides flexibility to the Group but offers also greater protection from uncertainties that may arise from the operations of SunTrust including the Authorised Gambling Activities in the Philippines which, in turn, might affect the share price performance of SunTrust; and (ii) the Convertible Bonds bearing interest at 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum), which are issued by SunTrust to finance the development of the Main Hotel Casino in the Philippines, would provide a secured return on its investment and enable the Group to enjoy the possible upside as a long term growth opportunity on its investment when the market situation and the share price of SunTrust are favourable. In other words, the Company can choose to (i) exercise its conversion right should the market situation and the share price of SunTrust are favourable or (ii) redeem the Convertible Bonds in the event that the performance of SunTrust and its share price are unsatisfactory during the term of the Convertible Bonds.

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3.2 *Rights Issue*

The estimated net proceeds of the Rights Issue will be approximately HK\$1,618.42 million (assuming no new Shares will be issued and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date) or HK\$1,636.72 million (assuming no new Shares will be issued other than the exercise of all Share Options excluding Share Options which are under the Option Holders' Undertakings and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date), respectively.

The expenses in relation to the Rights Issue (including printing, registration, legal, accounting and documentation charges, etc.) are estimated to be approximately HK\$4.98 million, and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.598. We understand from the management of the Group that the need of the Group to conduct the Rights Issue is basically due to (i) the Subscription; and (ii) Phase II development of Tigre de Cristal. As set out in the letter from the Board, the Company intends to apply the net proceeds from the Rights Issue in the following manner (assuming no new Shares will be issued and no Shares will be bought back on or after the Latest Practicable Date and on or before the Record Date) as to (i) approximately 52.3% or HK\$847 million to the Subscription; (ii) approximately 37.1% or HK\$601 million to the Phase II development of Tigre de Cristal; and (iii) approximately 10.6% or HK\$170 million for general working capital. We are advised by the management of the Group that the timetable for developing the remaining part of Lot 10 by the Group is dependent on a number of factors, including but not limited to, the operating results of the Group and the business environment after the opening of Phase II of Tigre de Cristal, as well as the cluster effects after the opening of other casinos in the IEZ of the Primorye Region in the Russian Federation. Thus, the Board believes that investing part of the net proceeds from the Rights Issue for the Subscription to achieve the diversification is more compelling than expanding the current scale of the Phase II development of Tigre de Cristal.

The Group holds a gaming license granted by the Russian government for an indefinite period and the development rights on two adjacent parcels of land, namely Lot 9 and Lot 10, in the Primorye IEZ of the Russian Far East. The first gaming and hotel property, known as Tigre de Cristal, is built on Lot 9 and opened for business in the fourth quarter of 2015, offering only 121 guest rooms which according to the management of the Group, to a certain extent, limit the increase in guest visitations and in turn the growth in revenue. The Company is currently refining the design and construction elements of the Phase II development on Lot 10 and is targeting an opening of the Phase II of Tigre de Cristal in 2022. This new integrated resort is expected to double the Group's VIP and mass gaming tables, slots, and has at least twice the lodging capacity of the existing property, and will include four restaurants and bars, additional retail offerings, and an indoor beach club and spa, which will place the Group in a better position to attract and retain customers, especially when other casino operators in the IEZ (such as the first phase of the Shambhala hotel and entertainment complex and "Primorsky" Entertainment Resort City) open for business in the near future.

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As at the Latest Practicable Date, the expected total development cost of the Phase II of Tigre de Cristal is approximately US\$200 million. As the Company is interested in 60% equity interest in Oriental Regent, the total estimated cost of the Phase II development of Tigre de Cristal attributable to the Group is approximately HK\$930 million which will be funded as to HK\$601 million by part of the net proceeds from the Rights Issue, HK\$297 million by the net proceeds raised from the placing of new Shares in July 2019 and HK\$32 million by general working capital of the Group. The Company intends to apply the net proceeds from the Rights Issues originally allocated for the Subscription for the further development of Tigre de Cristal by expanding its scale (either in respect of Phase II of Tigre de Cristal or by including subsequent phases of development on Lot 10 of Primorye IEZ of the Russian Far East as Phase II of Tigre de Cristal will be occupying only part of Lot 10 and the remaining part of Lot 10 can further be developed) by, among others, increasing its hotel capacity, number of gaming tables and slots machines, and additional facilities, in the event that the Subscription does not proceed to completion.

Based on the financial resources available to the Company, the Company may not have sufficient fund for both the development of Phase II of Tigre de Cristal and the Subscription without obtaining the net proceeds from the Rights Issue. Save for the proposed Rights Issue, the Company does not have any other plans to conduct equity fund raising, or obtain debt financing to finance the Phase II development of Tigre de Cristal, and neither are there any plans nor binding agreements signed for expanding the scale of Tigre de Cristal or the expansion of the remaining part of Lot 10.

As set out in Appendix III to the Circular, the Company operates its casino and resort complex on land subject to the Lot 8, 9 and 10 leases expiring in 2025, but has an exclusive right to acquire the ownership to these land plots based on a legal opinion regarding the property interests held by the Group. As disclosed in note 17 to the 2019 Annual Report, taking into account the Russian legislation and a legal opinion as advised by an external legal counsel, the management of the Group expected that the lease terms could be renewed upon expiry or the land plots could be acquired by the Group if the land leases are not extended. Given that all land leases still have remaining term of approximately 5–5.5 years, the management of the Group considers it would be too early to negotiate the extension of the land leases as well as to decide whether to extend the lease terms or acquire the land plots. In addition, we are advised by the management of the Group that they do not expect the land leases could not be renewed upon expiry.

As set out in Table 2, as at 31 March 2020, bank balances and cash of the Group amounted to approximately HK\$826.2 million, HK\$105.7 million of which was held by Oriental Regent and its subsidiaries which could not be used for the Group's other investment unless distribution is made by Oriental Regent. Given the significant size of the Phase II development of Tigre de Cristal and the subscription amount of the Convertible Bonds, though the Group currently maintains a healthy cash balance, we are of the view that the Group's financial resources alone and without the Rights Issue would be highly insufficient to fund the Subscription.

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In addition, through discussions with the management of the Group, we understand that other possible fund raising venues which include, among others, (i) the raising of loans from banks or other debt securities from the debt market; and (ii) placement of new Shares under general or specific mandate, has each been individually explored and rejected for the following reasons respectively:

- (i) *raising of loans or other debt securities.* Prior to the entering into of the Underwriting Agreement, the Company has approached two banks in Hong Kong and was acknowledged that the Company was unable to obtain loan facilities due to the inherent nature of the Company where the main business operations and principal assets of the Group are not in Hong Kong. In addition, the Company also approached several Russian banks but the prevailing borrowing costs, especially for foreign currencies, are relatively high in the Russian Federation, close to 10% per annum. Most lenders will also require a pledge of collateral that typically includes the Group's tangible assets and accounts receivable, and impose certain restrictions on the Company's future financing options, loan repayments and dividend distributions to Shareholders. Furthermore, raising of loans from banks or other debt securities from the debt market would most likely create significant pressure on the Group's gearing position and also generate significant financing costs to the Group in the future; and
- (ii) *placement of new Shares under general or specific mandate.* It can only raise funds in a relatively small size given the current market capitalisation of the Company and more importantly it would result into dilution of the equity interests of the existing Shareholders who cannot participate in the placement.

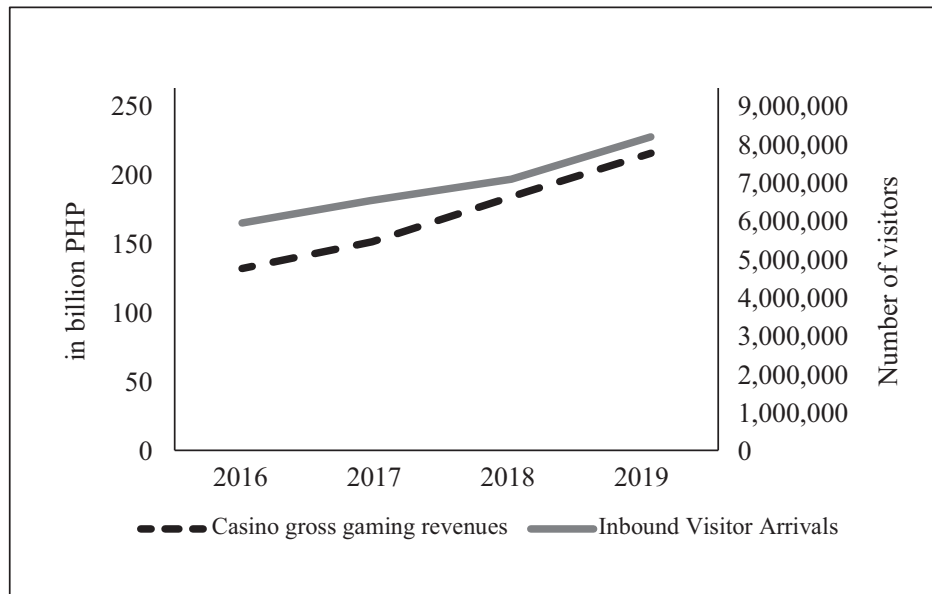
After taking into account all of the above factors and considerations, we concur with the management of the Group that the current fund raising method by way of the Rights Issue, which provides opportunities for the Shareholders to maintain their stakes in the Company and to enjoy the anticipated benefits from the Subscription or further development of the gaming business in Russian Federation, is appropriate and acceptable for the Company and its Shareholders as whole.

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4. Gaming industry in the Philippines

The gaming industry in the Philippines is regulated by PAGCOR which is a 100% government-owned and controlled corporation in the Philippines and has its gaming operations across the Philippines. PAGCOR also aims to generate revenue for the Philippine government's socio-civic and national development programs and help promote the Philippine tourism industry.

Chart 1: Casino gross gaming revenues and inbound visitor arrivals (2016–2019)



Source: Philippines Department of Tourism and PAGCOR

According to the website of PAGCOR, the casino gross gaming revenues for 2016 – 2019 were PHP134 billion, PHP153 billion, PHP187 billion and PHP216 billion, respectively, representing a compound annual growth rate (“CAGR”) of 17.3%. As shown in Chart 1, it is believed that the growing tourism has contributed to the growth of the Philippine gambling industry. The number of visitors to the Philippines rose from 5,967,005 in 2016 to 8,260,913 in 2019, representing a CAGR of 11.5%.

Like many businesses and economies which are experiencing downturn due to COVID-19 pandemic, the gaming industry in the Philippines is also adversely affected. During the first quarter of 2020, the state-gaming agency has recorded 5.7% revenue drop from PHP18.26 billion in the first quarter of 2019 to PHP17.22 billion in the first quarter of 2020 in its gaming operations. It is expected that the industry will continue to suffer after suspension of the gaming operations by PAGCOR on 15 March 2020, which include all licensed and integrated resort-casinos, following the government's extreme measures to contain the virus.

The liberalization of the gaming industry and preferential tax treatment that the industry enjoyed led to the entry of foreign investments from non-resident casino to hotel operators, giving rise to the establishment of integrated casino resorts inside and outside Metro Manila. The four biggest non-state owned/operated casinos (in terms of tables and electronic gaming machines) are City of Dreams Manila, Resorts World Manila, Solaire Resort and Casino and Okada Manila, all of which are integrated resorts and are located in Metro Manila. Given the Main Hotel Casino is close to the big four integrated resorts,

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we concur with the Directors that the Main Hotel Casino is strategically located and poised to attract visitors in the casino hub and the Subscription enables the Group to tap into the growing casino market in the Philippines.

5. The Subscription

5.1 Principal terms of the Subscription Agreement

Set out below are the summary of principal terms of the Subscription Agreement as extracted from the letter from the Board.

Date:	1 June 2020 (after trading hours)
Parties:	(1) Summit Ascent Investments Limited (a direct wholly-owned subsidiary of the Company) as subscriber (2) SunTrust as issuer
Principal amount:	PHP5.6 billion (equivalent to approximately HK\$847 million)
Maturity date:	The fifth anniversary of the issue date of the Convertible Bonds which is extendable to the tenth anniversary of the issue date of the Convertible Bonds (subject to agreement by the holder of the Convertible Bonds upon request by SunTrust) (both referred to as “ Maturity Date ” hereinafter)
Interest rate:	6.0% per annum on the outstanding amount
Redemption:	<i>No early redemption by SunTrust.</i> The Convertible Bonds may not be redeemed by SunTrust at any time prior to the Maturity Date. <i>Early redemption by the holder of the Convertible Bonds.</i> The holder of the Convertible Bonds may request for early redemption of the Convertible Bonds at any time during the period commencing from the day immediately after the first anniversary of the issue date of the Convertible Bonds and expiring on the Maturity Date.

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Redemption at maturity. SunTrust shall redeem the outstanding amount of the Convertible Bonds on the Maturity Date at an amount that would make up an IRR on the Convertible Bonds at 8.0% (having included the interest paid but excluding all default interest calculated from the issue date of the Convertible Bonds to and including the Maturity Date).

Default interest: 8.0% per annum on all amounts overdue

Pursuant to the Subscription Agreement, SunTrust conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of PHP5.6 billion, which may be converted into 3,111,111,111 Conversion Shares based on the initial Conversion Price of PHP1.8 per Conversion Share upon full conversion (assuming there is no “Adjustment events”).

As at the Latest Practicable Date, there were 7,250,000,000 SunTrust Shares in issue. The Conversion Shares represent: (i) approximately 42.9% of the issued share capital of SunTrust as at the Latest Practicable Date; and (ii) approximately 30.0% of the issued share capital of SunTrust Shares as enlarged by the allotment and issue of the Conversion Shares immediately after full conversion of the Convertible Bonds at the initial Conversion Price (assuming there is no other change to the issued share capital of SunTrust).

Details on the principal terms of the Convertible Bonds are set out in the section headed “The Subscription Agreement – Principal terms of the Convertible Bonds” in the letter from the Board.

We noted from the announcement of Suncity dated 29 May 2020 that Fortune Noble Limited, a wholly-owned subsidiary of Suncity, entered into a subscription agreement with SunTrust on the same day, pursuant to which Fortune Noble Limited agreed to subscribe and SunTrust agreed to issue the convertible bonds (the “**Suncity CBs**”) in the aggregate principal amount of PHP7.3 billion (equivalent to approximately HK\$1.1 billion) for cash. The Suncity CBs have the conversion price of PHP1.1, bears no interest (save for default interest of 3.5% per annum on all amounts overdue) and matures at the fifth anniversary of the issue date of the Suncity CBs which are extendable to the tenth anniversary of the issue date of the Suncity CBs. The issue of the Suncity CBs (including the principal amount of up to PHP7.3 billion, the conversion price of not more than 20% of the par value of SunTrust Share and the initial term of 5 years which is extendable for a further term of 5 years) has been pre-agreed when the Suncity Group acquired 51% in SunTrust (details of which are set out in the announcement of Suncity dated 29 October 2019).

As part of our analysis on the Subscription Agreement, we have reviewed the terms of the Suncity CBs and compared it against those of the Convertible Bonds and noted that (i) the conversion price of the Suncity CBs is PHP0.7 less than that of the Convertible Bonds; (ii) the Convertible Bonds carry a coupon of 6% per annum as opposed to zero coupon of the Suncity CBs; and (iii) both are initially for a term of 5 years which can be extended for a further 5 years. Given the major terms of the Suncity CBs have been agreed when Suncity acquired the controlling stake of SunTrust in 2019 and the conversion price and coupon of both convertible bonds are

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significantly different, we are of the view that it would not be appropriate to compare each of the terms of the Convertible Bonds with the Suncity CBs'. We have discussed with the management of the Group and are advised by the management of the Group that the Suncity CBs was considered during their negotiation with SunTrust in relation to the Subscription. We concur with the view of the management of the Group that the Suncity CBs tend to be equity-like securities as they bears zero interest and are in the money whereas the Convertible Bonds tend to be debt-like securities as they bear interest at 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum) and are out of the money. We are of the view that it is logical for issuers to offer higher interest rates while setting a higher conversion price or offering lower (or even zero) interest rate while setting a lower conversion price. On this basis, having considered the interest and conversion price carried by the Suncity CBs, we consider the Conversion Price to be acceptable.

The Group will be exposed to fluctuations in PHP should the Group proceed with the Subscription after obtaining approval from the independent Shareholders. Any material fluctuation in exchange rates in PHP may affect the results of the Group's profitability positively or negatively. We are advised by the management of the Group that the Group currently does not have a foreign currency hedging policy. Nonetheless, they monitor its foreign exchange exposure by closely tracking the movement of foreign currency rates.

The Philippines is one of Asia's fastest-growing gambling markets with double digit growth in last couple years and it would not be easy to secure the operating rights of a casino, especially at a desirable location in Philippines, according to the management of the Group. SunTrust signed the Lease Agreement for the Project Site, which is located at the Entertainment City, a casino hub in Manila. As advised by the management of the Group, while piling works are being conducted on the construction site, SunTrust is now working on the architectural design and the Main Hotel Casino is expected to commence operations before 2023. Operating cash inflow generated from the Main Hotel Casino, if any, is expected after its opening. Thus, the repayment ability of SunTrust largely depends on the profitability of the Main Hotel Casino after its commencement and its refinancing capability upon maturity of the Convertible Bonds. Based on (i) the principal amount of the Convertible Bonds of HK\$847 million as opposed to the net asset value of SunTrust as at 31 March 2020 (having adjusted for the subscription of new SunTrust Shares as announced on 29 October 2019 by Suncity which has been completed and fully paid in May 2020) of HK\$2,270.6 million; (ii) the market value of land parcel and the construction works in progress of the Project Site as at 31 January 2020, in aggregate, was USD361 million (equivalent to HK\$2,798 million) based on the assumption that the Project Site has been granted the relevant consents and is freely transferrable in the market as set out in the circular of Suncity dated 26 March 2020; and (iii) the Company will be one of the only two creditors of SunTrust (with the other creditor being Suncity, the controlling shareholder of SunTrust), the management of the Group believes, and we concur, that SunTrust has a reasonable ability to repay the Convertible Bonds and make interest payments as and when they fall due.

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5.2 *Evaluation of the Conversion Price*

5.2.1 *Comparison of prevailing SunTrust Share price*

As stated in the letter from the Board, the Conversion Shares will be allotted and issued upon the exercise of the conversion right under the Convertible Bonds. The Conversion Price of PHP1.8 per Conversion Share represents:

- (i) a premium of approximately 52.54% over the closing price of PHP1.18 per SunTrust Share as quoted on PSE as at the Latest Practicable Date;
- (ii) a premium of approximately 56.52% over the closing price of PHP1.15 per SunTrust Share as quoted on PSE on the date of prior to the date of the Subscription Agreement (i.e. the Last Trading Day);
- (iii) a premium of approximately 57.89% over the average closing price of PHP1.14 per SunTrust Share as quoted on PSE for the last five trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 53.85% over the average closing price of PHP1.17 per SunTrust Share as quoted on PSE for the last 10 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 48.76% over the average closing price of PHP1.21 per SunTrust Share as quoted on PSE for the last 30 trading days up to and including the Last Trading Day;
- (vi) a premium/discount of approximately 46.34% over the average closing price of PHP1.23 per SunTrust Share as quoted on PSE for the last 60 trading days up to and including the Last Trading Day; and
- (vii) a premium of approximately 153.32% over the unaudited net asset value per SunTrust Share (based on (a) unaudited financial position of SunTrust as at 31 March 2020 and the number of SunTrust Shares in issue as at the Latest Practicable Date; and (b) the assumption that the subscription of new SunTrust Shares as announced on 29 October 2019 by Suncity has been completed and fully paid) of approximately PHP0.71 (the “NAV per SunTrust Share”).

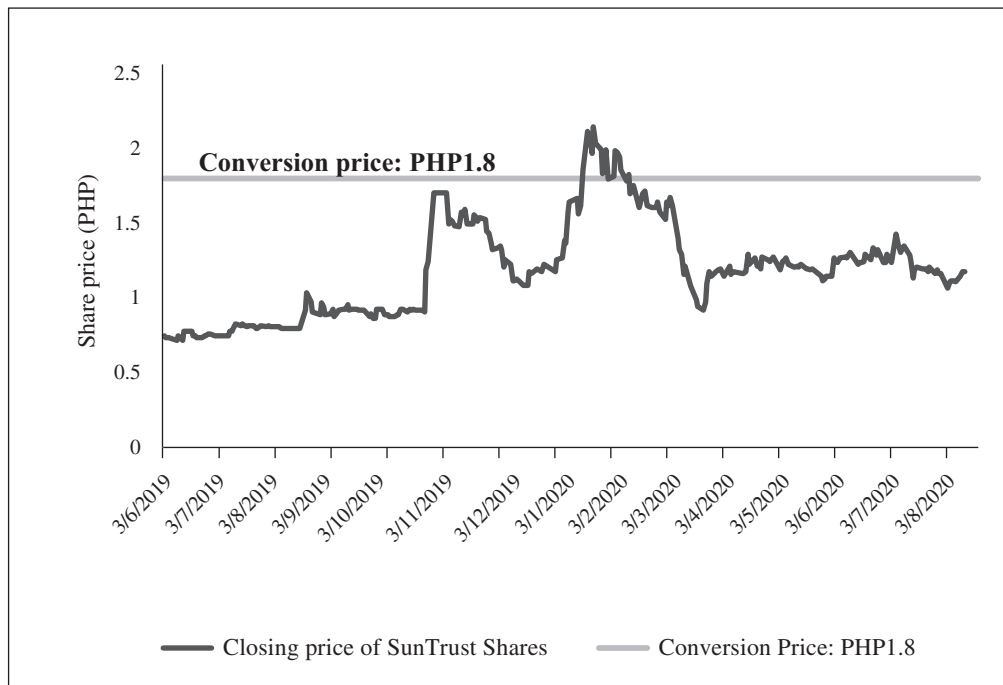
The Conversion Price of PHP1.8 represents significant premium as compared to the average closing prices of SunTrust Share across different trading periods and the NAV per SunTrust Share.

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5.2.2 Historical SunTrust Share price performance

For our analysis as to the fairness and reasonableness of the Conversion Price, we have reviewed the historical share price performance of the SunTrust Shares as quoted on PSE during the 12 months prior to the release of the Announcement (the “**SunTrust Share Price Review Period**”). We consider that a sampling period of 12 months prior to the release of the Announcement is adequate for a general overview of the recent price performance of the SunTrust Shares for purpose of analysing the historical closing prices of the SunTrust Shares and the Conversion Price. Chart 2 below sets out the daily closing prices of the SunTrust Shares on PSE during the SunTrust Share Price Review Period and up to the Latest Practicable Date:

Chart 2: Historical SunTrust Share price performance during the SunTrust Share Price Review Period and up to the Latest Practicable Date



Source: Bloomberg and the website of PSE

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As illustrated above, the SunTrust Shares have been traded between PHP0.7 and PHP0.9 from June 2019 to mid-October 2019 and closed at its lowest at PHP0.72 on 11 and 13 June 2019. The SunTrust Shares then rose sharply to above PHP1 in late October, but gradually retreated following the announcement of Suncity's acquisition of 51% interest in SunTrust, which then focuses on and ventures into tourism-related businesses and will be the sole and exclusive operator of the Main Hotel Casino, on 29 October 2019 and hovered around PHP1.2. It rallied again in early January 2020 after the completion of the said acquisition by Suncity as reflected in SunTrust's relevant filing on 7 and 8 January 2020. The SunTrust Share price exceeded the Conversion Price of PHP1.8 for a short period of time and closed at its highest at PHP2.15 on 23 January 2020 before returning to the level at around PHP1.2. During the period from January to March 2020, various agreements have been signed by SunTrust relating to the development and construction of the Main Hotel Casino. In May 2020, SunTrust has been appointed as the sole and exclusive operator and manager of the Main Hotel Casino. During the SunTrust Share Price Review Period, the SunTrust Share closed at or above the Conversion Price in 17 out of 292 trading days. During the period from the date of the Announcement to the Latest Practicable Date, the closing price of the SunTrust Shares remained below the Conversion Price and closed at PHP1.18 on the Latest Practicable Date.

We have discussed with the management of the Group and are advised that the Conversion Price, which represents significant premium over the prevailing SunTrust Share price and the NAV per SunTrust Share, has been determined after taking into account (i) the interest rate of 6% (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum) carried by the Convertible Bonds, (ii) the significant investments in SunTrust made and committed by Suncity in cash, and (iii) the long term prospects of SunTrust which has been appointed as the sole and exclusive operator and manager of the Main Hotel Casino which is expected to commence operation before 2023. We are of the view that the 5-year term of the Convertible Bonds would not only enable the Group to enjoy a fixed return of 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum) but also enable it to share the possible benefits brought about by the Main Hotel Casino which will become operational before 2023 as well as the possible upside of the SunTrust Share price in the future. Nonetheless, the future share price performance of SunTrust remains uncertain at this moment. In the event the SunTrust Share price is unsatisfactory during the term of the Convertible Bonds, the Company may consider to redeem the Convertible Bonds after the first anniversary of the issuance of the Convertible Bonds by earning interest of 6% per annum before maturity or interest of 8% per annum at maturity.

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As advised by the Company, reference has been made to the convertible bonds issued by Hong Kong listed companies during their negotiation with SunTrust in relation to the Subscription. From our market comparable analysis set out in section 5.5, we noted that the conversion prices for the Comparable Issues (as defined below) carrying interest of 6% or above represent from zero discount/premium to premium of 182-186% over the prevailing market price of the underlying shares. The Conversion Price falls within such range. The wide range of discount and premium as represented by the conversion price to/over the prevailing share price, in our view, is not determined only with reference to other terms of the convertible bonds (i.e. the interest rate, term to maturity and the prevailing share price) but also after commercial negotiations of the parties which may have taken into account other factors pertaining to the issuer's financial performance and position, business operations, long-term prospects and industry outlook.

5.3 Evaluation of the interest rate

The subscription of the Convertible Bonds, which carries an interest rate of 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum), is funded by the proceeds to be raised from the Rights Issue. We have looked at the bank deposit rates in Hong Kong with the same time horizon as the initial term of the Convertible Bonds (i.e. five years) in order to assess the cost of funding of the Shareholders and noted that the 5-year Hong Kong Dollar fixed deposit rates offered by two independent banks (i.e. Bank of China and Hang Seng Bank) were both 0.35% per annum. As discussed in section 2.2 above, SunTrust did not have external borrowings but was financed by unsecured, interest and non-interest bearing advances from the major stockholder and related parties under common ownership. Certain advances bear interest rate of 6% per annum.

Having considered that (i) the interest rate or IRR of the Convertible Bonds, which is substantially higher than the local bank deposit rates with the same tenor and is equivalent to (in case of the interest rate) or higher than (in case of IRR) the cost of advances of SunTrust Group; (ii) the average coupon rate of all issue/placings of convertible bonds/notes (excluding the issue of convertible bonds/notes as a consideration of an acquisition and those issues of convertible bonds/notes which were either terminated or convertible into A-shares) to connected persons and independent third parties by Hong Kong listed companies announced during the Comparison Period (as defined below) is approximately 4.25%; (iii) the coupon rate of all outstanding institutional bonds issued by the Hong Kong government ranging between 0.91% and 2.46% per annum, we are of the view that the interest rate of 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum) carried by the Convertible Bonds, together with the convertible feature of the Convertible Bond, to be acceptable.

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5.4 Term of maturity

As stated in the letter from the Board, the Main Hotel Casino is expected to commence operation before 2023. The 5-year tenor of the Convertible Bonds (which can be extended for a further term of 5 years), in our view, would allow sufficient time for the Company to assess the performance of SunTrust Group including the Main Hotel Casino before deciding as to whether it shall participate in the growth of SunTrust as its stakeholder. In addition, terms of the convertible bonds for 5 years or more are seen in the market before. Based on our search, 15 out of all 58 issue/placings of convertible bonds/notes (excluding the issue of convertible bonds/notes as a consideration of an acquisition and those issues of convertible bonds/notes which were either terminated or convertible into A-shares) by Hong Kong listed companies during the Comparison Period (as defined below) have terms of 5 years or above.

5.5 Market comparable analysis

As part of our analysis on the terms of the Convertible Bonds, we have searched for issue/placings of convertible bonds/notes by listed companies in the Philippines announced during the period from 1 June 2019 to the date of the Announcement (the “**Comparison Period**”) on Bloomberg and PSE Edge. During our search, no convertible bond issue is identified during the Comparison Period or past three years but we noted that Apollo Global Capital, Inc. (stock code: APL, “**Apollo**”) in February 2019 entered into a convertible loan agreement pursuant to which its lender agreed to extend a loan to Apollo in an amount of PHP50 million with interest at 5% per annum for a term of 24 months and has the right to convert the loan into the Company’s equity at its par value. The conversion price represented 350% premium over last closing price of Apollo’s share.

We have discussed with the management of the Group and are advised that given no comparable convertible bond is issued by Philippines listed companies in the Comparison Period and only one similar nature is identified over the past three years, reference was made to the convertible bonds issued by Hong Kong listed companies during their negotiation with SunTrust in relation to the Subscription. On this basis, we are of the view that comparing the Convertible Bonds with similar issues by the Hong Kong listed companies is acceptable.

We have identified the recent issue/placings of convertible bonds/notes (excluding the issue of convertible bonds/notes as a consideration of an acquisition and those issues of convertible bonds/notes which were either terminated or convertible into A-shares) by Hong Kong listed companies during the Comparison Period carrying interest rate of 6.0% or above. Based on the aforementioned criteria, we have identified a total of 17 comparable issues during the Comparison Period (the “**Comparable Issues**”) which is, in our view, an exhaustive list in meeting the said criteria and represent the terms of recent issues. We consider that the number of samples in the Comparison Period is a reasonable and meaningful size to give an illustration to Shareholders of the recent market practice in connection to the key terms of the comparable issues under similar market conditions.

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The table below is the comparison of key terms (i.e. interest rate and maturity), percentage of the number of conversion shares to the enlarged issued share capital and the level of premium over or discount to the then market prices at which the convertible bonds/notes were priced/issued, although the comparable issues may have different sizes.

Table 5: Comparison of convertible bonds issued by Hong Kong listed companies

Date of announcement	Company name	Interest rate per annum (%)	Maturity (year)	Premium/(discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement (%)		Percentage of the number of conversion shares to the enlarged issued share capital (%)
				the average closing price of five trading days prior to the date of the respective announcement/ agreement (%)	the average closing price of five trading days prior to the date of the respective announcement/ agreement (%)	
29-Apr-20	China Environmental Technology Holdings Limited (stock code: 646)	12.00	3	1,111.76	1,171.60	5.05
27-Apr-20	Quali-Smart Holdings Limited (stock code: 1348)	6.00	3	0.30	0.00	7.58
24-Apr-20	China Biotech Services Holdings Limited (stock code: 8037)	8.50	2	56.25	49.06	4.42
18-Apr-20	Century Sunshine Group Holdings Limited (stock code: 509)	8.00	2	18.67	18.82	25.89
1-Apr-20	Sunshine Oilsands Limited (stock code: 2012)	8.00	2	26.40	0.00	47.07
24-Oct-19	Synergis Holdings Limited (stock code: 2340)	7.00	2	2.04	4.17	16.51
24-Sep-19	Asia Television Holdings Limited (stock code: 707)	6.00	3	85.19	72.41	35.01

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Date of announcement	Company name	Interest rate per annum (%)	Maturity (year)	Premium/(discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement (%)	the average closing price of five trading days prior to the date of the respective announcement/ agreement (%)	Percentage of the number of conversion shares to the enlarged issued share capital (%)
16-Sep-19	Shunten International (Holdings) Limited (stock code: 932)	10.00	2	2.86	0.00	15.53
1-Aug-19	Dafy Holdings Limited (stock code: 1826)	8.00	0.5	42.86	33.00	7.51
19-Jul-19	China Ocean Industry Group Limited (stock code: 651)	10.00	3	0.00	3.90	33.53
11-Jul-19	Echo International Holdings Group Limited (stock code: 8218)	7.00	5	2.08	0.00	15.84
17-Jun-19 ⁽³⁾	Sunshine Oilsands Limited (stock code: 2012)	10.00	2	0.00	0.24	13.90
14-Jun-19	Ming Lam Holdings Limited (stock code: 1106)	12.00	1	185.71	182.49	16.67
10-Jun-19	IBO Technology Company Limited (stock code: 2708)	7.50	3	0.58	0.23	4.31
6-Jun-19	China Beidahuang Industry Group Holdings Limited (stock code: 39)	10.00	2	40.74	58.33	7.80
3-Jun-19	S. Culture (International) Holdings Limited (stock code: 1255)	6.00	3	66.67	123.55	5.87

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Date of announcement	Company name	Interest rate per annum (%)	Maturity (year)	Premium/(discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement		Percentage of the number of conversion shares to the enlarged issued share capital (%)
				the average closing price of five trading days prior to the date of the respective announcement/ agreement (%)	the average closing price of five trading days prior to the date of the respective announcement/ agreement (%)	
	Maximum ⁽²⁾	12.00	5.00	185.71	182.49	47.07
	Minimum ⁽²⁾	6.00	0.50	0.00	0.00	4.31
	Average ⁽²⁾	8.27	2.37	35.36	36.41	17.16
1-Jun-20	SunTrust	6.00	5.00	56.52	57.89	30.03

Source: the website of the Stock Exchange

Notes:

1. The respective interest rate per annum, term to maturity, the relevant premium/discount and issue sizes in terms of percentage are extracted from the relevant published announcements relating to the Comparable Issues.
2. China Environmental Technology Holdings Limited (stock code: 646), which is considered as an outlier due to the fact that the conversion price of the relevant convertible bonds represents an exceptionally high premium over its closing price on last trading day and average closing price over the last five trading days of the Shares as compared with those of the other Comparable Issues, has been excluded in arriving at the maximum, minimum and average of various parameters set out above.
3. Interest rate and initial conversion price of the proposed issue were amended the following day after the initial announcement was published, thus the figures are reflecting the amended terms.

Based on our research, the average coupon rate of all issue/placings of convertible bonds/notes (excluding the issue of convertible bonds/notes as a consideration of an acquisition and those issues of convertible bonds/notes which were either terminated or convertible into A-shares) to connected persons and independent third parties by Hong Kong listed companies announced during the Comparison Period is approximately 4.25%. In order to compare the premium/discount of the conversion price over/to the prevailing share price of the convertible bonds comparables, the above table only sets out the comparable issues carrying interest of 6% or above. The interest rates of the Comparable Issues ranged from 6% to 12% per annum and their premium/discount of the conversion price over/to the last trading price day prior to/on the date of the respective announcement/agreement ranged from zero discount/premium to premium of 185.71%. The Comparable Issues have terms ranging from 0.5 year to 5 years. Despite the premiums of the Conversion Price over the closing price on last trading day and average closing price over the last five trading days of the SunTrust Shares are higher than the average premiums of the Comparable Issues, they fall within the range of the Comparable Issues. A wide range of premium/discount of the conversion price

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over/to the prevailing market price of the shares under the Comparable Issues, in our view, may be due to different financial performance and position and different business and prospects of the underlying companies. Hence, we are of the view that the Comparable Issues are not useful to draw a conclusive comparison to the Conversion Price. However, the comparison between the Convertible Bonds and Comparable Issues serves to demonstrate that premium of over 56%–57% as represented by the conversion price over the prevailing market price is also seen in the market.

6. The Proposed Rights Issue

6.1 Principal terms of the proposed Rights Issue

The table below summarises the principal terms of the proposed Rights Issue:

Basis of the proposed Rights Issue	:	Three (3) Rights Shares for every two (2) existing Shares held at the close of business on the Record Date
Number of existing Shares in issue as at the Latest Practicable Date	:	1,803,777,836 Shares
Subscription Price	:	HK\$0.6 per Rights Share
Minimum number of Rights Shares	:	2,705,666,754 Rights Shares, represent approximately: <ul style="list-style-type: none">• 150% of the Shares in issue as at the Latest Practicable Date; and• 60.00% of enlarged issue share capital of the Company immediately upon completion of the Rights Issue
Maximum number of Rights Shares	:	2,736,167,754 Rights Shares, represent approximately: <ul style="list-style-type: none">• 151.69% of the Shares in issue as at the Latest Practicable Date; and• 60.00% of enlarged issue share capital of the Company immediately upon completion of the Rights Issue
Number of Rights Shares to be taken up pursuant to the Irrevocable Undertaking	:	595,509,696 Rights Shares and 73,953,000 Rights Shares to be taken up by Victor Sky and Suncity, respectively.

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- Qualifying Shareholders : The Rights Issue will only be available to the Qualifying Shareholders.
- Conditions : The Rights Issue is not conditional on the Subscription Agreement having been signed or completed but will be conditional upon (i) obtaining the Independent Shareholders' approval for the Rights Issue, Underwriting Agreement and the Whitewash Waiver; and (ii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.
- Excess application : No excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(2) of the Listing Rules
- Status of the Rights Shares : The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Assuming no new Shares are issued (including none are issued under the Share Options) and no buyback of Shares from the Latest Practicable Date up to and inclusive of the Record date, the minimum number of the Rights Shares to be issued pursuant to the terms of the Rights Issue will be 2,705,666,754 Rights Shares. This represents 150% of the Shares in issue as at the Latest Practicable Date and 60.00% of enlarged issued share capital of the Company immediately upon completion of the Rights Issue. Assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings and no buyback of Shares from the Latest Practicable Date up to and inclusive of the Record date, the maximum number of the Rights Shares to be issued pursuant to the terms of the Rights Issue will be 2,736,167,754 Rights Shares. This represents 151.69% of the Shares in issue as at the Latest Practicable Date and 60.00% of enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The proposed Rights Issue is not conditional on the Subscription Agreement having been signed or completed but will be conditional upon (i) obtaining the Independent Shareholders' approval for the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (ii) the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. Details of the terms and conditions of the Rights Issue and the Underwriting Agreement are set out in the sections headed "Proposed Rights Issue" and "The Underwriting Agreement—Conditions of the Underwriting Agreement" in the letter from the Board in the Circular.

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6.2 Analysis on the terms of the Rights Issue

In order to assess the fairness and reasonableness of the terms of the proposed Rights Issue, we have considered the following principal factors based on the Subscription Price:

6.2.1 Review of historical share price performance

The highest and lowest closing prices and the average daily closing price of the Shares in each month during the period commencing from 1 June 2019 (approximately 14 months prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the “Share Price Review Period”) are shown as follows:

Table 6: Highest and lowest closing prices and average daily closing price of the Shares during the Share Price Review Period

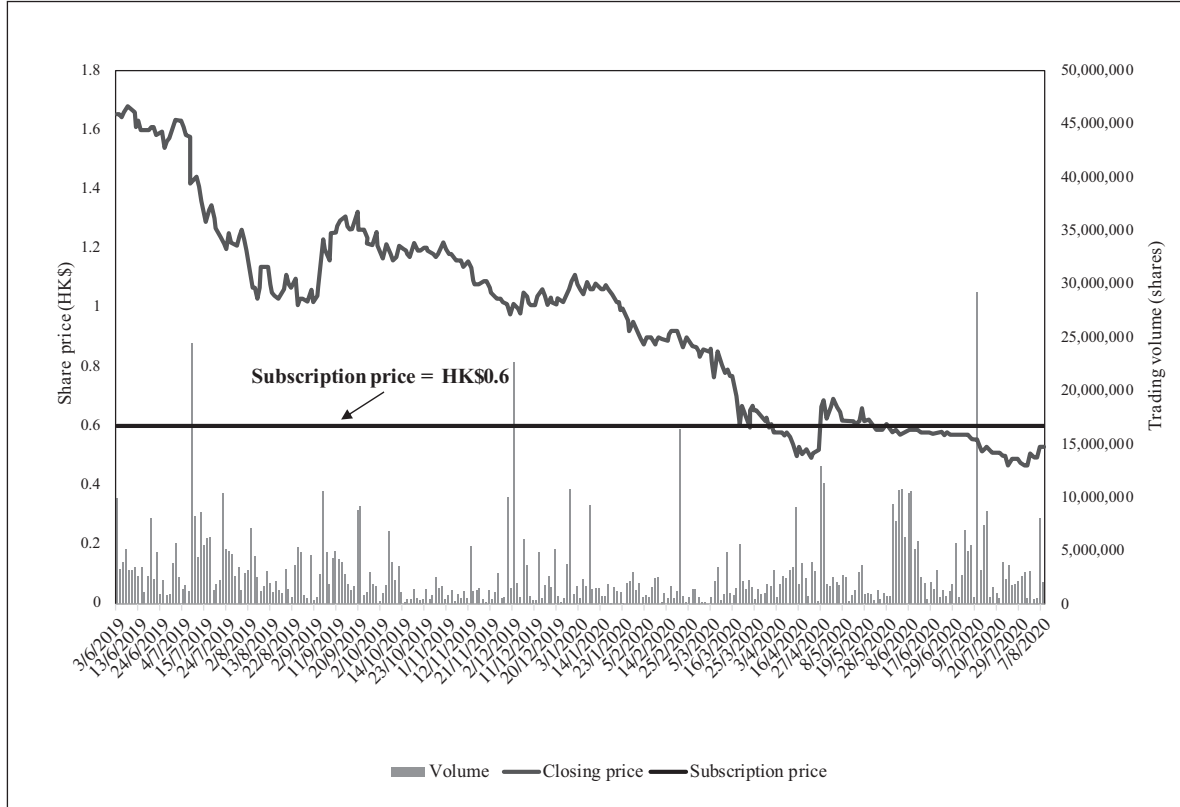
Month	Highest closing price <i>HK\$</i>	Lowest closing price <i>HK\$</i>	Average daily closing price <i>HK\$</i>
2019			
June	1.67	1.54	1.61
July	1.63	1.20	1.36
August	1.23	1.01	1.08
September	1.32	1.02	1.22
October	1.22	1.16	1.19
November	1.20	1.01	1.10
December	1.09	0.98	1.03
2020			
January	1.11	0.92	1.04
February	0.93	0.87	0.90
March	0.86	0.60	0.74
April	0.69	0.50	0.56
May	0.69	0.59	0.62
June	0.60	0.57	0.58
July	0.57	0.47	0.53
August (up to and including the Latest Practicable Date)	0.53	0.47	0.50

Source: Bloomberg

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In addition, the chart below illustrates the closing prices of the Shares during the Share Price Review Period:

Chart 3: Share price performance during the Share Price Review Period



Source: Bloomberg

During the Share Price Review Period, the average daily closing price of the Shares ranged from approximately HK\$0.50 to HK\$1.61 in each month, with the highest and lowest closing prices of the Shares, being HK\$1.67 recorded on 10 June 2019 and HK\$0.47 recorded on 27 July 2020, 3 August 2020 and 4 August 2020, respectively. The Subscription Price represents a discount of approximately 64.07% to the highest closing price and a premium of approximately 27.66% over the lowest closing price of the Shares, respectively. The Share price performance displayed a general declining trend during the Share Price Review Period and recently mostly traded in the region of HK\$0.50 to HK\$0.60. While the declining trend of the Share price since June 2019, the Subscription Price has been determined at a price equivalent to the closing price of the Shares on the Last Trading Day and lower than the most of the lowest closing prices in a month during the Share Price Review Period.

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6.2.2 Liquidity of the Shares

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Share Price Review Period:

Table 7: Total trading volume per month and the average daily trading volume per month of the Shares during the Share Price Review Period

	Total monthly trading volume of the Shares (Shares)	Average daily trading volume of the Shares during the month (Shares)	% of average daily trading volume of the Shares to the total issued Shares⁽¹⁾	% of average daily trading volume of the Shares to the total public float⁽²⁾
2019				
June	66,242,000	3,486,421	0.19%	0.26%
July	114,226,000	5,192,091	0.29%	0.39%
August	58,887,728	2,676,715	0.15%	0.20%
September	72,792,000	3,466,286	0.19%	0.26%
October	33,518,000	1,596,095	0.09%	0.12%
November	33,530,800	1,596,705	0.09%	0.12%
December	70,688,000	3,534,400	0.20%	0.27%
2020				
January	35,814,000	1,790,700	0.10%	0.14%
February	38,410,000	1,920,500	0.11%	0.15%
March	34,096,000	1,549,818	0.09%	0.12%
April	70,926,000	3,732,947	0.21%	0.28%
May	31,628,487	1,581,424	0.09%	0.12%
June	95,314,000	4,538,762	0.25%	0.34%
July	97,939,988	4,451,818	0.25%	0.34%
August (up to and including the Latest Practicable Date)	17,960,000	2,565,714	0.14	0.19

Source: Bloomberg

Notes:

(1) Based on 1,803,777,836 Shares in issue as at the Latest Practicable Date.

(2) Based on 1,316,163,372 Shares as held in public hands on the Latest Practicable Date.

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We noted from the above table that the trading volume of the Shares was generally thin during the Share Price Review Period, where the percentages of average daily trading volume of the Shares to the total issued Shares and the total public float during the Share Price Review Period were below 0.29% and 0.39%, respectively. Due to the thin trading volume of the Shares, the Company is unlikely to raise fund by way of placing without the substantial discount to the Share price as evidenced by its placing of new Shares completed on 19 August 2019 which was conducted at a price representing a discount of 18-19% to the prevailing market price. In view the declining trend of the Share price and the thin liquidity of the Shares during the Review Period, the Rights Issue, in our view, is an appropriate way of equity financing for both the Company and the Shareholders.

6.2.3 Comparison with recent rights issues

We have identified a total of 35 rights issue precedents involving companies listed on the Stock Exchange announced during the recent 12 months commencing from 1 June 2019 up to and including the Last Trading Day (the “**Comparable Rights Issues**”). We noted that the Comparable Rights Issues may have different principal activities and none of the them are casino operators. However, we consider that the terms of a rights issue depend on various factors but are often influenced by the recent market trends for rights issue. Thus, we are of the view that the inclusion of companies with different businesses without any artificial selection or filtering for the 12 months prior to the release of the Announcement generates a reasonable and adequate sample size and represents a true and fair view of the recent market trend for rights issues. The list of Comparable Rights Issues is an exhaustive list of rights issues meeting the aforementioned criteria and is a fair and representative sample to be taken for the Shareholders’ reference. The comparison between the Rights Issue and Comparable Rights Issues serves as an illustration of one of the factors we have considered in analysing the matters relating to the Rights Issues. Details of the Comparable Rights Issues are set out as follows:

Table 8: Comparable Rights Issues

Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/to				The net asset value ⁽¹⁾	Maximum dilution ⁽³⁾	Underwriting commission
			the average price for the 5 previous consecutive trading days the share price on the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day	the average price for the 5 previous consecutive trading days up to and including the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day			
			%	%	%	%	%	%	
29 May 2020	Forebase International Holdings Limited (2310)	1 for 2	0	0.42	(0.14)	0	72.85	33.33	N/A ⁽⁴⁾

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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/to				The net asset value ⁽¹⁾	Maximum dilution ⁽³⁾	Underwriting commission
			the average price for the 5 previous consecutive trading days the share price on the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day	the average price for the 5 previous consecutive trading days up to and including the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day			
			%	%	%	%	%	%	
27 May 2020	Teamway International Group Holdings Limited (1239)	2 for 1	(14.89)	(15.61)	(12.09)	(5.51)	N/A ⁽²⁾	66.67	N/A ⁽⁴⁾
26 May 2020	Chinese Strategic Holdings Limited (8089)	1 for 2	(24.53)	(29.95)	(28.51)	(17.81)	(62.93)	33.33	3.00
22 May 2020	Future World Financial Holdings Limited (572)	1 for 2	(10.00)	(26.23)	(36.62)	(6.90)	(87.98)	33.33	5.00
19 May 2020	hmvod Limited (8103)	5 for 1	(63.98)	(77.22)	(73.61)	(22.84)	N/A ⁽²⁾	83.33	3.00
15 May 2020	HongDa Financial Holding Limited (1822)	1 for 5	0	0	0	0	(12.26)	16.67	N/A ⁽⁴⁾
11 May 2020	Victory City International Holdings Limited (539)	2 for 1	(30.35)	(29.36)	(29.29)	(12.68)	(98.40)	66.67	1.75
9 April 2020	Shen You Holdings Limited (8377)	1 for 2	(12.24)	(12.24)	(12.24)	(8.51)	(19.01)	33.33	3.50
25 March 2020	Anxian Yuan China Holdings Limited (922)	3 for 2	(32.89)	(35.57)	(36.22)	(16.39)	(84.86)	60.00	N/A ⁽⁴⁾
6 March 2020	Moody Technology Holdings Limited (1400)	1 for 2	(26.06)	(15.96)	(12.30)	(19.03)	N/A ⁽²⁾	33.33	N/A ⁽⁴⁾

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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/to				The net asset value ⁽¹⁾	Maximum dilution ⁽³⁾	Underwriting commission
			the share price on the last trading day	the average price for the 5 previous consecutive trading days up to and including the last trading day	the average price for the 10 previous consecutive trading days up to and including the last trading day	the theoretical ex-rights price on the last trading day			
3 March 2020	China New Economy Fund Limited (80)	1 for 1	(27.27)	(25.65)	(27.40)	(15.79)	0	50.00	N/A ⁽⁴⁾
11 February 2020	Ares Asia Limited (645)	1 for 2	(20.24)	(20.24)	(20.14)	(14.47)	105.02	33.33	N/A ⁽⁴⁾
3 February 2020	CMMB Vision Holdings Limited (471)	1 for 2	(5.80)	(11.68)	(15.58)	(3.94)	(93.67)	33.33	N/A ⁽⁴⁾
21 January 2020	FDG Electric Vehicles Limited (729)	1 for 2	(14.16)	(16.74)	(12.66)	(9.91)	N/A ⁽²⁾	33.33	N/A ⁽⁴⁾
14 January 2020	Guotai Junan International Holdings Limited (1788)	1 for 3	(2.68)	(1.63)	(0.28)	(2.03)	0.83	25.00	N/A ⁽⁴⁾
10 January 2020	Merdeka Financial Group Limited (8163)	4 for 1	(8.33)	(0.18)	2.80	(1.79)	N/A ⁽²⁾	80.00	2.00
10 January 2020	Neway Group Holdings Limited (55)	2 for 1	(20.00)	(21.57)	(21.57)	(7.69)	(94.50)	66.67	0
3 January 2020	Purapharm Corporation Limited (1498)	1 for 2	(37.50)	(37.89)	(36.91)	(28.57)	(61.54)	33.33	5.50
2 January 2020	Wuling Motors Holdings Limited (305)	1 for 2	(32.20)	(30.80)	(30.92)	(24.05)	(74.62)	33.33	3.00
24 December 2019	On Real International Holdings Limited (8245)	1 for 2	(61.54)	(61.54)	(62.69)	(51.61)	(30.26)	33.33	4.00

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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/to				The net asset value ⁽¹⁾	Maximum dilution ⁽³⁾	Underwriting commission
			the average price for the 5 previous consecutive trading days	the average price for the 10 previous consecutive trading days	the theoretical ex-rights price on the last trading day	the share price on the last trading day			
			%	%	%	%	%	%	
23 December 2019	Elegance Optical International Holdings Limited (907)	1 for 2	(21.79)	(21.44)	(22.44)	(15.66)	(79.90)	33.33	4.00
18 December 2019	Victory City International Holdings Limited (539) ⁽⁵⁾	2 for 1	(22.86)	(21.28)	(21.85)	(8.99)	(96.91)	66.67	1.50
13 December 2019	Greenway Mining Group Limited (2133)	1 for 4	0	0	(0.90)	0	(88.76)	20.00	1.50
9 December 2019	Beijing Capital Land Ltd. (2868)	5 for 10	(29.17)	(29.70)	(29.65)	(21.54)	(84.01)	33.33	3.00
6 December 2019	Wanjia Group Holdings Limited (401)	2 for 1	(31.43)	(29.41)	(32.16)	(13.25)	(62.72)	66.67	2.50
15 November 2019	CIL Holdings Limited (479)	1 for 2	(4.76)	(8.26)	(8.68)	(3.23)	270.37	33.33	N/A ⁽⁴⁾
6 November 2019	Eminence Enterprise Limited (616)	4 for 1	(24.53)	(21.59)	(22.35)	(6.10)	(96.71)	80.00	1.50
29 October 2019	Li Bao Ge Group Limited (1869)	1 for 4	(10.19)	(9.85)	(9.85)	(8.32)	96.00	20.00	3.00
28 October 2019	Magnus Concordia Group Limited (1172)	1 for 2	(24.14)	(25.88)	(29.53)	(17.50)	(30.26)	33.33	N/A ⁽⁴⁾
11 October 2019	Ping An Securities Group (Holdings) Limited (231)	1 for 2	(27.54)	(27.75)	(31.32)	(20.21)	197.10	33.33	1.20

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Date of announcement	Company name (stock code)	Basis of entitlement	Premium/(discount) of subscription price over/to				The net asset value ⁽¹⁾	Maximum dilution ⁽³⁾	Underwriting commission
			the share price on the last trading day	the average price for the 5 previous consecutive trading days	the average price for the 10 previous consecutive trading days	the theoretical ex-rights price on the last trading day			
			the last trading day	up to and including the last trading day	up to and including the last trading day	the last trading day	value ⁽¹⁾	dilution ⁽³⁾	commission
			%	%	%	%	%	%	%
26 August 2019	Jiangnan Group Limited (1366)	1 for 2	(13.85)	(13.58)	(14.76)	(9.68)	(81.22)	33.33	3.50
18 July 2019	Cocoon Holdings Limited (428)	2 for 1	(13.85)	(12.77)	(12.36)	(5.08)	(75.20)	66.67	1.00
03 July 2019	South China Financial Holding Limited (619) ⁽⁶⁾	3 for 2	(16.00)	(14.46)	(14.72)	(7.08)	(86.16)	60.00	2.00
13 June 2019	International Standard Resources Holdings Limited (91)	1 for 2	(32.96)	(34.07)	(38.46)	(24.69)	33.78	33.33	2.50
11 June 2019	Food Idea Holdings Limited (8179)	1 for 2	(34.74)	(35.08)	(36.25)	(26.19)	(80.34)	33.33	N/A ⁽⁴⁾
	Minimum		(63.98)	(77.22)	(73.61)	(51.61)	(98.40)	16.67	0.00
	Maximum		0	0.42	2.80	0	270.37	83.33	5.50
	Mean		(21.50)	(22.14)	(22.62)	(13.06)	(26.88)	43.67	2.63
	The proposed Rights Issue	3 for 2	0	0.67	(1.48)	0	(33.63)	60.00	0

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

Notes:

- (1) The net asset value per share was extracted from the relevant announcement of the Comparable Rights Issues. Where such information is not available from the above published sources, the net asset value per share was computed based on the reported net asset value as shown in the respective latest interim results or annual results of the subject companies prior to the release of the relevant announcement of the Comparable Rights Issues and the number of issued shares as at the date of the relevant announcement of the Comparable Rights Issues.
- (2) The subject companies were in net liabilities position as shown in the relevant latest interim results or annual results.

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- (3) The potential maximum dilution effect of each rights issue is calculated as the number of rights shares issued or to be issued under the basis of entitlement divided by the total number as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.
- (4) The subject rights issues proceeded on a non-underwritten basis.
- (5) Lapse of rights issue on 13 March 2020.
- (6) Lapse of rights issue on 23 August 2019.

As set out in the table above, we noted that:

- (i) the discount of the subscription prices to the share price on the last trading day of the Comparable Rights Issues ranged from 0% to a discount of approximately 63.98% (the “**Comparable LTD Range**”), with an average discount of approximately 21.52%. The zero discount to the closing price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable LTD Range;
- (ii) the discount of the subscription prices to the average share price for the 5 previous consecutive trading days up to and including the last trading day of the Comparable Rights Issues ranged from 0.42% to a discount of approximately 77.22% (the “**Comparable 5-day Range**”), with an average discount of approximately 22.14%. The premium of approximately 0.67% over the average share price for the five previous consecutive trading days up to and including the Last Trading Day as represented by the Subscription Price (the “**5-day Premium**”) is slightly higher than the lower end of the Comparable 5-day Range;
- (iii) the premium/discount of the subscription prices over/to the average share price for the 10 previous consecutive trading days up to and including the last trading day of the Comparable Rights Issues ranged from a premium of approximately 2.80% to a discount of approximately 73.61% (the “**Comparable 10-day Range**”), with an average discount of approximately 22.62%. The discount of approximately 1.48% to the average share price for the ten previous consecutive trading days up to and including the Last Trading Day as represented by the Subscription Price is within the Comparable 10-day Range;
- (iv) the discount of the subscription prices to the theoretical ex-rights prices per share based on the last trading day of the Comparable Rights Issues ranged from 0% to a discount of approximately 51.61% (the “**Comparable TERP Range**”), with an average discount of approximately 13.06%. The zero discount to the theoretical ex-rights price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range; and

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- (v) the premium/discount of the subscription prices over/to the consolidated net asset value per share of the Comparable Rights Issues ranged from a premium of approximately 270.37% to a discount of approximately 98.40% (the “**Comparable NAV Range**”), with an average discount of approximately 26.88% (the “**Comparable NAV Average**”). The discount of approximately 33.63% to the consolidated net asset value per Share and approximately 33.77% to the adjusted NAV per Share (as discussed under section 1.2 above) as represented by the Subscription Price (the “**NAV Discounts**”), are both within the Comparable NAV Range and represents a larger discount than the Comparable NAV Average.

Although the small 5-day Premium is not within the Comparable 5-day Range, the rest of the discounts represented by the Subscription Price are within the ranges of those represented by the Comparable Rights Issues with the NAV Discounts deeper than the Comparable NAV Average. We are of the view that this comparison should not be solely used to determine whether the Subscription Price is fair and reasonable given the prevailing market sentiment, different historical share price performance and liquidity, and the different profile and industry of each company. Given (i) the closing price of the Shares exhibited a declining trend during the Review Period as shown in Chart 3; (ii) the drop in share price is normally seen after announcement of right issues due to theoretical dilution effect; and (iii) the rights issue is the most equitable way to raise capital for the Company from the perspective of the Shareholders, we concur with the Directors’ view that it would be reasonable to fix the Subscription Price at par with the prevailing market price.

Based on the above table, the underwriting commissions of the Comparable Rights Issues ranged from 0 to 5.5% with an average underwriting commission of 2.63%. Pursuant to the Underwriting Agreement entered into between the Company and the Underwriter, the Underwriter will not receive any underwriting commission in respect of the maximum number of Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription in the event that the Rights Issue is undersubscribed and the Unsubscribed Rights Shares are not placed by the Placing Agent. As set out in the letter from the Board, prior to approaching the Underwriter to act as the underwriter to fully underwrite the Rights Issue, the Company approached three independent securities brokers to act as the underwriter to fully underwrite the Rights Issue, but none of them was willing to act as the underwriter to fully underwrite the Rights Issue given the prevailing market conditions. Given that no commission charged by the Underwriter and the prevailing market conditions, we concur with the Directors’ view that the Underwriting Agreement is on normal commercial terms and is fair and reasonable so far as the Shareholders are concerned.

The proposed Rights Issue offers the Qualifying Shareholders an equal opportunity to subscribe for the Rights Shares at the same price. The Underwriter and its associate have irrevocably undertaken to take up the Committed Shares. In the event that all the Qualifying Shareholders take up their Rights Shares, each of the Underwriter and its associate’s interest in the Company shall remain the same. Assuming no Share Options being exercised and no other issue or buyback of Shares on or before the Record Date, the aggregate interests of the Underwriter and its associate in the Company would only be able to increase to 50.1% or above in the event that (i) 42.3% or more of the Rights Shares are not taken up by other Qualifying Shareholders and (ii) the Placing Agent places less than 42.3% of the Rights Shares. This means that the Underwriter needs to pay (i) HK\$686.1 million for obtaining

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50.1% of the Company after completion of the Rights Issue; or (ii) HK\$1,221.7 million for holding 67% in the Company in the event that none of the Qualifying Shareholders take up the Rights Shares and the Placing Agent fails to place any of the unsubscribed Shares. The aforesaid sum, which is substantial, represents the commitment of the Underwriter towards the Company, which, in turn, signifies strong support from a substantial shareholder of the Company and its confidence in the prospects and development of the Group.

6.2.4 Potential dilution effect of the proposed Rights Issue

The proposed Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro-rata provisional entitlement of the Rights Shares and hence avoids dilution in their shareholdings in the Company. Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market. However, Qualifying Shareholders who do not wish to take up their provisional entitlements and the Non-Qualifying Shareholders will have their shareholdings in the Company diluted upon completion of the proposed Rights Issue.

Among the Comparable Rights Issues as set out in the section 6.2.3 above, the maximum dilution on shareholding ranged from approximately 16.67% to 83.33%, and the maximum dilution under the proposed Rights Issue of approximately 60.00% falls within the upper end of the range. However, having considered that:

- (i) the shareholding interests of the Qualifying Shareholders who take up their provisional allotments of the proposed Rights Issues in full will not be diluted;
- (ii) the proposed Rights Issue offers the Qualifying Shareholders an equal opportunity to subscribe for the Rights Shares for the purpose of maintaining their proportionate interests in the Company;
- (iii) the Qualifying Shareholders who do not wish to take up the Rights Shares would have the opportunity to sell their nil-paid Rights Shares in the market;
- (iv) the Independent Shareholders are offered with an opportunity to attend and vote for or against the relevant resolutions in relation to the Rights Issue and the Underwriting Agreement at the SGM;
- (v) there is no theoretical dilution effect given that the Subscription Price of HK\$0.6 per Share is equivalent to the benchmarked price of HK\$0.600 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.600 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.596 per Share);

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- (vi) the net proceeds from the Rights Issue not only enable the Group to diversify the Group's future business in order to mitigate the concentration risk as discussed in the section 3 but can also place the Group in a better position to attract and retain customers, especially when other casino operators in the IEZ open for business in the near future;
- (vii) the Subscription Price, which is offered to all Shareholders for subscription of the Rights Shares at par with the prevailing Share price, and, in turn, could help avoid further drop in Share price, is seen in the market and is thus considered to be reasonable; and
- (viii) the Right Issue, which is offered to all Shareholders on the same basis and at the same price and is fully underwritten by the Underwriter without any underwriting commission, is considered to be on normal commercial terms in case of the Underwriting Agreement.

we are of the opinion that the dilution effect of the proposed Rights Issue is fair and reasonable, so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

7. Financial effects of the proposed Rights Issue on the Group

The following analysis of financial effects of the Rights Issue is for illustrative purposes only, and does not purport to represent the financial position of the Group upon the completion of the Rights Issue.

7.1 Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$1,352.0 million or approximately HK\$0.75 per Share, (based on a total number of 1,803,777,836 Shares then in issue) as at 31 March 2020.

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, assuming the completion of the Rights Issue took place on 31 March 2020, immediately after the completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would be approximately HK\$2,970.4 million or HK\$0.66 per Share (based on a total number of 1,803,777,836 Shares then in issue and 2,705,666,754 Rights Shares) as at 31 March 2020.

Such a decrease in the unaudited consolidated net tangible assets per Share upon completion of the Rights Issue is inevitable because the Rights Shares are to be issued at a discount to the consolidated net tangible assets per Share. Having considered the reasons and benefits of the Rights Issue as discussed in section 3 and that all Qualifying Shareholders are offered the same opportunities to enjoy the benefit of subscribing the Rights Shares at the Subscription Price, we are of the view that the dilution in net tangible assets would be acceptable.

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7.2 Gearing ratio

The gearing ratio of the Group (a percentage of total borrowings divided by total assets) as at 31 March 2020 was zero as the Group had no outstanding external borrowing as at 31 March 2020. As set out in the letter from the Board, the net proceeds from the Rights Issue will be used for the Subscription and the Phase II development of Tigre de Cristal and no plan to obtain external borrowings is mentioned, it is expected that the gearing ratio of the Group would remain unchanged.

7.3 Working capital

As set out in the letter from the Board, approximately 10.6% of the net proceeds from the Rights Issue or HK\$170 million will be used for general working capital. As such, the working capital position of the Group would be improved upon completion of the Rights Issue.

Notwithstanding that the consolidated net tangible assets per Share of the Company would decrease as a result of the proposed Rights Issue, the gearing ratio would remain unchanged and working capital position of the Group would be enhanced. As such, we are of the view that the proposed Rights Issue would have a general positive financial effect on the Group's financial position immediately upon the completion of the Rights Issue.

8. Whitewash Waiver

As at the Latest Practicable Date, the Underwriter and parties acting or presumed to be acting in concert with it are, in aggregate, interested in 487,214,464 Shares, representing approximately 27.01% of the issued share capital of the Company. Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of the Underwriter and Suncity pursuant to the Irrevocable Undertaking) and no placement will be made under the Compensatory Arrangements, the Underwriter will be required to take up a maximum amount of 2,066,705,058 Rights Shares (assuming new Shares are issued solely pursuant to full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings on or before the Record Date). In such circumstance and upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (excluding parties presumed to be acting in concert with the Underwriter under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Dr. U Chio Jeong)) will, in aggregate, be interested in 3,182,476,218 Shares, representing approximately 69.78% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it if the Underwriter is required to underwrite such number of Rights Shares under the Rights Issue that would bring the aggregate interests of the Underwriter and parties acting in concert with it in the Company to or above 30%, unless the Whitewash Waiver is granted. The Underwriter has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

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The Executive may or may not grant the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval by at least 75% of the Independent Shareholders at the SGM by way of poll, and the Subscription, Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder would be subject to, among others, the approval by more than 50% of the Independent Shareholders at the SGM by way of poll. The Directors (excluding the members of the Independent Board Committee), the chief executive of the Company and their respective associates; the Underwriter, its associates and parties acting in concert with the Underwriter; and any Shareholders who are involved in, or interested in, or have a material interest in the Subscription, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM. If the Whitewash Waiver is not granted by the Executive, or if granted, is not approved by the Independent Shareholders, the Subscription will not proceed.

In view of that

- (i) *the Rights Issue and the use of proceeds.* Having considered the net proceeds from the Rights Issue will be used for (a) the Subscription which enables the Group to tap into the growing casino market in the Philippines; and (b) the Phase II development of Tigre de Cristal, the new integrated resort which is expected to double the Group's VIP and mass gaming tables, slots, and has at least twice the lodging capacity of the existing property not only to maintain but to enhance its competitiveness amid other casino operators in the IEZ are soon open for business in the near future, we consider the Rights Issue and the use of proceeds therefrom to be fair and reasonable;
- (ii) *equitable way of financing from the perspective of all Shareholders.* The Rights Issue is currently the most appropriate and equitable fund raising method available to the Company;
- (iii) *the terms of the Rights Issue.* Having considered (a) the discount or premium represented by the Subscription Price are within the ranges of those represented by the Comparable Rights Issues (save for the 5-day Premium); (b) the closing price of the Shares exhibited a declining trend during the Review Period; (c) the drop in share price is normally seen after announcement of rights issues due to theoretical dilution effect, we consider the terms of the Rights Issue to be fair and reasonable;
- (iv) *the terms of the Underwriting Agreement.* Having considered (a) the Company approached three independent securities brokers to fully underwrite the Rights Issue but none of them was willing to do so; (b) no commission charged by the Underwriter; and (c) the Irrevocable Undertaking given by the Underwriter signifies strong support from a substantial shareholder of the Company to the Group and its confidence in the prospects and development of the Group, we consider the terms of the Underwriting Agreement to be fair and reasonable; and
- (v) *the terms of the Subscription Agreement.* Having considered (a) the interest rate or IRR of the Convertible Bonds is substantially higher than the local bank deposit rates with the same tenor and is equivalent to the cost of advances of SunTrust Group; (b) term to maturity of the Convertible Bonds is not uncommon in the market and provides sufficient time for the Company to assess the performance of SunTrust Group before deciding as to whether it shall participate in the growth of SunTrust as its stakeholder; and (c) the premium of over

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56%–57% as represented by the conversion price over the prevailing market price is also seen in the market, we consider the terms of the Subscription Agreement to be fair and reasonable,

we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue and the proceeds of which is to finance, amongst others, the Subscription and the Phase II development of Tigre de Cristal, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned for the purpose of proceeding with the Rights Issue.

Shareholders should note that if the Whitewash Waiver is approved by the Independent Shareholders and assuming (i) no Share Options being exercised and no other issue or buyback of Shares on or before the Record Date; (ii) certain other Qualifying Shareholders have not taken up any entitlements of the Rights Shares, and 42.3% of the Rights Shares are taken up by the Underwriter; and (iii) the Committed Shares are taken up by Underwriter and its associate pursuant to the Irrevocable Undertaking, the interest of the Underwriter and its associates in the Company will exceed 50%. Thereafter the Concert Group may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

DISCUSSION AND ANALYSIS

The Group is principally engaged in the operation of the hotel and gaming business in the Russian Federation. Majority of Its income has been derived from the Russian operations. The Group reported minor profits in 2016-2018 and an exponential growth in profit attributable to Shareholders amounting to HK\$82 million for 2019. For the three months ended 31 March 2020, the Group recorded a loss attributable to Shareholders of approximately HK\$13.3 million principally due to decline in total revenue from gaming and hotel operations affected by COVID-19 pandemic.

The Subscription enables the Company to participate in a greenfield integrated casino resort project in Philippines, through SunTrust. SunTrust, listed on PSE, is a non-wholly owned subsidiary of Suncity. SunTrust, through the SunTrust Former Subsidiaries, was a real estate property manager and transportation services provider. On 28 October 2019, Suncity acquired an aggregate of 51% interest in SunTrust. On 10 December 2019, upon completion of issuance of new shares by one of the SunTrust Former Subsidiaries, SunTrust's interests in the SunTrust Former Subsidiaries have been diluted to 24.27% and the SunTrust Former Subsidiaries are no longer consolidated into the financial statements of SunTrust. Going forward, SunTrust focuses on and ventures into tourism-related businesses. Certain agreements (including the Lease Agreement, the Co-Development Agreement and the operations and management/services agreement) have been entered into by SunTrust for the development and construction of the Main Hotel Casino located at the Entertainment City, Manila and its appointment as the sole and exclusive operator and manager of the Main Hotel Casino. The Main Hotel Casino, which will be a 5-star hotel and casino complex, is expected to become operational before 2023.

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The gaming industry in the Philippines is displaying a rising trend recording double digit year-on-year growth since 2017. However, like many other businesses which are experiencing downturn due to COVID-19 pandemic, the gaming industry in the Philippines has been adversely affected as evidenced by the fall in the state-gaming agency revenue and suspension of all licensed casino operators since mid-March 2020. The adverse impact is hopefully a temporary one and would not have significant effect on SunTrust as the Main Hotel Casino remains under development and construction stage. However, the extension of lockdown restrictions in Metro Manila and other parts of the Philippines may lead to delay on the target completion of the Main Hotel Casino.

The Convertible Bonds, carrying an interest rate of 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum), is for a term of 5 years which can be extended for a further term of 5 years. The Conversion Price is 56.52% higher than the closing price of the SunTrust Share on the Last Trading Day. The interest rate of 6% per annum is considered to be reasonable as opposed to the 5-year Hong Kong Dollar fixed deposit rates of 0.35% per annum and the interest rate of 6% per annum on the advances from SunTrust's related parties. The 5-year tenor of the Convertible Bonds (which can be extended for a further term of 5 years), in our view, would not only enable the Group to enjoy a fixed return of 6% per annum (or 8% if they are held until their maturity) but also enable it to share the possible benefits brought about by the Main Hotel Casino which will become operational before 2023 as well as the possible upside of the SunTrust Share price in the future. Given the Convertible Bonds carrying an interest rate of 6% per annum (from the issuance date to one day before maturity) or IRR of 8% per annum (only if they are held to maturity which includes the interest of 6% per annum) and the Conversion Price is lower than the highest closing price of the SunTrust Share in the last 12 months, the Conversion Price is considered to be reasonable.

Shareholders should note that the Group will be subject to foreign exchange risk due to its exposure to the Convertible Bonds which are denominated in PHP as opposed to its functional currency of HK\$. Any significant changes in the exchange rate between the Company's functional currency and PHP may affect the results of the Group's profitability positively or negatively. We are advised by the management of the Group that the Group currently does not have a foreign currency hedging policy. Nonetheless, they monitor its foreign exchange exposure by closely tracking the movement of foreign currency rates. As opposed to the existing operation of the Group, both the revenue and expenses of its mass table business, slot business and hotel operations are settled in RUB which the management of the Group is of the view that the risk of RUB fluctuation impacting the cash flow of the Group is substantially mitigated.

The Company proposed the Subscription be funded by way of the proposed Rights Issue. The balance of the net proceeds from the Rights Issue will be used for the Phase II development of Tigre de Cristal and general working capital. The Subscription Price at par with the closing price of the Shares on the Last Trading Day, which could avoid theoretical dilution effect on Share price, is not uncommon in the market as set out in Table 8. The Shares closed at HK\$0.52 as at the Latest Practicable Date. We consider the proposed Rights Issue will provide Qualifying Shareholders with a means of ensuring that their percentage holding in the Company is not diluted. Each Qualifying Shareholder will be subject to the same price at which the new Shares are issued which is equivalent to the prevailing market price. The trading of nil-paid Rights Shares will facilitate the Shareholders who are not interested to participate or are not entitled to participate in the proposed Rights Issue to dispose of their relevant nil-paid Rights Shares in the market. On this basis, we concur with the management of the Group that the current fund raising method by way of the Rights Issue is appropriate and acceptable for the

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Company and its Shareholders as whole. Victor Sky, which is the substantial shareholder of the Company, has not only irrevocably undertaken to take up its entitlement to the Rights Shares but also agreed to underwrite the remaining Rights Shares (which are not subject to the Irrevocable Undertaking) in full without any underwriting commission. This reflects the confidence of Victor Sky in the Company and its commitment to support the Group's business, which, in turn, has further underpinned the market confidence towards the Group's prospects.

OPINION AND RECOMMENDATION

(a) The Subscription, the Rights Issue and the Underwriting Agreement

Having taken into consideration the factors and reasons as stated in the section headed "Discussion and Analysis" above, we are of the opinion that the Rights Issue, the terms of the Underwriting Agreement and the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Rights Issue, the Underwriting Agreement and the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, despite the entering into of the Underwriting Agreement and the Subscription Agreement not being in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Rights Issue, the Subscription Agreement and the Underwriting Agreement and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

(b) The Whitewash Waiver

Meanwhile, having taken into consideration the reasons for and possible benefits of the Subscription, the Rights Issue and the Underwriting Agreement and that the Rights Issue is conditional upon, amongst others, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL SUMMARY OF THE GROUP

Details of the audited consolidated financial information of the Group for the three months ended 31 March 2020 and for the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.saholdings.com.hk>).

- (i) Certain financial information and management discussion and analysis of the Group for the three months ended 31 March 2020, which was attached to the Inside Information Announcement published by the Company on 11 August 2020, can be accessed via the link at

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0811/2020081101177.pdf>

- (ii) The audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 22 April 2020, from pages 66 to 140;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200696.pdf>

- (iii) The audited financial information of the Group for the year ended 31 December 2018 is disclosed in the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019, from pages 58 to 126;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/lt201904291146.pdf>

- (iv) The audited financial information of the Group for the year ended 31 December 2017 is disclosed in the annual report of the Company for the year ended 31 December 2017 published on 25 April 2018, from pages 45 to 108:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/lt20180425769.pdf>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Set out below is a summary of the audited consolidated financial information of the Group for the three months ended 31 March 2020 and for the years ended 31 December 2017, 2018 and 2019.

	For the year ended 31 December			For the three months ended
	2017	2018	2019	31 March 2020
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from gaming and hotel operations	470,821	463,150	532,816	91,934
Profit (loss) before income tax expense	(9,851)	4,164	106,963	(28,534)
Income tax expense	(109)	(108)	(112)	(22)
Profit (loss) and total comprehensive income (expense) for the year	(9,960)	4,056	106,851	(28,556)
Profit (loss) and total comprehensive income (expense) for the year attributable to:				
Owners of the Company	13,778	7,611	81,998	(13,267)
Non-controlling interests	(23,738)	(3,555)	24,853	(15,289)
	<u>(9,960)</u>	<u>4,056</u>	<u>106,851</u>	<u>(28,556)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per Share attributable to the Shareholders:				
Basic	0.93	0.51	5.09	(0.74)
Diluted	0.93	0.51	5.07	(0.74)
Dividends per share	Nil	Nil	Nil	Nil

	As at 31 December			As at
	2017	2018	2019	31 March
	(audited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS				
Total assets	2,006,311	2,005,279	2,372,928	2,326,089
Total liabilities	398,432	378,695	336,515	318,232
Total equity	1,607,879	1,626,584	2,036,413	2,007,857
– Equity attributable to owners of the Company	1,213,879	1,250,665	1,644,388	1,631,121
– Non-controlling interests	394,000	375,919	392,025	376,736

The management discussion and analysis of the Company for the three months ended 31 March 2020 and for each of the financial years ended 31 December 2017, 2018 and 2019 are disclosed in the Inside Information Announcement and in the annual reports of the Company for the financial years ended 31 December 2017, 2018 and 2019, respectively. Save as disclosed in the Inside Information Announcement and in the aforementioned annual reports of the Company, there were no material items of income or expense for the three months ended 31 March 2020 and for each of the three years ended 31 December 2017, 2018 and 2019.

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the Company's auditors' report for the three months ended 31 March 2020 and for each of the three financial years ended 31 December 2017, 2018 and 2019.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2020, being the Latest Practicable Date for the purpose of ascertaining this indebtedness statement prior to the printing of this Circular, the Group had unsecured and unguaranteed loans from non-controlling shareholders of a subsidiary of the Group with a carrying amount of approximately HK\$236,066,000.

As at 30 June 2020, the Group had outstanding lease liabilities in respect of leasehold land and buildings of approximately HK\$5,316,000 comprising (i) secured and unguaranteed lease liabilities of approximately HK\$684,000, which were secured by rental deposits paid by the Group; and (ii) unsecured and unguaranteed lease liabilities of approximately HK\$4,632,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as at the close of business on 30 June 2020, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees, or other contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Rights Issue and the Subscription, present financial resources available to the Group including but not limited to loans from non-controlling shareholders of a subsidiary of the Group, revenue generated by its principal businesses and cash and cash equivalents on hand, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liabilities. The Group is not involved in any current material legal proceedings, nor is the Group aware of any such material legal proceedings. The Group confirms that there has not been any material change in the level of its contingent liabilities from 30 June 2020 up to the Latest Practicable Date.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

As disclosed in the Profit Warning Announcement (the Profit Estimate has been reported on in accordance with the Takeovers Code and the requisite reports from Deloitte Touche Tohmatsu, the auditor of the Company, and Merdeka Corporate Finance Limited, the financial adviser of the Company, have been included in Appendix IV and V to this circular), based on the preliminary review of the management accounts of the Group for the six-month period ended 30 June 2020, the outbreak of the COVID-19 has had a huge impact on the gaming and hotel operations of the Group in the first half of 2020 due to (i) the temporary entry ban to the Russian Federation of foreign nationals, including those from Hong Kong and Macau, which had an adverse impact on the Group's visitation in early 2020, and (ii) the Group's gaming operation was suspended from or about 28 March 2020 to comply with the measures to control the COVID-19 outbreak as announced by the Russian government, resulting in a significant decrease in the unaudited consolidated revenue of the Group of not more than approximately 63% as compared to the corresponding period in 2019 and an estimated loss attributable to owners of the Company of not more than HK\$50 million for the six months ended 30 June 2020. As stated in the announcement of the Company dated 15 July 2020, the integrated resort in the Russian Federation has been reopened for business from 16 July 2020 onwards.

6. FINANCIAL AND TRADING PROSPECT

As the Latest Practicable Date, the Group is principally engaged in operation of hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (“**IEZ Primorye**”) in the Russian Federation which is currently the only one operating and reportable segment of the Group as disclosed in the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report 2019**”)

Looking forward to the year ending 31 December 2020, the Group expects to encounter all sorts of adversities as the global market continues to be affected by unpredictable economic and political risks, including but not limited to the prolonged trade dispute between the United States of America and the PRC and the COVID-19 outbreak that will have a severe negative impact on every business sector of the world and significantly slow down global economic growth.

As part of the efforts to contain the COVID-19 outbreak, the Russian government implemented a temporary entry ban for Chinese nationals, including passport holders from Hong Kong and Macau, which had an adverse impact on the Group’s visitations in the start of 2020 and a negative impact on the Group’s rolling chip business in particular. The Russian government has also announced a number of measures to control the COVID-19 outbreak. The Group has been following the suggestions of the Russian government by temporarily suspending its gaming operations since 28 March 2020. The hotel operations of the Group continues to serve in a limited capacity during the period. Despite the aforementioned, the company has developed a diverse customer base and is not overly reliant on one feeder market or gaming segment. As set out in the voluntary announcement of the Company dated 15 July 2020, Tigre de Cristal is allowed to be reopened for business from 16 July 2020 onwards. The gaming areas, hotel and other amenities have been permitted to resume operations in accordance with measures recommended by the Russian government. Various precautionary and control measures have been implemented globally and the situations in different countries including the Russian Federation are constantly evolving as at the Latest Practicable Date. As such, any potential future impact from COVID-19 on the Group’s operations is uncertain and impossible to quantify due to the constantly evolving and unpredictable reactions, such as travel, tourism or business operation related restrictions, from different governments such as the Russian government. Besides, the Group has no bank borrowings and retains adequate cash reserves for meeting its working capital requirements and long-term sustainable development which the Company considers there would not be a high pressure on the liquidity of the Group.

Despite the uncertainties of the global economic outlook and the existing challenging global environment, the Group is prudently optimistic about the prospects of the hotel and gaming business in the IEZ Primorye and believes the market will continue to grow over the long term. The Group will firmly grasp the development opportunities in Tigre de Cristal although its enhancements have been inevitably slowed by the delays in deliveries of materials and other logistical constraints caused by the recent COVID-19 outbreak.

Going forward, the Group expects more integrated resort operators will come to the market and the Group will invite more traditional VIP room promoters to the property and believe that they will follow the Group's lead into the Russian market. This is in line with the Group's strategy to move up the VIP value chain, together with more lodging, gaming choices, and amenities in the zone which will increase the draw for both VIP and mass customers. The Group is targeting on opening its next property in the IEZ Primorye in 2022. As discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND THE SUBSCRIPTION" in the letter from the board in this circular, this new integrated resort is expected to double the VIP and mass gaming tables, slots, and have at least twice the lodging capacity of its first property. The plans include four restaurants and bars, additional retail offerings, and an indoor beach club and spa. The Group continues to enjoy a constructive dialogue and relationship with relevant Russian officials at the provincial and national levels and does not expect adverse changes in relevant legislation for the foreseeable future.

Meanwhile, the Group will continue enhancing its geographical coverage by adopting a prudent investment approach to consider all potential mergers or acquisitions opportunities or cooperation with strong potential partners to strengthen its position in the operation of hotel and gaming business industry that maximizes shareholders' returns in the long term. The Company has been considering expediting its expansion in other overseas markets to further broaden its sources of income. In order to realize the further development of the Company, and to strike a balance between risk and revenue to achieve the long-term development objectives of the Company, the Directors will periodically review the performance and prospects of the Group's investments and businesses and may explore other expansion opportunities in order to enhance the long-term growth potential of the Group.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (“**Unaudited Pro Forma Net Tangible Assets**”) has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 March 2020.

The Unaudited Pro Forma Net Tangible Assets is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020, as extracted and derived from the consolidated statement of financial position as at 31 March 2020 included in the circular of Suncity Group Holdings Limited dated 12 August 2020, and is adjusted for the effect of the Rights Issue as if the Rights Issue had taken place on 31 March 2020.

The Unaudited Pro Forma Net Tangible Assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 or at any future dates immediately after the completion of the Rights Issue.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue
	Consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue
	HK'000 (Note 1)	HK'000 (Note 2)	HK'000	HK\$ (Note 3)	HK\$ (Note 4)
Based on 2,705,666,754 Rights Shares at subscription price of HK\$0.60 per Rights Share	1,351,972	1,618,420	2,970,392	0.75	0.66

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$1,351,972,000 as at 31 March 2020 is based on the consolidated net assets of the Group attributable to owners of the Company of HK\$1,631,121,000 as at 31 March 2020 less operating right of HK\$279,149,000 attributable to the owners of the Company, as at 31 March 2020 as extracted and derived from the consolidated statement of financial position of the Group as at 31 March 2020 set out in the accountants' report included in Appendix II to the circular of Suncity Group Holdings Limited dated 12 August 2020.
- (2) The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK\$1,618,420,000 are based on 2,705,666,754 Rights Shares to be issued (which is based on 1,803,777,836) Shares in issue as at the Latest Practicable Date and assuming no Share Options would be exercised during the period after the Latest Practicable Date) at the subscription price of HK\$0.60 per Rights Share and after deduction of the estimated related expenses of approximately HK\$4,980,000.
- (3) The calculation of the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2020 per Share is based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$1,351,972,000 as set out in Note 1 above divided by 1,803,777,836 Shares in issue as at 31 March 2020.
- (4) The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after the completion of the Rights Issue (based on the minimum number of Rights Shares to be issued) is calculated based on 4,509,444,590 Shares in issue immediately after the completion of the Rights Issue, which comprise the existing 1,803,777,836 Shares in issue as at 31 March 2020 and 2,705,666,754 Shares to be issued pursuant to the Rights Issue.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (the “**Unaudited Pro Forma Consolidated Statement of Financial Position**”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the combined effect of (i) the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price payable in full on acceptance (the “**Rights Issue**”) and (ii) the proposed subscription for the convertible bonds by the Company pursuant to the terms and conditions of the Subscription Agreement (the “**Subscription**”) on the Group’s financial position as at 31 March 2020 as if the Rights Issue and the Subscription had taken place on 31 March 2020.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on the consolidated statement of financial position of the Group as at 31 March 2020, which has been extracted from the Group’s historical financial information for the three months ended 31 March 2020 set out in the accountants’ report included in Appendix II of the circular of Suncity Group Holdings Limited dated 12 August 2020, after making pro forma adjustments relating to the Rights Issue and the Subscription, as if the Rights Issue and the Subscription had been completed on 31 March 2020.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared by the directors of the Company (the “**Directors**”) based on a number of assumptions, estimates and uncertainties for illustrative purposes only. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue and the Subscription as at 31 March 2020 or at any future date, as appropriate.

The Unaudited Pro Forma Consolidated Statement of Financial Position should be read in conjunction with the historical financial information of the Group set out in the accountants’ report included in Appendix II of the circular of Suncity Group Holdings Limited dated 12 August 2020 and other financial information included elsewhere in this Circular.

(1) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	The Group as at 31 March 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Pro forma adjustments		The Group upon completion of the Rights Issue and the Subscription <i>HK\$'000</i>
		<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	
NON-CURRENT ASSETS				
Property, operating right and equipment	1,403,864			1,403,864
Right-of-use assets	6,193			6,193
Convertible bonds at fair value through profit or loss (“FVTPL”)	–		847,000	847,000
Long-term prepayments and other non-current assets	19,400			19,400
Intangible assets	416			416
	<u>1,429,873</u>			<u>2,276,873</u>
CURRENT ASSETS				
Inventories	2,047			2,047
Trade and other receivables	67,946			67,946
Bank balances and cash	826,223	1,618,420	(847,000)	1,597,643
	<u>896,216</u>			<u>1,667,636</u>
CURRENT LIABILITIES				
Contract liabilities, trade and other payables	53,280			53,280
Lease liabilities	1,332			1,332
Loans from non-controlling shareholders of a subsidiary	229,550			229,550
	<u>284,162</u>			<u>284,162</u>
NET CURRENT ASSETS	<u>612,054</u>			<u>1,383,474</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,041,927</u>			<u>3,660,347</u>

	The Group as at 31 March 2020	Pro forma adjustments		The Group upon completion of the Rights Issue and the Subscription
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i> <i>(Note 3)</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Liabilities for value-added tax arrangements	30,017			30,017
Lease liabilities	4,053			4,053
	<u>34,070</u>			<u>34,070</u>
NET ASSETS	<u><u>2,007,857</u></u>			<u><u>3,626,277</u></u>
CAPITAL AND RESERVES				
Share Capital	45,094	67,642		112,736
Reserves	1,586,027	1,550,778		3,136,805
Equity attributable to owners of the Company	1,631,121			3,249,541
Non-controlling interests	376,736			376,736
TOTAL EQUITY	<u><u>2,007,857</u></u>			<u><u>3,626,277</u></u>

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

1. The consolidated statement of financial position of the Group as at 31 March 2020 is extracted from the consolidated statement of financial position of the Group as at 31 March 2020 set out in the accountants' report included in Appendix II to the circular of Suncity Group Holdings Limited dated 12 August 2020.
2. The adjustment reflects the impact of the Rights Issue on the Group's consolidated statement of financial position as at 31 March 2020 as if the Rights Issue had taken place on 31 March 2020 assuming no Share Options being exercised before the Record Date. The estimated net proceeds from the Rights Issue of the minimum number of Rights Shares of approximately HK\$1,618,420,000 are based on 2,705,666,754 Rights Shares to be issued at the subscription price of HK\$0.60 per Rights Share and after deduction of estimated related expenses of approximately HK\$4,980,000, which is based on 1,803,777,836 Shares in issue as at the Latest Practicable Date and assuming that no Share Options being exercised before the Record Date.
3. Pursuant to the Subscription Agreement entered between SunTrust and Summit Ascent Investments Limited, a wholly owned subsidiary of the Group, SunTrust has conditionally agreed to issue and the Company has conditionally agreed to subscribe for the Convertible Bonds which may be converted into the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds Instrument at a consideration being the aggregate principal amount of the Convertible Bonds of PHP5.6 billion (equivalent to approximately HK\$847 million) with a five years maturity period.

The adjustment represents the Subscription to be satisfied by cash as if the Subscription had been completed on 31 March 2020 for the Unaudited Pro Forma Financial Information.

The measurement of the Convertible Bonds at initial recognition and subsequent reporting period will follow Hong Kong Financial Reporting Standard 9 *Financial Instruments* issued by the Hong Kong Institute of Certified Public Accountants.

The Convertible Bonds contains embedded derivative (i.e. the conversion option) and is therefore accounted for as financial asset measured at FVTPL. The fair value of the Convertible Bonds at initial recognition as if the Subscription had been completed on 31 March 2020 was determined with reference to a valuation prepared by an independent professionally qualified valuer, Jones Lang LaSalle Hong Kong, based on the binomial option pricing model, which comprised the fair value of the embedded conversion derivative of approximately HK\$430 million and fair value of the loan component of HK\$417 million. The consideration of the Subscription approximates the fair value of Convertible Bonds and accordingly no fair value adjustment had been made to the Unaudited Pro Forma Financial Information as at 31 March 2020.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the exchange rate adopted is HK\$1=PHP6.6142 and the transaction cost involved in the Subscription is assumed to be insignificant.

When determining the classification of such Convertible Bond, the Directors assessed whether the potential voting rights in SunTrust contribute significant influence by the Group over SunTrust based on all the facts and circumstances that affect the potential rights.

In making the judgement, the Directors considered the terms of exercise of the potential voting rights, the potential voting rights held by other parties and other contractual arrangements. After the assessment, the total number of shares of SunTrust outstanding could be increased according to other existing contractual arrangements which would dilute the Group's potential interest in SunTrust to below 20%, the Directors concluded that there is uncertainty of the Company's shareholding in SunTrust and therefore the Company does not have significant influence over SunTrust. Such Convertible Bond is therefore accounted for as financial assets and is at FVTPL for the purpose of preparation of the Unaudited Pro Forma Financial Information.

4. Apart from the above, no other adjustment has been made to reflect any trading result or other transaction of the Company entered into subsequent to 31 March 2020.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



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

To the Directors of Summit Ascent Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Summit Ascent 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 adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2020 and unaudited pro forma consolidated statement of financial position of the Group as at 31 March 2020 and related notes as set out on pages II-1 to II-7 of Appendix II to the circular issued by the Company dated 14 August 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 Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed transactions involving (1) the proposed rights issue of the Company and (2) the proposed subscription of convertible bonds to be issued by Suntrust Home Developers, Inc. (collectively referred to as the “**Proposed Transactions**”) on the Group's financial position as at 31 March 2020 as if the Proposed Transactions had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three months ended 31 March 2020, on which an accountants' report set out in Appendix II to the circular of Suncity Group Holdings Limited dated 12 August 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.

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 31 March 2020 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.

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
14 August 2020

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of inclusion in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2020 of the property interests held by the Group.



Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Company Licence No.: C-030171

14 August 2020

The Board of Directors
Summit Ascent Holdings Limited
Unit 1704, 17/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interests held by Summit Ascent Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests held by the Group as at 30 June 2020 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “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 and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the sub-leased land nature of the property, we have valued the property interest of the building portion on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. Due to the sub-leased land nature of the property, we have valued the property interest of the building portion only for reference purpose.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Rule 11 of the Hong Kong Codes on Takeovers and Mergers (“**Takeovers Code**”). Moreover, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including land lease documents, certificates of state registration of title, building plans and concept design scheme relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the countries and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice dated 30 June 2020 given by the Company’s legal advisers, “NORINA & PARTNERS”, concerning the validity of the property interests in Russia.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 11 May 2020 by Mr. Oleg Zabelin. Mr. Oleg has 20 years’ experience in the field of hotel management in Russia.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Russian Ruble (RUB). The exchange rate adopted in our valuation is approximately RUB1= HK\$0.109 which was approximately the prevailing exchange rate as at the valuation date.

Potential Tax Liabilities

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Group, the potential tax liabilities which may arise from the sale of the property interests under valuation include the Russian Corporate Profit Tax at a rate of 20% on the profit of the seller generated for a financial year and the Russian value-added tax at a rate of 20% on the difference between the sale price and the depreciated value of the property interests under valuation, subject to certain conditions and exemptions. As confirmed by the Group, as at the Latest Practicable Date, the Group has no intention to dispose of the property interests under valuation and therefore the likelihood of the relevant tax liabilities crystallising is remote.

MATERIAL VALUATION UNCERTAINTY DUE TO NOVEL CORONAVIRUS (COVID – 19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.”

COMMENTARY ON THE IMPACT OF COVID-19 ON VALUATION

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. As of the valuation date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result it causes volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a sale may also extend considerably beyond the normally expected period, which would also reflect the nature and size of the property. Readers are reminded that we do not intend to provide an opinion of value as of any date after the valuation date in this report.

The Company will notify the Shareholders of any material changes as soon as possible subsequent to the valuation date and up to the Latest Practicable Date with Rule 9.1 of the Takeovers Code. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact on our opinion and/or recommendation set out in this letter as soon as possible.

Our valuation is summarized below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C. H. Chan
MRICS MHKIS RPS (GP)
Senior Director

Note:

Gilbert C.H. Chan is a Chartered Surveyor who has 26 years' experience in the valuation of properties in Hong Kong and 24 years of property valuation experience in the Asia-Pacific region.

SUMMARY OF VALUE

Property interests held by the Group in Russia

Property	Market value in existing state as at 30 June 2020 RUB
One parcel of land with land area of 90,455 square meters (“ lot 9 ”) with an integrated resort known as “Tigre de Cristal ” erected thereabove, and two other parcels of land with land area 73,460 square meters (“ lot 8 ”) and 154,351 square meter (“ lot 10 ”), all three parcels of land are within a land lot with cadastral number 25:27:020102:133 located at bld. 11, coast of the Pionerskaya Bay, town of Artyom, Primorsky Krai, Russia	No commercial value (see note below)

Note:

We have attributed no commercial value to the property due to the subleased land nature on which the buildings and structures are erected. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building and structures (excluding land portion) as at valuation date would be RUB7,749,000,000 (equivalent to HK\$844,641,000).

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2020 RUB	
One parcel of land with land area of 90,455 square meters (“lot 9”) with an integrated resort known as “Tigre de Cristal” erected thereabove, and two other parcels of land with land area 73,460 square meters (“lot 8”) and 154,351 square meter (“lot 10”), all three parcels of land are within a land lot with cadastral number 25:27:020102:133 located at bld. 11, coast of the Pionerskaya Bay, town of Artyom, Primorsky Krai, Russia	The property comprises three parcels of land which form part of land lot with cadastral number 25:27:020102:133 located at bld. 11, coast of the Pionerskaya Bay, town of Artyom, Primorsky Krai, Russia.	“Lot 9” is currently occupied for integrated resort comprising hotel and casino use. Portion of Lot 8 are erected with dormitories and gas-powered station and remaining portion of “Lot 8” and “lot 10” are vacant land.	No commercial value (see note 12)	
	The site area of the subject three parcels of land, in accordance with sublease agreements, are as follows:			
				Site area (sq.m.)
	Lot 8			73,460 (the sum of land areas of 27,727 sq.m., 17,941 sq.m. and 27,792 sq.m.)
	Lot 9			90,455
	Lot 10			154,351
	An integrated resort known as “Tigre de Cristal” is current erected on the site of “lot 9”. The development was completed in about 2015 and comprising 121 hotel guest rooms. Gross Floor Area of the development is approximately 35,983.2 sq.m. as follows:			
	Level			Gross Floor Area (sq.m.)
	Ground floor			8,581.2
	Casino floor			8,924
Offices floor	8,426.5			
Hotel 2nd floor	4,878.5			
Hotel 3rd floor	4,878.5			
Exits to the roof	394.5			
Total:	35,983.2			

The property is located in the Primorye Integrated Entertainment Zone (IEZ), It is the only place in the Russian Far East where gaming activities are permitted. Various casinos/entertainment developments are currently under construction in the locality. The town of Artyom is about 52.5 kilometres from the centre of Vladivostok and approximately 12 kilometres from International Airport Knevichi.

Except dormitories and gas-powered station with Gross Floor Area of 2,097 sq.m. completed in 2020 and Gross Floor Area of 2,632 sq.m. (including tanks storage area 329 sq.m. and gas station 143 sq.m.) completed in 2015 respectively erected on portion of Lot 8, the remaining portion of Lot 8 and Lot 10 are vacant sites held for future integrated resort development which will comprise of casino and hotel. The future development is in planning stage. According to a conceptual plan provided by the Group, the development is planned in 3 phases known as phase II, III and IV. Gross floor area for phase II is approximately 60,500 sq.m. and tentatively to be completed in 2022 whilst Gross floor area for phase III and Phase IV is approximately 60,000 sq.m. for each phase.

Lot 8, lot 9 and lot 10 are held by the Group under various sublease agreements and supplementary agreements. Lot 8 and lot 9 will expire in July 2025 and lot 10 will expire in December 2025.

Notes:

1. According to a copy of translated version of Gambling Permit of 25 August 2015 with Primary State Registration Number of Legal Entity 1102502002239 provided by the Group, the said permit has been granted to G1 Entertainment Limited Liability Company (“**G1 Entertainment, LLC**”), an indirect 60%-owned subsidiary of the Company, and is entitled to start gambling activities since 27 March 2015.
2. According to a copy of translated version of Certificate of State Registration of Title issued by “MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION, THE FEDERAL SERVICE OF STATE REGISTRATION, CADASTER AND CARTOGRAPHY (ROSREESTR), THE DIRECTORATE OF THE FEDERAL SERVICE OF STATE REGISTRATION, CADASTER AND CARTOGRAPHY FOR PRIMORSKY REGION”, documents and title are mentioned as below:
 - i) Sublease Agreement dd. July 27, 2011 No. 1, date registered September 23, 2011, No. 25-25-06/041/2011-307.
 - ii) Supplementary agreement to the sublease agreement No. 1 dd. July 27, 2011 dd. December 05, 2011 No. 1, date registered December 26, 2011, No. 25-25-06/069/2011-027.
 - iii) Permit for construction dd. May, 31, 2012 No. RU25302000-000032, issuing authority: The Department for Architecture and Urban Development of Artem City District Administration, Primorsky Region.
 - iv) Cadastral certificate for the facility under construction dd. February 14, 2013, the issuing authority: the Branch of the Federal State Budgetary Institution “The Federal Cadastral Chamber of the Federal Service of State Registration, Cadaster and Cartography” for Primorsky Region.
 - v) Permit for putting the facility into operation dd. October 01, 2015 No. RU25-302-046-2015, the issuing authority: The Department for architecture and Urban Development of the Artem City District Administration.

Legal entity (subjects): G1 Entertainment, LLC, TIN: 2502041903, PSRN: 1102502002239

Type of the title: Ownership

Legal facility: Hotel with Casino (first stage of construction), purpose: non-residential building, area 314,871 sq.m., number of floors: 2,3,5, address (location) of the facility: 73 Muravyinaya Bay, Artem, Primorsky Region.

Existing restrictions (encumbrances) of the title: not registered

Whereof there was made a record No. 25-25/006-25/006/014/2015-4776/1 in the Unified State Register of Rights to Immovable Property and Transactions therewith.

3. According to a copy of translated version of Sublease Contract No. 1 dated 27 July 2011 of “lot 9” provided by the Group, salient points are extracted below:

*“Open Joint Stock Company “Nash Dom – Primorye”, a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as **the Lessee**, represented by the General Director Lomakina Marina Aleksandrovna, effective on the basis of the Charter, as one party, and **The First Gambling Company of the East, Limited Liability Company** (the former name of G1 Entertainment, LLC), hereinafter referred to as **the Sublessee**, represented by the General Director Putintseva Irina Dmitrievna, effective on the basis of the Charter, as the other party, collectively hereinafter referred to as **the Parties**, have concluded this Contract (hereinafter – Contract) on the following:*

- 1.1. *The Lessee sublets to the Sublessee for a temporary ownership and usage for a fee a part of a land lot (No. 17) with an area of 90,245 square meters which is considered to be a part of the land lot with the cadastral number 25:27:020102:133 falling into the category of “lands of industry, electric power, transport, communications, radio broadcasting, television, and information, and lands for ensuring outer space activity, lands of defence, security, and lands of other special designation” located at the address: bld. 11, coast of the Pionerskaya bay, town of Artyom, Primorsky Krai (hereinafter – Land lot).*

- 1.2. *The Land lot belongs to the Lessee on a leasehold basis on the terms and subject to the conditions of the Lease Contract No. 1 in respect of the land lot, which is in the ownership of the Primorsky Krai within the territory of the Gambling zone “Primorye”, concluded between the Lessee and the Primorsky Krai. The Land lot Sublease Contract is registered in the Department of the Federal Registration Service for the Primorsky Krai, registration number is 25-25-06/044/2010-317 dd 27.08.2010.....*
- 2.2. *Sublease payment due and payable is estimated by taking into account stated in accordance with item 2.1. of this Contract annual lease payment amount for the land lot starting with the day when the Land lot indicated in item 1.1 of the Contract has been transferred for each day of use and is reimbursed by the Sublessee quarterly in a form of prepayment before the 5th (fifth) day of the first month of each quarter....*
- 4.2. *The Sublessee is not entitled to transfer its rights and liabilities under the Contract to the third party (-ies), submit its rights on the Land lot (part of the land lot) to pledge and use them as contributions to the statutory capital of the business partnership or company, or as a share to the production capital within the Contract validity period without the Lessee’s consent.*
- 7.2. *The Sublease Contract is effective for the period of up to 20 July 2025.”*

As advised by the Company, Open Joint Stock Company “Nash Dom – Primorye” is a state-owned corporation of the Primorsky Territory government. As at the Latest Practicable Date, save for the normal business relationship where G1 Entertainment, LLC as the Sublessee, the Group has no other relationship with “Nash Dom – Primorye, OJSC”, and does not have any equity interest in the Company.

4. According to a copy of translated version of Supplementary Agreement No. 2 of 28 December 2012 of “lot 9” to the Land Lot Sublease Agreement No. 1 dated July 27, 2011, salient points are extracted below:

“Nash-Dom Primorye, OJSC, a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as the Lessor, represented by the General Director Vatulin Igor Igorevich, acting by virtue of the Charter, as one party, and The First Gambling Company of the East, LLC (the former name of G1 Entertainment, LLC), represented by the General Director Vasilenko Valeriy Vladimirovich, acting by virtue of the Charter, as the other party, collectively referred to as the Parties, in connection with issue of the decree of the Primorsky Region Administration No. 176- п а dd. June 22, 2012 “On approval of the draft adjustment documentation for planning of the territory of Primorye Gambling Zone”, on introduction of amendments to the decree of the Primorsky Region Administration dd. May 31, 2011 No. 141- п а “On approval of documentation for planning of the territory of the Primorye Gambling Zone”, have entered into this supplementary agreement to the Land Lot Sublease Agreement No. 1 dd. July 27, 2011 (hereinafter- the Agreement) as follows:

1. To revise clause 1.1. of the Agreement as follows:

- 1.1. *The Lessee provides to the Sublessee for temporary ownership and use at a charge:*

- *part of the Land Lot with accession number 45, area of 90,455 sq.m. related to the category “lands of industry, power production, transport, communications, radio-broadcasting, television, information technology, lands for use by space activities, defense and security lands and other special-purpose lands” being part of the land lot having cadastral number 25:27:020102:133, with area of 2,630,928 sq.m....*

Clause 2.1. of the Agreement to be revised as follows:

“2.1.2.1. Sublease payment (exclusive of VAT) for the Lot shall be calculated using the formula:

$$SIP = (LeP/Sle) * Ssle*Adj,$$

where

LeP – annual lease payment under the lease agreement N 1 of July 22, 2010, (hereinafter referred to as the Lease Agreement), equal to 15,800,000 rubles per year,

Sle – area of the land lot owned by the Lessee under the Lease Agreement, equal to 2,630,928 square meters,

Ssle – area of the land lot subleased hereunder, equal to 90,455 square meters,

Adj – adjusting coefficient, established in Appendix 2, which is an integral part hereof.

The amount of the sublease payment does not include the value added tax (VAT) – 18%.

Subsequently, within duration of the Agreement, the amount of the sublease payment may vary due to: (a) the change of adjusting coefficients at the Lessee's initiative and/or (b) the change in the amount of the lease payment under the Lease Agreement at the Lessor's initiative."

Remarks: As advised by the Group, the current rate of adjusting coefficient "Adj" for "lot 9" is 5.

5. According to a copy of translated version of Sublease Contract No. 3 dated 30 December 2011 of "lot 10" provided by the Group, salient points are extracted below:

*"Open Joint Stock Company "Nash Dom – Primorye", a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as **the Lessee**, represented by the General Director Lomakina Marina Aleksandrovna, effective on the basis of the Charter, as one party, and **Limited Liability Company "DALTA-Vostok-1"**, hereinafter referred to as **the Sublessee**, represented by Director Tretyakova Mariya Sergeevna, effective on the basis of the Charter, as the other party, collectively hereinafter referred to as the Parties, have concluded the present Contract (hereinafter – Contract) on the following:*

- 1.1 *According to a copy of translated version of Sublease Contract No. 3 dated 30 December 2011 provided by the Group, the Open Joint Stock Company "Nash Dom – Primorye", a state-owned cooperation of the Primorsky Territory government, "the Lessee", has leased to Limited Liability Company "DALTA-Vostok-1", "the Sublessee" part of a land lot with an area of 148,926 square meters which has gone through State Cadastral Registration and received an accounting number 25:27:020102:133/7 according to a cadastral plan of the land lot No. 25/00-11-58318 issued on 10.06.2011, being a part of a land lot with a total area of 2,630,928 square meters and a cadastral number 25:27:02 01 02:133 and falling into the category of "lands of industry, electric power, transport, communications, radio broadcasting, television, and information, and lands for ensuring outer space activity, lands of defence, security, and lands of other special designation", being located in a distance of 2,860 meters to the south-east from an orienting point, the orienting point is a house situated beyond the land lot, the address of the orienting point: Primorsky Krai, Artyom city, coast of the Pionerskaya bay, bld. 11, belonging to the Lessee on a leasehold basis on the terms and subject to the conditions of the Lease Contract No. 1 in respect of the land lot being in the ownership of the Primorsky Krai within the territory of the Gambling zone "Primorye" (hereinafter – Lease Contract) whereof on 27.08.2010 a registration entry No. 25-25- 06/044/2010-317 was entered to the Single State Register of Rights to Real Estate and Transactions (hereinafter – Land lot)....*
- 1.3. *The land lot is given to the Sublessee for construction of the Gambling zone "Primorye" facility named "4-star Hotel with a Casino" (hereinafter – permitted use)....*
- 2.2. *Sublease payment due and payable is estimated by taking into account defined in item 2.1. of the present Contract annual lease payment amount for the land lot starting with the date of certificate of acceptance and transfer of a land lot signing and is reimbursed by the Sublessee quarterly in a form of prepayment before the 5th (fifth) day of the first month of each quarter....*
- 4.1.13. *The Sublessee may not transfer the rights for the Land lot as a pledge or contribute them as a shareholder fee into economic or commercial partnership or as a share contribution into the productive capital within the period of the Contract validity without a preliminary written notification of the Lessee. Notification of the Lessee is to be sent not later than 20 (twenty) working days before the date of assumed transfer of the rights for the Land lot as a pledge, into chartered capital of economic or commercial partnership, or as a share contribution into the productive capital....*
- 7.2. *The Contract is executed for the period of up to the 30th of December, 2025...."*

6. According to a copy of translated version of Supplementary Agreement of 29 May 2013 of “lot 10” to the sublease agreement No. 3 dated 30 December 2011, salient points are extracted below:

*“Nash Dom – Primorye Open Joint-Stock Company, hereinafter named as **the Lessee**, represented by its General Director Igor Igorevich Vatulin, acting on behalf of the company without a power of attorney, of the one part, and **Dalta-Vostok-1 Limited Liability Company**, hereinafter named as **the Sublessee**, represented by its Director Evgeniy Igorevich Obolochkov, acting on behalf of the company without a power of attorney, of the other part, on grounds of the issue of the Regulation of the Administration of the Primorsky region N 176- п а of June 22, 2012 “On Approval of the Adjustment Project on the Area Planning Documentation for the Primorye Gaming Zone, on Making Amendments to the Regulation of the Administration of the Primorsky region N 141- п а of May 31, 2011 “On Approval of the Area Planning Documentation for the Primorye Gaming Zone”, have signed this supplementary agreement to the sublease agreement N 3 of December 30, 2011, hereinafter referred to as the agreement, as follows:*

1. *Clause 1.1. of the agreement shall be amended as follows:*

“1.1. The Lessee shall provide the Sublessee, for temporary possession and use for a consideration, the part of the land lot with an area of 154,351 sq. m., registered in state cadastral records, with assignment of account number 25:27:020102:133/60, according to the cadastral excerpt on the land lot N 25/00-12-154941, issued on November 30, 2012, which is a part of the land lot with an area of 2,630,928 sq. m., under cadastral number 25:27:02 01 02:133, related to the category “Industry, Power Production, Transport, Communications, Radio-Broadcasting, Television, Information Technology, Space-Flight Support, Defence, Security Land and Other Special-Purpose Land”, located 2,860 meters northeast from the landmark, the landmark is the house located outside of the land lot, the landmark address is 11, Coast of the Pionerskaya Bay, Artyom, Primorsky region, owned by the Lessee on a leasehold basis on grounds of the land lot lease agreement N 1, which is owned by the Primorsky region in the territory of the Primorye Gaming Zone, hereinafter referred to as the lease agreement, whereof there is an entry for registration N 25-25-06/044/2010-317 made in the Unified State Register of Immovable Property Rights and Transactions on August 27, 2010 (hereinafter referred to as the Lot)....

3. *Clause 2.1. shall be amended as follows:*

“2.1. The sublease payment (excluding VAT) for the Lot shall be calculated according to the formula:

$$SIP = (LeP/Sle) * Ssle * Adj,$$

where

LeP – annual lease payment under the lease agreement N 1 of July 22, 2010, hereinafter referred to as the lease agreement, which equals to 15,800,000 rubles per year,

Sle – area of the land lot owned by the Lessee under the lease agreement, equal to 2,630,928 square meters,

Ssle – area of the land lot to be subleased hereunder, equal to 154,351 square meters,

Adj – adjusting factor, established in Appendix 2, which is an integral part hereof.

The amount of the sublease payment does not include the value added tax (VAT) – 18%.

Subsequently, within duration of the Agreement, the amount of the sublease payment may change due to: (a) the change of adjusting coefficients at the Lessee’s initiative and/or (b) the change in the amount of the lease payment under the Lease Agreement at the Lessor’s initiative.”

Remarks:

- 1) As advised by the Group, the current rate of adjusting coefficient “Adj” for “lot 9” is 2.
- 2) As advised by the Group, the rights and obligations under the Land Sublease Contract No. 3 dated December 30, 2011 were transferred from Dalta-Vostok 1, LLC to First Gambling Company of the East, LLC under the Agreement dated December 26, 2013.

7. According to a copy of translated version of Sublease Contract No. 2 dated 27 July 2011 of “lot 8” provided by the Group, salient points are extracted below:

*“Open Joint Stock Company “Nash Dom – Primorye”, a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as **the Lessee**, represented by the General Director Lomakina Marina Aleksandrovna, effective on the basis of the Charter, as one party, and **The First Gambling Company of the East, Limited Liability Company** (the former name of G1 Entertainment, LLC), represented by the General Director Putintseva Irina Dmitrievna, effective on the basis of the Charter, as the other party, collectively hereinafter referred to as the Parties, have concluded this Contract (hereinafter – Contract) on the following:*

- 1.1. *The Lessee sublets to the Sublessee for a temporary ownership and usage for a fee a part of a land lot (No. 15) with an area of 46,124 square meters which is considered to be a part of the land lot with the cadastral number 25:27:020102:133 falling into the category of “lands of industry, electric power, transport, communications, radio broadcasting, television, and information, and lands for ensuring outer space activity, lands of defence, security, and lands of other special designation” located at the address: bld. 11, coast of the Pionerskaya bay, town of Artyom, Primorsky Krai (hereinafter – Land lot).*
- 1.2. *The Land Lot belongs to the Lessee on a leasehold basis on the terms and subject to the conditions of the Lease Contract No. 1 in respect of the land lot, which is in the ownership of the Primorsky Krai within the territory of the Gambling zone “Primorye”, concluded between the Lessee and the Primorsky Krai. The Land lot Sublease Contract is registered in the Department of the Federal Registration Service for the Primorsky Krai, registration number is 25-25-06/044/2010-317 dd 27.08.2010 (hereinafter – the Sublease Contract).*
- 1.4. *The land lot is given to the Sublessee for construction of the Gambling zone “Primorye” facility named “Utility zone” consisting of: gas boiler station, distribution substation, waste water treatment plants (hereinafter – permitted use)....*
- 2.2. *Sublease payment due and payable is estimated by taking into account stated in accordance with item 2.1. of this Contract annual lease payment amount for the land lot starting with the day when the Land lot indicated in item 1.1 of the Contract has been transferred for each day of use and is reimbursed by the Sublessee quarterly in a form of prepayment before the 5th (fifth) day of the first month of each quarter....*
- 4.2. *The Sublessee is not entitled to transfer its rights and liabilities under the Contract to the third party (-ies), submit its rights on the Land lot (part of the land lot) to pledge and use them as contributions to the statutory capital of the business partnership or company, or as a share to the production capital within the Contract validity period without the Lessee’s consent....*
- 7.2. *The Contract is effective for the period of up to July 20, 2025.”*

8. According to a copy of translated version of Supplementary Agreement No. 1 of 5 December 2011 of “lot 8” to the Sublease Agreement No. 2 dated 27 July 2011, salient points are extracted below:

*“Nash-Dom Primorye, OJSC, a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as **the Lessee**, represented by the General Director Lomakina Marina Aleksandrovna, acting by virtue of the Charter, as one party, and **The First Gambling Company of the East, LLC** (the former name of G1 Entertainment, LLC), hereinafter referred to as **the Sublessee**, represented by the General Director Akulich Igor Vladimirovich, acting by virtue of the Charter, as the other party, collectively referred to as the Parties, have entered into this supplementary agreement to the Sublease Agreement No. 2 dd. July 27, 2011 (hereinafter- the Agreement) as follows:*

1. *To revise clause 2.1. of the Agreement as follows:*

“2.1. Sublease payment excluding 18% VAT for the Lot shall be calculated using the formula below:

$$SIP = (LeP/Sle) * Ssle * Adj,$$

where

LeP – lease payment under the lease agreement N 1 dd. July 22, 2010, (hereinafter referred to as the Lease Agreement), which equals to 15,800,000 rubles,

Sle – area of the land lot owned by the Lessee under the Lease Agreement, equal to 2,630,928 square meters,

Ssle – area of the land lot subleased hereunder, equal to 46,124 square meters,

Adj – adjusting coefficient, established in Appendix 2, which is an integral part hereof.

Subsequently, within duration of the Agreement, the size of sublease payment may vary due to the following: changes in adjusting coefficients at the Lessee's initiative and/or the reasons beyond the Lessee's control. The Lessee shall notify the Sublessee in writing about the change in the amount of the sublease payment 30 (thirty) calendar days prior to the date of the estimated change in the amount of the sublease payment. In case if amount of the sublease payment is changed, the Sublessee shall pay the changed sublease payment, starting from the day specified in the notice on recalculation of the size of sublease payment, regardless the date when such notice is received from the Lessee."

2. Supplement clause 2.1. of the Agreement with clause 2.1.1 of the following contents:

"2.1.1. Value Added Tax shall be assessed and paid by the Sublessee in excess of the amount of the sublease payment calculated following the formula specified by clause 2.1. of the Agreement".

3. Revise clause 2.2. of the Agreement as follows:

"2.2. The payable sublease payment shall be calculated on basis of the amount of the annual lease payment for the Lot, determined in accordance with cl. 2.1. hereof, from the date of transfer of the Lot, specified by clause 1.1. of the Agreement for each day of use and shall be paid by the Sublessee quarterly as an advance payment before the fifth (5th) date of the first month of each quarter. The first payment shall be made until November 05, 2011. In case of early termination of the Agreement, the lease payments shall be made until the date of the state registration of the terminated right for sublease of the Lot inclusively."

9. According to a copy of translated version of Supplementary Agreement No. 1 of 28 December 2012 of "lot 8" to the Land Lot Sublease Agreement No. 2 dated 27 July 2011, salient points are extracted below:

"Nash-Dom Primorye, OJSC, a state-owned cooperation of the Primorsky Territory government, hereinafter referred to as **the Lessor**, represented by the General Director Vatulín Igor Igorevich, acting by virtue of the Charter, as one party, and **The First Gambling Company of the East, LLC** (the former name of G1 Entertainment, LLC, represented by the General Director Vasilenko Valeriy Vladimirovich, acting by virtue of the Charter, as the other party, collectively referred to as the Parties, in connection with issue of the decree of the Primorsky Region Administration No. 176-п а dd. June 22, 2012 "On approval of the draft adjustment documentation for planning of the territory of Primorye Gambling Zone", on introduction of amendments to the decree of the Primorsky Region Administration dd. May 31, 2011 No. 141-п а "On approval of documentation for planning of the territory of the Primorye Gambling Zone", have entered into this supplementary agreement to the Land Lot Sublease Agreement No. 1 dd. July 27, 2011 (hereinafter- the Agreement) as follows:

1. To revise clause 1.1. of the Agreement as follows:

"1.1. The Lessee provides to the Sublessee for temporary ownership and use at a charge:

- part of the Land Lot with accession number 42, area of 27,727 sq.m. related to the category "lands of industry, power production, transport, communications, radio-broadcasting, television, information technology, lands for use by space activities, defense and security lands and other special-purpose lands" being part of the land lot having cadastral number 25:27:020102:133, with area of 2,630,928 sq.m. with the location established with reference to the landmark, situated beyond the boundaries of the land lot. The landmark is the house. The land lot is located 2,860 meters northeast from the landmark. The landmark address is 11, Pionerskaya Bay Coast, Artyom, Primorsky Region;
- part of the Land Lot with accession number 48, area of 17,941 sq.m. related to the category "lands of industry, power production, transport, communications, radio-broadcasting, television, information technology, lands for use by space activities, defense and security lands and other special-purpose lands" being part of the land lot having cadastral number 25:27:020102:133, with area of 2,630,928 sq.m. with the location established with reference to the landmark, situated beyond the boundaries of the land lot. The landmark is the house. The land lot is located 2,860 meters northeast from the landmark. The landmark address is 11, Pionerskaya Bay Coast, Artyom, Primorsky Region;

- *part of the Land Lot with accession number 54, area of 27,792 sq.m. related to the category “lands of industry, power production, transport, communications, radio-broadcasting, television, information technology, lands for use by space activities, defense and security lands and other special-purpose lands” being part of the land lot having cadastral number 25:27:020102:133, with area of 2,630,928 sq.m. with the location established with reference to the landmark, situated beyond the boundaries of the land lot. The landmark is the house. The land lot is located 2,860 meters northeast from the landmark. The landmark address is 11, Pionerskaya Bay Coast, Artyom, Primorsky Region;*

The above-mentioned parts of the land lot hereinafter in the text of the Agreement are called Parts of the Lot....

3. *Clause 1.4. of the Agreement to be revised as follows:*

“1.4. The Land Lots are provided to the Sublessee for construction of the facility of the Primorye Gambling Zone “Utility Area” (hereinafter – the permitted use).

Requirements recognized by the Parties as significant to the construction of the facility of Primorye Gambling Zone “The Utility Area” (hereinafter – The Investment facility) are contained within the Agreement on Implementation of the Investment Project (hereinafter – the Investment Agreement)”.

4. *Clause 2.1. of the Agreement to be revised as follows:*

“2.1. Sublease payment (exclusive of VAT) for the Lot shall be calculated using the formula:

$$SIP = (LeP/Sle) * Ssle * Adj,$$

where

LeP – annual lease payment under the lease agreement N 1 of July 22, 2010, (hereinafter referred to as the Lease Agreement), equal to 15,800,000 rubles per year,

Sle – area of the land lot owned by the Lessee under the Lease Agreement, equal to 2,630,928 square meters,

Ssle – area of the land lot subleased hereunder, equal to 27,727 sq.m., 17,941 sq.m., 27,792 sq.m. accordingly.

Adj – adjusting coefficient, established in Appendix 2, which is an integral part hereof.

The amount of the sublease payment does not include the value added tax (VAT) – 18%.

Subsequently, within duration of the Agreement, the amount of the sublease payment may vary due to: (a) the change of adjusting coefficients at the Lessee’s initiative and/or (b) the change in the amount of the lease payment under the Lease Agreement at the Lessor’s initiative.

Remarks: As advised by the Group, the current rate of adjusting coefficient “Adj” for “lot 9” is 2.

10. As advised by the Group, The First Gambling Company of the East, LLC was renamed as G1 Entertainment, LLC. in the year of 2015.

11. We have been provided with a legal opinion regarding the property interests held by the Group, which contains, inter alia, the following:
- i) the Company is the beneficial owner of the Properties set out in clauses 1.1.2. to 1.1.12. and that the Company is entitled to occupy, use, lease, assign, charge and otherwise dispose of the Properties specified. (Re: clauses 1.1.2. Hotel resort with a Casino (cadastral number 25:27:020102:983) (hereinafter referred to as “Capital facility No. 1”), 1.1.3. Outside gas-supply system, 1.1.4. Runoff water system, 1.1.5. Heat supply network, 1.1.6. Municipal wastewater disposal system, 1.1.7. Utility and drinking water supply system, 1.1.8. Communication network, 1.1.9. Gas-burning boiler house, with boiler power of 7.4 mW/h, 1.1.10. Distribution transforming sub-station, 6/0.4 kV 2x1000 kVA, of 0.82 mW power, 1.1.11. Transforming sub-station with diesel power-plant of 3.0 mW, 1.1.12. 6 kV cable connection and outdoor packaged transformer substation 1000/6.0/04 kV of 1.0 mW power (cadastral number 25:27:020102:1312).
 - ii) Sublease Agreement No. 1 dated July 27, 2011 as amended by Addenda No. 1 dated 05.12.2011, No. 1 dated 12.04.2012, No. 2 dated 28.12.2012, dated 06.03.2013 and No. 3 dated 27.02.2019 valid until July 20, 2025 in relation to the lot of the Land Plot with an area of 90,455.0 sq.m under cadastral number 25: 27: 020102: 133/45 for construction of the “Multifunctional Entertainment Complex with a Casino” (Lot No. 9).

iii) Sublease Agreement No. 2 dated July 27, 2011 as amended by Addenda No. 1 dated 05.12.2011, No. 1 dated 28.12.2012, dated 06.09.2013, No. 2 dated 27.02.2019 valid until July 20, 2025:

in relation to the lot of the Land Plot with an area of 17,941.0 sq.m under cadastral number 25:27:020102:133/48 for construction of “Service zone” facilities (Lot No. 8);

in relation to the lot of the Land Plot with an area of 27,727.0 sq.m under cadastral number 25:27:020102:133/42 for construction of “Service zone” facilities (Lot No. 8*);

in relation to the lot of the Land Plot with an area of 27,792.0 sq.m under cadastral number 25:27:020102:133/54 for construction of “Service zone” facilities (Lot No. 8**).
 - iv) Sublease Agreement No. 3 dated December 30, 2011 (subject to Addendum dated 29.05.2013) valid until December 30, 2025 in relation to the lot of the Land Plot with an area of 154,351.0 sq.m. under cadastral number 25:27:020102:133/60 for construction of “4-star Hotel with a Casino” facility (Lot No. 10).
 - v) The Company enjoys an exclusive right to acquire the ownership to the Lot No. 9 and Lot No. 8.
 - vi) Regardless of whether the Company acquired ownership to lots of the Land Plot (lots 8, 8 *, 8 **, 9, 10), the Company shall have the right to occupy and use these lots required for operation of real estate facilities owned by the Company.
12. In our valuation, we have relied on the various translated version of sublease agreements and supplementary agreements for lot 8, lot 9 and lot 10 and also consider the legal opinion dated 30 June 2020 regarding the property interests held by the Group. We have attributed no commercial value to the property due to the subleased land nature on which the buildings and structures erected. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land parcel) as at the valuation date would be RUB7,749,000,000 (equivalent to HK\$844,641,000).
13. As informed by the Group, phase II, III and IV development of lot 8 and lot 10 is currently in planning stage. As mentioned in note 12, due to subleased land nature of the lots, we have attributed no commercial value to the property. As informed by the Company, the cost of planning already spent for lot 8 and lot 10 as at valuation date is about HK\$3,127,000.

The following is the full text of the report on the Profit Warning Announcement from Deloitte Touche Tohmatsu, the Company's reporting accountants, for the purpose of inclusion in this circular.



14 August 2020

The Board of Directors
Summit Ascent Holdings Limited
Unit 1704, 17th Floor,
West Tower, Shun Tak Centre,
200 Connaught Road Central,
Hong Kong

Dear Sirs,

**SUMMIT ASCENT HOLDINGS LIMITED (“THE COMPANY”) AND ITS SUBSIDIARIES
(COLLECTIVELY REFERRED TO AS THE “GROUP”)**

Profit Estimate for Six Months Period Ended 30 June 2020

We refer to the statement as set out in the announcement of the Company dated 11 August 2020 made by the directors of the Company, which contains an estimate of the unaudited consolidated net loss of the Group attributable to the owners of the Company for the six months period ended 30 June 2020 (“**the Profit Estimate**”) set forth in the section headed Material Change in the circular of the Company dated 14 August in connection with the proposed rights issue and major and connected transaction in relation to the subscription of convertible bonds (“**the Circular**”) as extracted below:

“based on the preliminary review of the management accounts of the Group for the six-month period ended 30 June 2020, the outbreak of the COVID-19 has had a huge impact on the gaming and hotel operations of the Group in the first half of 2020 due to (i) the temporary entry ban to the Russian Federation of foreign nationals, including those from Hong Kong and Macau, which had an adverse impact on the Group’s visitation in early 2020, and (ii) the Group’s gaming operation was suspended from or about 28 March 2020 to comply with the measures to control the COVID-19 outbreak as announced by the Russian government, resulting in a significant decrease in the unaudited consolidated revenue of the Group of not more than approximately 63% as compared to the corresponding period in 2019 and an estimated loss attributable to owners of the Company of not more than HK\$50 million for the six months ended 30 June 2020.”

We have been advised by the directors of the Company that the Profit Estimate was prepared based on the based on the unaudited consolidated results based on the management accounts of the Group for the six months ended 30 June 2020, which had been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the published annual report of the Company for the year ended 31 December 2019, except for certain new and amendments to

Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are applicable for the Group’s annual period beginning on 1 January 2020.

The Profit Estimate is prepared by the directors of the Company and constitute a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commissions.

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Group for the six months ended 30 June 2020.

The Company’s directors are solely responsible for the Profit Estimate.

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.

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 on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in the section headed Basis in Preparing the Profit Estimate under “Letter from the Board” to the Circular issued by the Company and is presented on a basis consistent respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2019, except for certain new and amendments to HKFRSs issued by the HKICPA which are applicable for the Group’s annual period beginning on 1 January 2020.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter from Merdeka Corporate Finance Limited prepared for inclusion in this circular.



Room 1108–1110, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

14 August 2020

The board of directors
Summit Ascent Holdings Limited
Unit 1704, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the Profit Estimate as disclosed in the Profit Warning Announcement. Capitalised terms used in this letter shall have the same meanings as defined in this circular and the Profit Warning Announcement unless the context otherwise requires.

With reference to the section headed “5. MATERIAL CHANGE” in Appendix I to the Circular, which states that, and as disclosed in the Profit Warning Announcement:

“based on the preliminary review of the management accounts of the Group for the six-month period ended 30 June 2020, the outbreak of the COVID-19 has had a huge impact on the gaming and hotel operations of the Group in the first half of 2020 due to (i) the temporary entry ban to the Russian Federation of foreign nationals, including those from Hong Kong and Macau, which had an adverse impact on the Group’s visitation in early 2020, and (ii) the Group’s gaming operation was suspended from or about 28 March 2020 to comply with the measures to control the COVID-19 outbreak as announced by the Russian government, resulting in a significant decrease in the unaudited consolidated revenue of the Group of not more than approximately 63% as compared to the corresponding period in 2019 and an estimated loss attributable to owners of the Company of not more than HK\$50 million for the six months ended 30 June 2020. As stated in the announcement of the Company dated 15 July 2020, the integrated resort in the Russian Federation has been reopened for business from 16 July 2020 onwards.”

The Profit Estimate constituted a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser or independent financial adviser, and the auditor or consultant accountants. This report is issued in compliance with the requirement under Rule 10.4 and Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

We have reviewed the Profit Estimate and other relevant information and documents (in particular, the unaudited consolidated management accounts of the Company for the six months ended 30 June 2020 (the “**Unaudited Management Account**”)) which you as the Directors are solely responsible for and discussed with the Company the information and documents (in particular, the Unaudited Management Account) provided by the Company which formed the key bases upon which the Profit Estimate has been made. In respect of the accounting policies and calculations concerned, upon which the Profit Estimate has been made, we have relied upon the report as contained in Appendix IV to the Circular addressed to the Board from Deloitte Touche Tohmatsu, being the auditor of the Company. Deloitte Touche Tohmatsu, is of the opinion that so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Based on the above, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of

Merdeka Corporate Finance Limited

Jeannie Chan
Director

Wallace So
Director

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 regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue) will be as follows:

- i. As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>3,200,000,000</u>	Shares of HK\$0.025 each	<u>80,000,000</u>
<i>Issued and paid-up share capital:</i>		
<u>1,803,777,836</u>	Shares of HK\$0.025 each	<u>45,094,446</u>

- ii. The following table illustrates the share capital structure of the Company immediately after the completion of the Increase in Authorised Share Capital and the proposed Rights Issue (assuming no outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to completion of the Rights Issue) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>6,000,000,000</u>	Shares of HK\$0.025 each	<u>150,000,000</u>
 <i>Issued and paid-up share capital:</i>		
1,803,777,836	Shares of HK\$0.025 each	45,094,446
<u>2,705,666,754</u>	Rights Shares to be allotted and issued upon completion of the Rights Issue	<u>67,641,669</u>
<u>4,509,444,590</u>		<u>112,736,115</u>

- iii. The following table illustrates the share capital structure of the Company immediately after the completion of the Increase in Authorised Share Capital and the proposed Rights Issue (assuming all outstanding Share Options being exercised and no other issue or repurchase of Shares from the Latest Practicable Date to completion of the Rights Issue) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>6,000,000,000</u>	Shares of HK\$0.025 each	<u>150,000,000</u>
 <i>Issued and paid-up share capital:</i>		
1,824,111,836	Shares of HK\$0.025 each	45,602,796
<u>2,736,167,754</u>	Rights Shares to be allotted and issued upon completion of the Rights Issue	<u>68,404,194</u>
<u>4,560,279,590</u>		<u>114,006,990</u>

All the Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the then existing Shares in issue in all respects including rights to dividends, voting and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

The Company had not issued any Shares since 31 December 2019, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, save for the Share Options, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share HK\$
29 November 2019	1.01
31 December 2019	1.09
31 January 2020	0.95
28 February 2020	0.87
31 March 2020	0.63
29 April 2020	0.69
29 May 2020	0.61
1 June 2020 (the Last Trading Day)	0.60
30 June 2020	0.57
31 July 2020	0.48
12 August 2020 (The Latest Practicable Date)	0.52

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 1 December 2019 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.47 on 27 July 2020, 3 August 2020 and 4 August 2020 and HK\$1.11 on 2 January 2020 respectively.

4. DISCLOSURE OF INTERESTS

a) Interest of Directors

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules and as required to be disclosed pursuant to the Takeovers Code were as follows:

Long position in the Shares and underlying Shares

Name	Capacity	Number of Shares held	Number of underlying Shares	Total	Approximate percentage of interest as at the Latest Practicable Date (%) (Note 1)
Mr. Chau	Interest of controlled corporations	3,182,476,218 (Note 2)	–	3,182,476,218	176.43
Dr. U Chio Jeong	Beneficial owner	40,906,000	–	40,906,000	2.26
Mr. Li Chak Hung	Beneficial owner	400,000	1,000,000 (Note 3)	1,400,000	0.07
Mr. Lau Yau Cheung	Beneficial owner	–	1,000,000 (Note 3)	1,000,000	0.05

Notes:

- Based on 1,803,777,836 Shares issued as at the Latest Practicable Date.
- These 3,182,476,218 Shares represent 49,302,000 Shares beneficially owned by Suncity, 397,006,464 Shares beneficially held by Victor Sky, a wholly-owned subsidiary of Suncity, 73,953,000 Committed Shares and 595,509,696 Committed Shares that each of Suncity and Victor Sky has irrevocably and unconditionally undertaken to the Company that, among other things, each of them shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to the Irrevocable Undertaking, and 2,066,705,058 Underwritten Shares committed by Victor Sky pursuant to the Underwriting Agreement (assuming full exercise of all Share Options other than Share Options which are under the Option Holders’ Undertakings on or before the Record Date). As at the Latest Practicable Date, Suncity was 74.87% owned by Fame Select Limited, which is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau is deemed to be interested in the Shares held by Suncity.

3. All underlying Shares are share options granted by the Company on 13 December 2018 under the share options scheme of the Company at the exercise price of HK\$0.98 per Share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code; or (d) pursuant to the Takeovers Code to be notified to the Company and the Stock Exchange.

b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following Shareholders other than a Director or chief executive of the Company had an interest or short position in the shares and underlying shares of the Company, (a) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

Long position in the Shares and underlying Shares

Name	Beneficial owner	Interest of controlled corporations	Underwriter	Other interest	Total	Approximate percentage of interest as at the Latest Practicable Date (%) (Note 1)
Suncity	49,302,000	3,059,221,218 (Note 2)	-	73,953,000 (Note 3)	3,182,476,218	176.43
Victor Sky	397,006,464	-	2,066,705,058 (Note 4)	595,509,696 (Note 5)	3,059,221,218	169.60
Fame Select Limited	-	3,182,476,218 (Note 6)	-	-	3,182,476,218	176.43
Mr. Cheng Ting Kong	-	3,182,476,218 (Note 6)	-	-	3,182,476,218	176.43

Notes:

1. Based on 1,803,777,836 Shares issued as at the Latest Practicable Date.
2. These 3,059,221,218 Shares represent 397,006,464 Shares beneficially held by Victor Sky, 595,509,696 Committed Shares that Victor Sky has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to the Irrevocable Undertaking, and 2,066,705,058 Underwritten Shares committed by Victor Sky pursuant to the Underwriting Agreement (assuming full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings on or before the Record Date).
3. These 73,953,000 Shares represent the number of Committed Shares that Suncity has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to the Irrevocable Undertaking.
4. These 2,066,705,058 Shares represent the number of Underwritten Shares committed by Victor Sky pursuant to the Underwriting Agreement (assuming full exercise of all Share Options other than Share Options which are under the Option Holders' Undertakings on or before the Record Date).
5. These 595,509,696 Shares represent the number of Committed Shares that Victor Sky has irrevocably and unconditionally undertaken to the Company that, among other things, it shall subject to the granting of the Whitewash Waiver by the Executive, accept in full pursuant to the Irrevocable Undertaking.
6. These 3,182,476,218 Shares represent the number of Shares Suncity is interested in. As at the Latest Practicable Date, Suncity was 74.87% owned by Fame Select Limited, which is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. By virtue of the SFO, Mr. Chau, Mr. Cheng Ting Kong and Fame Select Limited are deemed to be interested in the Shares held by Suncity.

Save as disclosed above, the Directors and chief executive of the Company are not aware, as at the Latest Practicable Date, of any person (who are not Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or pursuant to the Takeovers Code, or who was, directly or indirectly, interested in 5% or more of the issued voting shares of any other member of the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

- (i) save for the Shares as set out in “EFFECT OF RIGHTS ISSUE ON SHAREHOLDINGS IN THE COMPANY” in the “Letter from the Board” of this circular, none of the members of the Concert Group owns or has control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (ii) the Concert Group has no dealings in any securities of the Company during the Relevant Period;
- (iii) the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolutions approving the Rights Issue, and/or the Whitewash Waiver at the SGM;
- (iv) there is no outstanding derivative in respect of securities in the Company entered into by the Concert Group;
- (v) save for the Underwriting Agreement and Irrevocable Undertaking given by the Committed Shareholders as described under the sections titled “Irrevocable Undertaking” and “THE UNDERWRITING AGREEMENT” in the “Letter from the Board” of this circular, there is no other arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the Shares of the Concert Group which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;
- (vi) save for the Rights Issue is conditional upon obtaining of the Whitewash Waiver by the Underwriter and each of the Committed Shareholders complying with its obligations under the Undertaking Letter, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue and/or the Whitewash Waiver;
- (vii) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent;
- (viii) save for the Underwriting Agreement and the Irrevocable Undertakings, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Concert Group to the Group in connection with the Rights Issue;
- (ix) save for the Underwriting Agreement and the Irrevocable Undertakings, there is no understanding, arrangement, agreement or special deal between the Group and the Concert Group;
- (x) there is no understanding, arrangement or agreement or special deal between any Shareholders and (i) the Concert Group, or (ii) the Company, its subsidiaries or associated companies;

- (xi) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Concert Group and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Rights Issue and/or the Whitewash Waiver;
- (xii) as at the Latest Practicable Date, no benefit was to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue and/or the Whitewash Waiver;
- (xiii) as at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Rights Issue and/or the Whitewash Waiver or otherwise connected therewith;
- (xiv) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by the Underwriter and parties acting in concert with it in which any Director had a material personal interest;
- (xv) there was no agreement, arrangement or understanding between the Underwriter and other persons in relation to the transfer, charge or pledge of the Shares that will be issued and allotted to the Underwriter pursuant to the Rights Issue or may be issued and allotted to the Underwriter pursuant to the fulfillment of its obligations under the Underwriting Agreement;
- (xvi) save for the Underwriting Agreement and Irrevocable Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (xvii) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (xviii) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;

(xix) pursuant to the Irrevocable Undertaking, each of Victor Sky and Suncity will accept and pay for 595,509,696 Rights Shares and 73,953,000 Rights Shares. Save for Mr. Chau, who was beneficial owner of Victor Sky and Suncity, and Dr. U Chio Jeong, an executive Director, did not express his intention, in respect of his own beneficial shareholding, to accept or reject the relevant Rights Shares to be provisionally allotted to him under the Rights Issues. Save for the above, none of the Directors hold any Share as at the Latest Practicable Date; and

(xx) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

8. DIRECTORS' SERVICE CONTRACTS

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

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Merdeka Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Somerley Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer

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, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 December 2019 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 31 May 2018 (being the date falling two years immediately preceding 1 June 2020 (being the date of the Announcement)) up to and including the Latest Practicable Date:

- (i) the placing agreement dated 25 July 2019 entered into between the Company as issuer and Kingston Securities Limited as placing agent, in relation to the placing of a maximum of 300,000,000 Shares to not less than six places at a price of HK\$1.01 per Share;
- (ii) the Placing Agreement;
- (iii) the Underwriting Agreement; and
- (iv) the Subscription Agreement.

12. EXPENSES

The expenses in connection with the Rights Issue and the Whitewash Waiver, including but not limited to the financial advising fees, printing, registration, legal, accounting and documentation charges, etc. are estimated to be approximately HK\$4.98 million and are payable by the Company.

13. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Unit 1704, 17th Floor West Tower Shun Tak Centre 200 Connaught Road Central Hong Kong
Principle share registrar and transfer office	MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Company secretary	Ms. Ho Siu Pik (<i>FCIS, FCS</i>) Level 54, Hopewell Centre 183 Queen’s Road East Hong Kong

Authorised representatives	Mr. Lo Kai Bong Mr. Chiu King Yan
Principal bankers	Dah Sing Bank, Limited Bank of Communications Co., Ltd. Hong Kong Branch PJSC Bank Primorye Alfa-Bank Primsotsbank
Auditor and reporting accountant	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, 88 Queensway One Pacific Place Admiralty Hong Kong
Financial adviser to the Company	Merdeka Corporate Finance Limited Room 1108–1110 11/F Wing On Centre 111 Connaught Road Central Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	Chiu & Partners 40/F, Jardine House 1 Connaught Place Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Placing Agent	Merdeka Securities Limited Room 1108–1110 11/F, Wing On Centre 111 Connaught Road Central Central Hong Kong

The Underwriter

Victor Sky Holdings Limited
Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola, VG1110
British Virgin Islands

Correspondence address:

Unit 1705, 17th Floor
West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Director of the Underwriter

Mr. Chau Cheok Wa
Unit 1705, 17th Floor
West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

**Ultimate controlling shareholder of
the Underwriter**

Suncity Group Holdings Limited, 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)

Unit 1705, 17th Floor
West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

14. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Address
Executive Directors	
Mr. Lo Kai Bong (<i>Deputy Chairman</i>)	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Mr. Chiu King Yan	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Non-executive Directors	
Mr. Chau Cheok Wa (<i>Chairman</i>)	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Mr. Wong Pak Ling Philip	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Dr. U Chio Ieong	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Independent non-executive Directors	
Mr. Lam Kwan Sing	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Mr. Lau Yau Cheung	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Mr. Li Chak Hung	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Senior Management	
Mr. Stylianos Tsifetakis	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong
Mr. Yip Ho Chi	Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong

Executive directors

Mr. Lo Kai Bong, aged 41, was re-designated as an executive Director of the Company and appointed as the Deputy Chairman on 26 April 2019. He is a director of a subsidiary of the Company. He has obtained a Bachelor of Arts degree from the University of Winnipeg in Canada. Mr. Lo is currently an executive director of Suncity, a company listed on Hong Kong Stock Exchange and the substantial shareholder of the Company. Mr. Lo is also the chief investment officer of the Suncity Group, which is one of Asia's leading VIP services and entertainment conglomerates. Mr. Lo has been involved in business development of the Suncity Group's overseas businesses. Mr. Lo is also responsible for the corporate management, mergers and acquisitions of Suncity and the Suncity Group and is experienced in the gaming industry. Mr. Lo was an executive director of Sun International, a company listed on the GEM of the Hong Kong Stock Exchange, from August 2013 to February 2015. Mr. Lo is a brother-in-law of Mr. Chiu King Yan, executive Director of the Company.

Mr. Chiu King Yan, aged 43, was appointed as the executive Director of the Company since 26 April 2019. He is the chief financial officer of Suncity, a company listed on Hong Kong Stock Exchange and the substantial shareholder of the Company. Mr. Chiu is a director of subsidiaries of the Company. Mr. Chiu has over 20 years of experience in audit, accounting, private equity investment and corporate finance, obtained from his previous working experience in international accounting firms and various listed companies in Hong Kong. Mr. Chiu is an independent non-executive director of ICO Group Limited (stock code: 1460), a company listed on the Hong Kong Stock Exchange since 23 April 2020. Mr. Chiu was an executive director of Wanjia Group Holdings Limited (stock code: 401), a company listed on the Hong Kong Stock Exchange, from March 2017 to February 2018. He was the group chief financial officer of AID Partners Capital Holdings Limited (stock code: 8088) (now known as AID Life Science Holdings Limited), a company listed on the Hong Kong Stock Exchange, from April 2014 to July 2016, responsible for financial reporting, investment management and mergers and acquisitions. Mr. Chiu holds a master's degree in financial analysis from The Hong Kong University of Science and Technology and a bachelor's degree in business administration in Accountancy from The City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chiu is a brother-in-law of Mr. Lo Kai Bong, Executive Director and Deputy Chairman of the Company.

Non-executive Directors

Mr. Chau Cheok Wa, aged 46, has been the Chairman and a Non-executive Director of the Company since 1 June 2019. He is currently the chairman, executive director and controlling shareholder of Suncity Group Holdings Limited (stock code: 1383) ("**Suncity**"), a company listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the substantial shareholder of the Company. He was previously an executive director and the chairman of Sun International Resources Limited (stock code: 8029) (now known as Sun International Group Limited, "**Sun International**"), a company listed on the GEM of the Hong Kong Stock Exchange and resigned on 5 July 2013. Mr. Chau is also the founder and chairman of the Suncity Group (the "**Suncity Group**"), which is one of Asia's leading VIP services and entertainment conglomerates.

Mr. Wong Pak Ling Philip, aged 56, has been a Non-executive Director of the Company since 1 June 2019. He is currently the chief financial officer of Suncity Group. Mr. Wong has over 30 years of experience in tax, audit, accounting, and corporate finance, obtained from his previous working experience in international accounting firms and various companies in Hong Kong and Macau. Prior to joining the Suncity Group, he was the chief financial officer of Altira Macau from June 2009 to February 2011, a hotel casino owned by Melco Resorts & Entertainment Limited which is a company listed on the NASDAQ Global Select Market (stock code: MLCO). From April 2005 to June 2009, Mr. Wong was the vice president – finance of Galaxy Casino S.A., a subsidiary of Galaxy Entertainment Group Limited (stock code: 27), a company listed on the Hong Kong Stock Exchange. From April 2003 to April 2005, he was the finance director of Huawei Technology Investment Limited, a subsidiary of Huawei Technology Company Limited. Mr. Wong holds a master's degree in business administration from the Heriot-Watt University in the United Kingdom. He is a member of the Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) and the Institute of Chartered Accountants in England and Wales. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Dr. U Chio Ieong, aged 47, has been a non-executive Director of the Company since September 2018. He is a well-rounded businessman and philanthropist with a wealth of experience and connections in various fields. Dr. U has held management positions in a number of private companies in China, Hong Kong and Macau, in which he has shareholding interests. These companies are mainly engaged in real estate, graphene mining, food and beverage, hotels, finance, travel, rosewood furniture and crafts.

Dr. U is a keen supporter of community services and serves as the Standing Member of Fujian Federation of Returned Overseas Chinese, the Deputy Chairman of the International Society of Fuqing Clansmen, Permanent Honorary Chairman of the Macau Society of Fuqing Clansmen, the first Director of the Fujian Province Overseas Chinese Charity Foundation, the second Deputy Chairman of Fujian Overseas Chinese Enterprise Development Foundation, Honorary Deputy Chairman of Fujian Women and Children's Development Foundation, Executive Vice President of Fuzhou Overseas Chinese Chamber of Commerce, Deputy Chairman of Yongtai County Charity Federation, and Fuqing City Overseas Friendship Association. Dr. U was a member of the Fuzhou Committee of Chinese People's Political Consultative Conference in Fujian Province, China.

Dr. U is also the Founding Chairman of Benevolence International Charity Association. He was granted the 15th "World Outstanding Chinese Award" by World Chinese Business Investment Foundation. In 2017, Dr. U was granted an Honorary Doctorate Degree in Business Administration by Sabi University, which is an accredited international private university located in Paris, France.

Independent non-executive Directors

Mr. Lam Kwan Sing, aged 51, has been an independent non-executive Director of the Company since 14 June 2019. He is also the chairman of the remuneration committee and corporate governance committee and a member of the audit committee and nomination committee of the Company. Mr. Lam has obtained a Bachelor of Arts in Accountancy degree from the City University of Hong Kong. He has over 21 years of experience in the commercial and corporate finance field. Currently he is an executive director and chief executive officer of SFund International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1367), and is also an independent non-executive director of Hao Tian Development Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 474). In addition, Mr. Lam is a director of China Natural Resources Inc. since 2003 (a company listed on NASDAQ). Mr. Lam was an executive director of China Smarter Energy Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1004), from 1 August 2010 to 16 August 2017.

Mr. Lau Yau Cheung, aged 59, has been an independent non-executive Director of the Company since October 2018. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. Mr. Lau holds a bachelor's degree in commerce from the University of Toronto in Canada. Mr. Lau has over 25 years of experience in business strategies and corporate finance and 6 years of experience in the securities trading business. He has served in various senior management positions with both private and public companies in Hong Kong and overseas. Mr. Lau is currently an independent non-executive director and chairman of the board of the directors of Sandmartin International Holdings Limited ("**Sandmartin**"), a company listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin (the "**Petition**"), which was prior to the appointment of Mr. Lau as an independent non-executive director of Sandmartin on 7 August 2017 and chairman of the board of directors of Sandmartin on 18 August 2017. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed. Mr. Lau was an independent non-executive director of Walderly International Holdings Limited (now known as Fullshare Holdings Limited) from September 2005 to August 2006, an executive director of APAC Resources Limited from April 2004 to October 2007 and an executive director of Greenfield Chemical Holdings Limited (now known as Landing International Development Limited) from October 2007 to January 2010, all of these companies are listed on the Hong Kong Stock Exchange. Mr. Lau also serves as the managing director of BH Capitalink Development Limited.

Mr. Li Chak Hung, aged 55, has been an independent non-executive Director of the Company since October 2018. He is also the chairman of the audit committee and a member of the corporate governance committee of the Company. Mr. Li is graduated from The Chinese University of Hong Kong and holds a Bachelor's Degree of Business Administration. He is a practicing Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Fellow of The Taxation Institute of Hong Kong. He has over 25 years' experience in accounting, auditing, taxation and financial management. Mr. Li is currently an independent non-executive director of Asiasec Properties Limited, Sandmartin and Alpha Professional Holdings Limited, and he was an independent non-executive director of DreamEast Group Limited from October 2004 to December 2019 and ChinaVision Media Group Limited (now known as Alibaba Pictures Group Limited) from September 2004 to June 2014, all of them are listed on the Hong Kong Stock Exchange. A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin. Upon submission of the joint application of the petitioner, Sandmartin and the 2nd and 3rd respondents by way of consent summons dated 21 December 2018, the High Court of Hong Kong had granted an order on 7 January 2019 that the Petition be dismissed.

Senior Management

Mr. Stylianos Tsifetakis, aged 49, has joined the Group in a senior management capacity since September 2014. Mr. Tsifetakis has over 21 years of experience in the casino and hospitality industry. Prior to joining the Group, he was the Director of Operations at Regency Casino Mont Parnes and a Director at Hyatt Regency Casino, both of which are located in Greece. Mr. Tsifetakis also held senior managerial roles in various world class hotels in multiple jurisdictions including the United Kingdom, Romania and Kazakhstan. Mr. Tsifetakis holds a casino management certificate in Greece and graduated from London South Bank University in the United Kingdom with a Bachelor of Arts (Honours) degree in hotel management.

Mr. Yip Ho Chi, aged 50, has been Finance Director of the Company since October 2013. He is a director of a subsidiary of the Company. Prior to joining the Company, Mr. Yip was the chief financial officer of MelcoLot Limited (now known as Loto Interactive Limited), a company listed on the Hong Kong Stock Exchange, from 2009 to 2013. Before this, he had been serving as an executive director, finance director and company secretary of Sandmartin, a company listed on the Hong Kong Stock Exchange, for nine years. Mr. Yip was also an audit manager of Deloitte Touche Tohmatsu with whom he worked for over seven years. Mr. Yip graduated from The University of Hong Kong with a Bachelor of Business Administration degree. He is a fellow member of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants.

15. GENERAL

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Unit 1704, 17th Floor West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong during normal business hours (except Saturdays and public holidays) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.; (ii) on the websites of the Company (www.saholdings.com.hk); and (iii) the SFC (www.sfc.hk) in the period from the date of this circular up to and including the date of the SGM.

- (i) the memorandum of association and the bye-laws of the Company and the Underwriter;
- (ii) the letter from the Board, the text of which is set out on pages 17 to 87 of this circular;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 88 to 89 of this circular;
- (iv) the letter from Somerley, the text of which is set out on pages 90 to 135 of this circular;
- (v) the annual reports of the Company for each of the years ended 31 December 2017, 2018 and 2019;
- (vi) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (vii) the property valuation report and the valuation certificate prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this circular;
- (viii) the written consents referred to in the paragraph headed “EXPERTS AND CONSENTS” in this appendix;
- (ix) the material contracts referred to in the paragraph headed “MATERIAL CONTRACTS” in this appendix;
- (x) the letter from the reporting accountant on the Profit Estimates, the text of which is set out on pages IV-1 to IV-3 of this circular;
- (xi) the letter from Merdeka Corporate Finance on the Profit Estimate, the text of which is set out on pages V-1 to V-2 of this circular;
- (xii) the Irrevocable Undertaking;
- (xiii) the Option Holders’ Undertakings;

- (xiv) the Announcement;
- (xv) the Inside Information Announcement;
- (xvi) the Profit Warning Announcement; and
- (xvii) this circular.

NOTICE OF SGM



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Summit Ascent Holdings Limited (the “**Company**”) will be held at Jade Rooms V–VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Monday, 7 September 2020 at 3:00 p.m., Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 14 August 2020 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement, including the passing of resolutions numbered 2 and 5 below, and the Underwriting Agreement not being terminated in accordance with its terms:
 - (a) the issue by way of rights of not more than 2,736,167,754 and not less than 2,705,666,754 new shares of the Company (“**Rights Shares**”) by way of Rights Issue (the “**Rights Issue**”) at HK\$0.6 per Rights Share on the basis of three (3) Rights Shares for every two (2) Shares held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on Thursday, 17 September 2020 (or such other date as may be determined by the directors of the Company (“**Directors**”)) (the “**Record Date**”) other than those shareholders (the “**Non-Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the circular of the Company dated 14 August 2020 (a copy of which **marked “A”** is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, **be and is hereby approved** and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 1 June 2020 entered into between the Company and the Placing Agent (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares at the placing price of not less than the Subscription Price per Unsubscribed Rights Share or NQS Unsold Rights Share on a best effort basis (a copy of the Placing Agreement

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marked “B” is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, **be and are hereby approved, confirmed and ratified**;

- (b) the board of Directors (the **“Board”**) or a committee thereof **be and is hereby authorised to** allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (c) any one or more Directors **be and is/are hereby authorised to** take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the entering into of the underwriting agreement dated 1 June 2020 between the Company and the Underwriter in relation to the Rights Issue (the **“Underwriting Agreement”**) and the transactions contemplated thereunder (a copy of the Underwriting Agreement **marked “C”** is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) **be and is hereby approved, confirmed and ratified** in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by the Underwriter **be and are hereby approved, confirmed and ratified**; and
- (b) any one or more Directors **be and is/are hereby authorised to** take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Underwriting Agreement and the transactions contemplated thereunder.”

3. **“THAT:**

- (a) the authorised share capital of the Company **be and is hereby increased** from HK\$80,000,000 divided into 3,200,000,000 Shares to HK\$150,000,000 divided into 6,000,000,000 Shares by the creation of an additional 2,800,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank pari passu in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum of association and bye-laws of the Company (the **“Increase in Authorised Share Capital”**); and

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- (b) any one or more Directors **be and is/are hereby authorised to** take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

4. **“THAT:**

- (a) the entering into of the subscription agreement dated 1 June 2020 between SunTrust as issuer and the Subscriber as subscriber in relation to the subscription by the Subscriber of the Convertible Bonds (the **“Subscription Agreement”**) from SunTrust and the transactions contemplated thereunder (a copy of the Subscription Agreement **marked “D”** is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) **be and is hereby approved, confirmed and ratified** in all respects and the performance of the transactions contemplated thereunder by the Subscriber **be and are hereby approved, confirmed and ratified;** and
- (b) any one or more Directors **be and is/are hereby authorised to** take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Subscription Agreement and the transactions contemplated thereunder.

SPECIAL RESOLUTION

5. **“THAT:**

- (a) Subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the granting of a waiver pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (**“Takeovers Code”**) to the Underwriter of any obligation to make a general offer under the Takeovers Code for all the issued shares of the Company (other than those owned or agreed to be acquired by the Underwriter and parties acting in concert with the Underwriter) as a result of the taking up of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement that would bring the aggregate interests of the Underwriter and parties acting in concert with it in the Company to or above 30% (the **“Whitewash Waiver”**) **be and is hereby approved;** and

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- (b) any one or more Directors **be and is/are hereby authorised to** take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

By Order of the Board
SUMMIT ASCENT HOLDINGS LIMITED
Chau Cheok Wa
Chairman

Hong Kong, 14 August 2020

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Unit 1704, 17th Floor
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the SGM is entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited with the share registrars of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be).
- (4) The register of members of the Company will be closed from Wednesday, 2 September 2020 to Monday, 7 September 2020 (both days inclusive) to determine the entitlement to attend and vote at the SGM. During such period, no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 3:00 p.m. on Saturday, 5 September 2020 for registration.

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- (5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

As at the date of this notice, the Company's Executive Directors are Mr. Lo Kai Bong (Deputy Chairman) and Mr. Chiu King Yan, the Non-executive Directors are Mr. Chau Cheok Wa (Chairman), Mr. Wong Pak Ling Philip and Dr. U Chio Jeong, and the Independent Non-executive Directors are Mr. Lam Kwan Sing, Mr. Lau Yau Cheung and Mr. Li Chak Hung.

NOTICE OF SGM

PRECAUTIONARY MEASURES FOR THE SGM

At the time of publishing this notice the coronavirus (COVID-19) situation in Hong Kong is still developing and the situation at the time of the SGM is difficult to predict. The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends shareholders to appoint the chairman of the SGM as their proxy and submit their form of proxy as early as possible.

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

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the SGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the SGM.
2. There will be compulsory body temperature screening for all persons before entering the SGM venue. Should anyone seeking to attend the SGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company will request such persons to stay in an isolated place for completing the voting procedures.
3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the SGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be requested to stay in an isolated place for completing the voting procedures.
4. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding.
5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
6. No gifts, food or beverages will be provided at the SGM.
7. Company staff and representatives at the SGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
8. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the SGM arrangements at short notice. Shareholders should check the Company's website.