
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, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

MAJOR AND CONNECTED TRANSACTIONS:

PROVISION OF FINANCIAL ASSISTANCE –

- (1) NEW CB SUBSCRIPTION;**
- (2) THE SA LOAN AGREEMENT;**
- (3) THE FINANCE DOCUMENTS;**

AND

(4) 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 shall have the same meanings as those defined in "Definitions" in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 62 to 112 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 61 of this circular.

A notice convening the SGM to be held at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 4:00 p.m. on Wednesday, 13 September 2023 is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, 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 appointed for the holding of the SGM (i.e. 4:00 p.m. on Monday, 11 September 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

24 August 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	61
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	62
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1
NOTICE OF SGM	SGM-1

DEFINITIONS

In this circular, unless otherwise stated:

- (1) all references to times and dates are references to Hong Kong time;*
- (2) all references to Rules and Chapters are references to Rules and Chapters of the Listing Rules; and*
- (3) for illustrative purposes only when translated, (a) HK\$ was translated to PHP at the exchange rate of HK\$1.0 to PHP7.01; and (b) US\$ was translated to HK\$ at the exchange rate of US\$1.0 to HK\$7.75.*

“2020 CB”	the 6.0% coupon rate convertible bonds in the aggregate principal amount of PHP5.6 billion (equivalent to approximately HK\$798.9 million) issued by Suntrust to SA Investments on 30 December 2020 convertible into Suntrust Shares at an initial conversion price (subject to adjustment) of PHP 1.8 per Suntrust Share pursuant to the 2020 Subscription Agreement which was approved by the Independent Shareholders at a special general meeting of the Company held on 7 September 2020
“2020 CB Conversion Price”	the price at which Conversion Shares are to be issued upon exercise of the conversion rights under the 2020 CB, which is initially at PHP1.8 per Conversion Share, subject to adjustments in accordance with the conditions of the 2020 CB
“2020 Subscription Agreement”	the conditional subscription agreement dated 1 June 2020 in relation to the subscription of the 2020 CB by SA Investments as subscriber and Suntrust as issuer
“2021 Subscription Agreement”	the conditional subscription agreement dated 20 September 2021 in relation to the subscription of the 2022 CB by SA Investments as subscriber and Suntrust as issuer
“2022 CB”	the 6.0% coupon rate convertible bonds in the aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$913.0 million) issued by Suntrust to SA Investments on 10 June 2022 convertible into Suntrust Shares at an initial conversion price (subject to adjustment) of PHP 1.65 per Suntrust Share pursuant to the 2021 Subscription Agreement which was approved by the Independent Shareholders at a special general meeting of the Company held on 16 November 2021

DEFINITIONS

“2022 CB Conversion Price”	the price at which Conversion Shares are to be issued upon exercise of the conversion rights under the 2022 CB, which is initially at PHP1.65 per Conversion Share, subject to adjustments in accordance with the conditions of the 2022 CB
“Announcements”	the Loan Facility Announcement, and the Loan Facility Supplemental and New CB Subscription Announcement
“Applicable Law”	with respect to any party to the New CB Subscription Agreement, any laws, regulations, rules, notices, guidelines, treaties, orders, and other legislative, executive decisions, judicial decisions or pronouncements of any Governmental Authority or the stock exchange that is applicable to such party to the New CB Subscription Agreements that have the effect of law in the Philippines or other political subdivision of any Governmental Authority, as applicable to the parties to the New CB Subscription Agreement or the subject matter of the New CB Subscription Agreement
“Assigned Loan Contracts”	the creation of a first charge and an assignment by way of security of all present and future agreements, contracts, documents or instruments entered into or to be entered into between Suntrust and SA Investments (save and except the CBs) evidencing or relating to loans or advances by SA Investments to Suntrust under the Security Agreement. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Security Agreement” in this circular
“associate”	has the meaning ascribed to it under the Listing Rules
“Astrum” or “Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed by the Securities and Futures Commission to carry Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance)
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday) on which licensed banks in Manila of the Philippine are open for general business

DEFINITIONS

“BVI”	the British Virgin Islands
“CBs”	all present and future convertible bonds issued and to be issued by Suntrust to SA Investments
“Company”	Summit Ascent Holdings Limited, a company incorporated in Bermuda with limited liability, and the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 102) and a 69.66% non-wholly owned subsidiary of LET
“Completion”	completion of the New CB Subscription
“Completion Date”	the second Business Day (or such other date as SA Investments and Suntrust may agree in writing) after the fulfillment of the Conditions Precedent or waiver thereof (as the case may be) in accordance with the New CB Subscription Agreement
“Completion Date (Expected)”	30 April 2024, the expected Completion Date for determining the Maximum Set-Off Amount under the New CB Subscription Agreement
“Conditions Precedent”	the conditions precedent to the New CB Subscription Agreement. Further details please refer to “Letter from the Board – The New CB Subscription – The New CB Subscription Agreement – Conditions Precedent” in this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period commencing from the day immediately following the issue date of the New CB up to 4:00 p.m. on the date falling on the Maturity Date
“Conversion Shares”	the Suntrust Shares to be issued by Suntrust upon any holder of the Fortune Noble CB, the 2020 CB, the 2022 CB or the New CB exercising its conversion rights under any of them
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness

DEFINITIONS

“CRA Reserve Requirement”	the requirement to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) by Suntrust in a construction reserve account that to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino pursuant to the Loan Agreement
“Directors”	directors of the Company and each, a “Director”
“Finance Documents”	collectively, the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls
“Financial Assistance”	collectively, the following: <ol style="list-style-type: none">(1) Loan Facility Related Financial Assistance; and(2) New CB Related Financial Assistance
“Fortune Noble”	Fortune Noble Limited, a direct wholly-owned subsidiary of LET
“Fortune Noble CB”	the zero coupon rate convertible bonds in the aggregate principal amount of PHP7.30 billion (equivalent to approximately HK\$1.04 billion) issued by Suntrust to Fortune Noble on 30 December 2020 convertible into Suntrust Shares at an initial conversion price (subject to adjustment) of PHP1.10 per Suntrust Share pursuant to the Fortune Noble Subscription Agreement
“Fortune Noble Subscription Agreement”	the conditional subscription agreement dated 1 June 2020 in relation to the subscription of the Fortune Noble CB by Fortune Noble as subscriber and Suntrust as issuer
“Governmental Authority”	any government, quasi-government, governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in the Philippines (including the PSE and SEC), and any person authorised by Applicable Law of the Philippines to give consent, approval, permission, licence, certification, waiver or impose conditions and/or requirements
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Increase in Authorised Capital Stock”	the increase in the authorised capital stock of Suntrust from PHP23,000,000,000 divided into 23,000,000,000 Suntrust Shares to PHP27,000,000,000 divided into 27,000,000,000 Suntrust Shares to allow for the issuance and listing of the Conversion Shares upon exercise in full of the conversion rights under the New CB
“Indebted Amount”	the outstanding principal amount together with accrued interest thereon on the basis of the Interest Waiver due and payable under the 2020 CB and the 2022 CB by Suntrust to SA Investments up to the Completion Date
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders on, among other matters, the fairness and reasonableness of the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance)
“Independent Shareholders”	the Shareholders, other than LET, Victor Sky, Mr. Lo and their respective associates, who have no material interest in the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance)
“Independent Shareholders' Approval”	the approval, confirmation, adoption and/or ratification by the Independent Shareholders of the execution by SA Investments of the Loan Agreement and all undertakings and obligations assumed and any and all forms of security over the assets or properties of SA Investments provided or created by SA Investments under the terms of the Loan Agreement
“Independent Shareholders' Approval Date”	the date when the Independent Shareholders' Approval is obtained, issued and/or adopted
“Independent Third Party”	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
“Interest Waiver”	waiver by SA Investments to charge interest under the 2020 CB and the 2022 CB at the rate of 6.0% per annum rather than at the higher overdue interest rate of 8% per annum chargeable under (a) the 2020 CB from 30 December 2022 onwards until payment in full of all amount due or to be due under the 2020 CB; and (b) the 2022 CB from 10 June 2023 onwards (if any) until payment in full of all amount due or to be due under the 2022 CB

DEFINITIONS

“Interest Waiver Approval”	the obtaining of the Independent Shareholders approval to the Interest Waiver at the SGM
“Last Trading Day”	26 July 2023, being the last trading day of the Suntrust Shares on the PSE immediately before the New CB Subscription Agreement
“Latest Practicable Date”	21 August 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Lease Agreement”	the conditional lease agreement dated 21 February 2020 and entered into between Westside and Travellers as the lessor and Suntrust as the lessee for the leasing of the Project Site
“Lender”	China Banking Corporation, a corporation organized and existing under the laws of the Philippines and an Independent Third Party
“LET”	LET Group Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1383)
“LET Circular”	the circular of LET dated 26 March 2020 in relation to Suntrust entering into the Lease Agreement for the Project Site for the construction, development, operation and management of the Main Hotel Casino
“LET Group”	LET and its subsidiaries from time to time, including the Group and the Suntrust Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the aggregate principal amount of all drawdowns under the Loan Facility
“Loan Agreement”	the omnibus loan and security agreement dated 8 June 2023 as amended by Loan Amendment Agreement in relation to the grant of the Loan Facility by the Lender to Suntrust as borrower entered into, among other parties, the Lender, Suntrust as borrower, Mr. Lo as surety, Fortune Noble and SA Investments as the security providers

DEFINITIONS

“Loan Amendment Agreement”	the amendment agreement dated 26 July 2023 entered into, among other parties, the Lender, Suntrust, Mr. Lo, Fortune Noble and SA Investments for the amendment of the Loan Agreement
“Loan Facility”	a term loan in principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion) made available by the Lender to Suntrust as borrower under the Loan Agreement
“Loan Facility Announcement”	the announcement of the Company dated 9 June 2023 in relation to, amongst other matters, the provision of financial assistance by SA Investments under and pursuant to the Loan Agreement
“Loan Facility Related Financial Assistance”	collectively, the Finance Documents, the SA Loan Agreement and the transactions contemplated thereunder respectively
“Loan Facility Supplemental and New CB Subscription Announcement”	the announcement of the Company dated 26 July 2023 in relation to, amongst other matters, the entering into of the New CB Subscription Agreement, the SA Loan Agreement and the Loan Amendment Agreement
“Long Stop Date”	the last time for fulfillment or, as the case may be, waiver of the Conditions Precedent, being 5:00 p.m. on 30 April 2024 (or such later time and date as SA Investments and Suntrust may agree in writing)
“Main Hotel Casino”	a 5-Star hotel and casino complex erected or to be erected on the Project Site
“Maturity Date”	the eighth (8th) anniversary of the issue date of the New CB which may, subject to agreement by the holder of the New CB upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the New CB or, if that is not a Business Day, the first Business Day thereafter
“Maximum Set-Off Amount”	PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) being the maximum cap mutually agreed between SA Investments and Suntrust on the Indebted Amount to be set-off under the Set-Off. Further details please refer to “Letter from the Board – The New CB Subscription – The Set-Off” in this circular

DEFINITIONS

“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. Lo”	Mr. Lo Kai Bong
“New CB”	the zero coupon convertible bonds in the aggregate principal amount of up to PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) proposed to be issued by Suntrust to SA Investments pursuant to the New CB Subscription Agreement
“New CB Conversion Price”	PHP1.10 per Conversion Share, being the initial price at which Conversion Shares are issuable upon exercise of the New CB Conversion Rights, which is subject to adjustment provisions
“New CB Conversion Rights”	the rights to convert the New CB into Conversion Shares
“New CB Related Financial Assistance”	collectively, the New CB Subscription, the Interest Waiver, the Set-Off and the transactions contemplated thereunder respectively
“New CB Subscription”	the subscription of the New CB at the Subscription Price by SA Investments under and pursuant to the New CB Subscription Agreement
“New CB Subscription Agreement”	the conditional subscription agreement dated 26 July 2023 entered into by Suntrust as issuer and SA Investments as subscriber in respect of the New CB Subscription
“Payment Obligations”	the payment obligations of Suntrust to SA Investments to pay interest for the 2020 CB due on 30 December 2022 and the 2022 CB due on 10 June 2023. Further details please refer to “Letter from the Board – Introduction” in this circular
“percentage ratios”	has the meaning as defined in Rule 14.07
“Philippines”	the Republic of Philippines
”PHP”	Philippine peso, the lawful currency of the Philippines
“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

DEFINITIONS

“Project Site”	the three parcels of land located at Manila Bayshore Integrated City (Site A) in Paranaque City, the Philippines upon which the Main Hotel Casino is to be constructed and erected
“Project Support”	additional funding for the Main Hotel Casino project through (a) equity contribution to Suntrust; or (b) extension of subordinated indebtedness to Suntrust
“PSE”	The Philippine Stock Exchange, Inc.
“PSE Listing Rules”	PSE Consolidated Listing and Disclosure Rules
“Required CB Conditions”	<p>(a) for as long as the Loan remains outstanding, there shall be no conversion or amendment of the CBs including the 2020 CB and the 2022 CB without the prior written consent of the Lender, provided that no such consent shall be needed if at least seventy-five percent (75%) of the Loan has been repaid;</p> <p>(b) the Required CB Subordination, and any such payment shall only be made if it will not contravene the terms of the Loan Agreement; and</p> <p>(c) any conversion, amendment, or payment in violation of any of the foregoing conditions shall be deemed void</p>
“Required CB Subordination”	the subordination of the rights to receive payment of principal, interest, and other amounts payable under any of the CBs including the 2020 CB and the 2022 CB
“SA Investments”	Summit Ascent Investments Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company
“SA Loan”	a loan facility in the principal sum of up to US\$20,000,000 (equivalent to approximately HK\$155,000,000) conditionally agreed to be granted by the SA Investments to Suntrust pursuant to the SA Loan Agreement
“SA Loan Agreement”	the conditional loan agreement dated 26 July 2023 entered into between SA Investments as lender and Suntrust as borrower in relation to the SA Loan

DEFINITIONS

“SA Loan Conditions Precedent”	the conditions precedent to the SA Loan Agreement and the availability of the SA Loan. Further details please refer to “Letter from the Board – The SA Loan Agreement – Conditions Precedent of the SA Loan Agreement” in this circular
“SA Loan EOD”	the events of default under the SA Loan Agreement. Further details please refer to “Letter from the Board – The SA Loan Agreement – Events of default” in this circular
“SA Loan Long Stop Date”	the last time for fulfillment or, as the case may be, waiver of the SA Loan Conditions Precedent, being 5:00 p.m. on 30 September 2023 (or such later time and date as SA Investments and Suntrust may agree in writing)
“SA Loan Maturity Date”	the date falling ten (10) years from the date of drawdown of the SA Loan under the SA Loan Agreement
“SA Project Support Undertaking”	the undertaking provided by SA Investments to provide Project Support to Suntrust to ensure timely completion of the Main Hotel Casino and timely fund the cost overruns of the Main Hotel Casino project through Project Support to Suntrust pursuant to the Security Agreement
“SEC”	the Philippine Securities and Exchange Commission
“Secured Obligations”	all amounts owing to and all expenses as may be incurred by the Lender, its facility agent, security trustee and share custodian pursuant to the terms of the Loan Agreement and the security documents provided as security therefor and incorporated as part of the Loan Agreement
“Security Agreement”	the security agreement under which certain securities and undertakings are provided by SA Investments as securities for the Secured Obligations which was incorporated as part of the Loan Agreement. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Security Agreement” in this circular
“Set-Off”	the setting off of the Subscription Price with the Indebted Amount (in full or as the case may be, in part) up to the Maximum Set-Off Amount on the Completion Date
“Set-Off Deed”	a set-off deed for the Set-Off to be executed by SA Investments and Suntrust upon Completion under the New CB Subscription Agreement

DEFINITIONS

“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 at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 4:00 p.m. on Wednesday, 13 September 2023 to consider, among others, the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance)
“Shareholders”	the holders of the issued Shares
“Shares”	ordinary shares of par value of HK\$0.025 each in the issued and unissued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subordinated Indebtedness”	all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to SA Investments under all advances and loans to Suntrust which SA Investments has irrevocably subordinated to and ranking junior in payment to the Secured Obligations under the Subordination Agreement. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Subordination Agreement” in this circular
“Subordination Agreement”	the subordination agreement dated 26 July 2023 executed by SA Investments prior to initial drawdown under the Loan Facility in relation to the subordination of the Subordinated Indebtedness by SA Investments to the Secured Obligations. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Subordination Agreement” in this circular
“Subscription Price”	the principal amount of the New CB of up to PHP13,511.1 million (equivalent to approximately HK\$1.93 billion)
“Suntrust”	Suntrust Resort Holdings, Inc., formerly known as Suntrust Home Developers, Inc., a company incorporated in the Philippines, the issued shares of which are listed on the PSE (stock code: SUN) and an indirect 51% non-wholly owned subsidiary of LET
“Suntrust Group”	Suntrust and its subsidiaries from time to time

DEFINITIONS

“Suntrust Shares”	ordinary shares of par value of PHP1.0 each in the share capital of Suntrust
“Supplemental Deed Polls”	the two conditional supplemental deed polls executed by Suntrust and SA Investments on 26 July 2023 to amend certain terms and conditions of the 2020 CB and 2022 CB respectively. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Supplemental Deed Polls” in this circular
“Travellers”	Travellers International Hotel Group, Inc.
“Undertaking”	the undertaking dated 26 July 2023 executed by SA Investments in favour of the Lender. Further details please refer to “Letter from the Board – The Security Agreement and other documents provided by SA Investments – Undertaking” in this circular
“United States”	the United States of America
“US\$”	United States dollars, the lawful currency of the United States
“Victor Sky”	Victor Sky Holdings Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of LET
“Westside”	Westside City Resorts World Inc.
“%”	per cent

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

LETTER FROM THE BOARD



SUMMIT ASCENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 102)

Executive Directors:

Mr. Lo Kai Bong (*Chairman*)
Mr. Chua Ming Huat David (*Chief Executive Officer*)
Mr. Chiu King Yan

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors

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

Principal place of business in Hong Kong:

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

24 August 2023

To the Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTIONS:
PROVISION OF FINANCIAL ASSISTANCE –
(1) NEW CB SUBSCRIPTION;
(2) THE SA LOAN AGREEMENT;
(3) THE FINANCE DOCUMENTS;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to, among other things, the Loan Facility Related Financial Assistance and the New CB Related Financial Assistance.

Suntrust, a fellow subsidiary of the Company and a member of the LET Group, proposed to obtain the Loan Facility (i.e. a term loan in principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion)) from the Lender (i.e. China Banking Corporation) to fund its Main Hotel Casino project in the Philippines by entering into the Loan Agreement. Suntrust, Mr. Lo (a controlling shareholder of LET) and Fortune Noble, a member of the LET Group, will provide (or as the case may be, have provided) surety and securities to the Lender as securities for the Secured Obligations.

LETTER FROM THE BOARD

It is one of the requirements of the Lender that SA Investments shall provide certain securities to the security trustee to the Lender and other documents on terms of the Loan Agreement as revised and amended by the Loan Amendment Agreement as disclosed in this circular as security for the Secured Obligations.

On 1 June 2020, SA Investments entered into the 2020 Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2020 CB in the aggregate principal amount of PHP5.6 billion (equivalent to approximately HK\$798.9 million). The 2020 CB was issued by Suntrust to SA Investments on 30 December 2020.

On 20 September 2021, SA Investments entered into the 2021 Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2022 CB in the aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$913.0 million). The 2022 CB was issued by Suntrust to SA Investments on 10 June 2022.

The 2020 CB bears an interest rate of 6.0% per annum on the aggregate principal amount of the 2020 CB from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2020 CB (i.e. 30 December 2020) on the basis of a 365-day year. The 2022 CB bears an interest rate of 6.0% per annum on the aggregate principal amount of the 2022 CB from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2022 CB (i.e. 10 June 2022) on the basis of a 365-day year.

Suntrust has duly settled the first interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) to SA Investments for the 2020 CB due on 30 December 2021. Taking into account the current financial situation, cash flow and capital expenditure needs of Suntrust, Suntrust has not paid to SA Investments (i) the second interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) due under the 2020 CB on 30 December 2022; and (ii) the first interest payment of PHP382.9 million (equivalent to approximately HK\$54.6 million) due under the 2022 CB on 10 June 2023 (collectively the “**Payment Obligations**”). SA Investments has agreed in principle to restructure the Payment Obligations in light of the potential issue of the New CB by setting off the Subscription Price with the aggregate outstanding amounts due under the 2020 CB and the 2022 CB up to the Completion Date (Expected).

The purpose of this circular is to provide you with, among other things, (i) further details of the Financial Assistance, i.e. the New CB Related Financial Assistance and Loan Facility Related Financial Assistance and the transactions contemplated thereunder respectively; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as is required under the Listing Rules; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

THE NEW CB SUBSCRIPTION

On 26 July 2023 (after trading hours), SA Investments entered into the New CB Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agrees to issue and SA Investments conditionally agrees to subscribe for the New CB in the principal amount of up to PHP13,511.1 million (equivalent to approximately HK\$1.93 billion), being the Maximum Set-Off Amount, and pay the Subscription Price by setting off against the Indebted Amount (in full or as the case may be, in part) as at the Completion Date up to the Maximum Set-Off Amount. Up to the Latest Practicable Date, the sums of the principal amount and all accrued interest of the 2020 CB and the 2022 CB are approximately PHP6,224.4 million (equivalent to approximately HK\$887.9 million) and approximately PHP6,885.3 million (equivalent to approximately HK\$982.2 million) respectively.

Interest Waiver

Pursuant to the terms of the 2020 CB and the 2022 CB, the 2020 CB and the 2022 CB are subject to an overdue interest rate of 8% per annum from their respective interest due dates of 30 December 2022 and 10 June 2023 until settlement of the Payment Obligations. Based on arm's length negotiations between Suntrust and SA Investments regarding the set-off of the Indebted Amount up to the Maximum Set-Off Amount, SA Investments agreed to calculate the accrued interest based on the non-overdue interest rate of 6% per annum, thereby waiving the extra 2% interest per annum under the overdue interest rate of the 2020 CB and the 2022 CB already accrued and to be accrued until Completion. Assuming no settlement of the Payment Obligations prior to the Completion Date (Expected), the sums of the interest forfeited under the Interest Waiver up to the Completion Date (Expected) under the 2020 CB and the 2022 CB are approximately PHP149.8 million (equivalent to approximately HK\$21.4 million) and approximately PHP114.3 million (equivalent to approximately HK\$16.3 million) respectively.

The Board considers that given the positive prospect of the gaming industry in the Philippines, facilitating the completion and opening of the Main Hotel Casino is essential to the Group to secure a return on its investment in Suntrust. The Interest Waiver, upon which the New CB Subscription is conditional (i) substantially resolves Suntrust's financing needs and allow Suntrust to focus on the construction of the Main Hotel Casino and to meet the opening schedule which would potentially increase the value of Suntrust over time and better serve the long term interests of the Company in its investment in Suntrust; and (ii) allows the Group to obtain better terms of the New CB by lowering the conversion price and gaining more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the 2020 CB and the 2022 CB, hence the Directors consider that the Interest Waiver is justifiable, and is fair and reasonable and in the interests of the Company and the Shareholders.

The New CB Subscription Agreement

Principal terms of the New CB Subscription Agreement are set out below:

Date: 26 July 2023

Parties: (i) Suntrust (as issuer); and

LETTER FROM THE BOARD

(ii) SA Investments (as subscriber)

Suntrust is a connected person of the Company for being an indirect 51% non-wholly owned subsidiary of LET, which is a controlling shareholder of the Company interested in, directly and indirectly, an aggregate of approximately 69.66% of the Shares in issue as at the Latest Practicable Date.

Conditions Precedent

Completion and the issue of the New CB are conditional upon fulfillment (or waiver) of the following conditions no later than the Long Stop Date:

- (a) the obtaining by Suntrust of the necessary consent, approval and waiver from SEC and other relevant Governmental Authority to the New CB Subscription Agreement insofar as relating to the issue of the New CB and the other related transactions contemplated under the New CB Subscription Agreement (i.e. (where required) the Set-Off and the Interest Waiver) in accordance with the Applicable Law, including (if necessary) the obtaining of the prior approval of the SEC confirming the issue of the New CB is exempt under Rule 10.1 of the Securities Regulation Code of the Philippines;
- (b) compliance by Suntrust with the applicable requirements, if any, under the PSE Listing Rules in respect of the New CB Subscription Agreement insofar as relating to the issue of the New CB and the other related transactions contemplated under the New CB Subscription Agreement (i.e. (where required) the Set-Off and the Interest Waiver) including (if necessary) 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;
- (c) the approval by the Independent Shareholders of the New CB Subscription Agreement including the New CB Subscription, the Set-Off and the other related transactions contemplated under the New CB Subscription Agreement (i.e. the Interest Waiver) and compliance by the Company with the other applicable requirements under the Listing Rules in respect of the same;
- (d) the obtaining of the Interest Waiver Approval;
- (e) the approval by the shareholders of Suntrust of the New CB Subscription Agreement including the issuance of the New CB by Suntrust, and the other related transactions contemplated under the New CB Subscription Agreement (i.e. (where required) the Set-Off and the Interest Waiver) and compliance by Suntrust with the other applicable requirements under the PSE Listing Rules in respect of the same;

LETTER FROM THE BOARD

- (f) (where required) the approval by the shareholders of LET of the New CB Subscription Agreement including the issue of the New CB by Suntrust, the Set-Off and the other transactions contemplated under the New CB Subscription Agreement (i.e. the Interest Waiver) and compliance by LET with the other applicable requirements under the Listing Rules in respect of the same; and
- (g) as at the date of the New CB Subscription Agreement and up to the Completion Date, 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 on or a prolonged suspension or material limitation of trading in securities of Suntrust generally on PSE.

SA Investments may, at its discretion and upon such terms as it thinks fit, waive the Conditions Precedent (g) set out above at or before 5:00 p.m. of the Long Stop Date. The other Conditions Precedent may not be waived by the parties to the New CB Subscription Agreement. If any of the Conditions Precedent is not satisfied or (as the case may be) waived by SA Investments on or before the Long Stop Date, the New CB Subscription Agreement shall be terminated and the parties to the New CB Subscription Agreement shall be released and discharged from their respective obligations under the New CB Subscription Agreement with respect to the issue and subscription of the New CB, the Interest Waiver and the Set-Off.

As at the Latest Practicable Date, other than (f) above which is not required, none of the other Conditions Precedent have been satisfied or waived.

Taxation

The documentary stamp tax payable on the issue of the New CB shall be borne and paid by Suntrust solely.

Completion

Completion shall take place on the second Business Day after the fulfillment (or waiver) of the Conditions Precedent (or such other date as SA Investments and Suntrust may agree in writing).

Principal terms of the New CB

Set out below are the proposed principal terms of the New CB:

Issuer:	Suntrust.
Principal amount:	Up to a maximum of PHP13,511.1 million (equivalent to approximately HK\$1.93 billion).
Form and denomination:	The New CB will be issued in registered form and in a minimum denomination of PHP10,000,000 each save where the outstanding amount of the New CB is less than PHP10,000,000 in which case the New CB may be issued in such lesser amount.

LETTER FROM THE BOARD

- Issue price: 100% of the aggregate principal amount of the New CB, which is at the full face value of the New CB.
- Interest: Nil.
- 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 eighth (8th) anniversary of the issue date of the New CB which may, subject to agreement by the holder of the New CB upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the New CB or, if that is not a Business Day, the first Business Day thereafter (the “**Maturity Date**”).
- New CB Conversion Price: The price at which Conversion Shares will be issued upon conversion will initially be PHP1.10 per Conversion Share, which is subject to adjustment provisions, brief particulars of which are set out in “Adjustment events” below. The New CB Conversion Price represents the following closing price of the Suntrust Shares as quoted on the PSE:
- The New CB Conversion Price of PHP1.10 represents:
- (i) A premium of approximately 29.41% over the closing price of PHP0.85 per Suntrust Share as quoted on the PSE on the Last Trading Day;
 - (ii) A premium of approximately 25.00% over the closing price of PHP0.88 per Suntrust Share as quoted on the PSE for the last five trading days up to and including the Last Trading Day;
 - (iii) A premium of approximately 27.91% over the closing price of PHP0.86 per Suntrust Share as quoted on the PSE for the last ten trading days up to and including the Last Trading Day; and
 - (iv) A premium of approximately 37.50% over the closing price of PHP0.80 per Suntrust Share as quoted on the PSE on the Latest Practicable Date.

LETTER FROM THE BOARD

Adjustment events:

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

- (i) consolidation, subdivision or reclassification of Suntrust 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 New CB Conversion Price shall be adjusted by multiplying the New CB 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);

LETTER FROM THE BOARD

the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to an issue of Suntrust Shares by way of capitalisation of profits or reserves (other than in lieu of a cash dividend) 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

(iii) issue of Suntrust Shares by way of a scrip dividend where the current market price exceeds the amount of the relevant cash dividend;

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), the New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such issue by the following fraction:

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

LETTER FROM THE BOARD

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

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.

- (iv) capital distribution to the shareholders of Suntrust;

LETTER FROM THE BOARD

If and whenever Suntrust shall pay or make any capital distribution to the shareholders (except where and to the extent that the New CB Conversion Price falls to be adjusted under sub-paragraphs (ii) or (iii) above), the New CB Conversion Price shall be adjusted by multiplying the New CB 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
- 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.

LETTER FROM THE BOARD

- (v) rights issues of Suntrust Shares or options over Suntrust Shares (at less than 80% of the current market price per Suntrust Share)^(note);

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 New CB Conversion Price shall be adjusted by multiplying the New CB 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 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).

LETTER FROM THE BOARD

- (vi) 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 New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such issue or grant by the following fraction:

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

where:

- A is the New CB 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
- 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.

- (vii) issue (other than as mentioned in (v) above), or issue or grant (otherwise as mentioned in paragraph (v) 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^(note);

LETTER FROM THE BOARD

If and whenever Suntrust shall issue (otherwise than as mentioned in paragraph (v) above) wholly for cash any Suntrust Shares (other than Suntrust Shares issued on the exercise of the New CB 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 (v) 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 New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such issue by the following fraction:

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

LETTER FROM THE BOARD

where:

- A is the number of Suntrust Shares in issue immediately before the issue of such additional Suntrust Shares;
- 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.

(viii) other issue by Suntrust or its subsidiaries (other than as mentioned in (v), (vi) or (vii) above) of any securities carrying the rights of conversion into, or exchange or subscription for Suntrust Shares 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^(note);

LETTER FROM THE BOARD

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 (viii), 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 (v), (vi) or (vii) above) shall issue wholly for cash any securities (other than the New CB) 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 New CB Conversion Price shall be adjusted by multiplying the New CB 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

LETTER FROM THE BOARD

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.

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

- (ix) modification of the rights of conversion, exchange, subscription or redesignation attaching to any securities mentioned in (viii) 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^(note); 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 (viii) above (other than the New CB 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 New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately prior to such modification by the following fraction:

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

LETTER FROM THE BOARD

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
- 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 (viii) above.

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

LETTER FROM THE BOARD

- (x) 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 New CB Conversion Price falls to be adjusted under paragraphs (iv) to (viii) 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 New CB Conversion Price shall be adjusted by multiplying the New CB Conversion Price in force immediately before the making of such offer 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 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.

LETTER FROM THE BOARD

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

Note: The basis for less than 80% of the current market price per Suntrust Share is made reference to the prevailing market practice in relation to the terms of adjustment of convertible bonds issued by listed companies listed on the Stock Exchange.

The Directors are of the view that given the long term maturity of the New CB, the abovementioned adjustment events can protect SA Investments' interests in Suntrust for being a holder of the New CB, by ensuring that the New CB Conversion Price can accurately reflect changes in Suntrust's capital structure upon the occurrence of the abovementioned events. Hence, the Directors are of the view that the abovementioned adjustment events are fair and reasonable.

Conversion period:

The period commencing from the day immediately following the issue date of the New CB up to 4:00 p.m. on the Maturity Date ("**Conversion Period**").

Conversion Condition:

Until repayment of at least seventy-five percent (75%) of the Loan has been made, the holder of the New CB shall not exercise any New CB Conversion Rights or agree to any amendment to the terms and conditions of the New CB.

Conversion:

Each holder of the New CB has the right to convert all or any part of the New CB held by it into Suntrust Shares credited as fully paid at any time during the Conversion Period subject to the Conversion Condition of the New CB (as defined below).

Each conversion shall be in an amount not less than a whole multiple of PHP10,000,000 unless the remaining outstanding principal amount of the New CB is less than PHP10,000,000, in which case the whole of such balance (but not part of it) may be converted into Conversion Shares credited as fully paid.

LETTER FROM THE BOARD

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

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.

Redemption Condition:

All amounts due and payable under the New CB shall be subordinated to and shall rank junior in payment to the Secured Obligations until full payment of the Secured Obligations. For so long as the Loan under the Loan Facility remains outstanding, SA Investments shall not collect, demand and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under the New CB (the “**Redemption Condition**”).

Redemption:

Early redemption by Suntrust:

Suntrust is entitled to cancel and to redeem all the New CB in whole at any time after the first (1st) anniversary of the issue date of the New CB and expiring on the Maturity Date (or if extended, the Maturity Date as extended) at 100% of their outstanding principal amount together with accrued interest (including default interest) (if any) and an amount that would make up an annual return on the New CB to redeemed at 6% calculated from the issue date of the New CB up to the date of redemption subject to the Redemption Condition. The decision of Suntrust to cancel and to redeem the New CB is made by written notice to the holders of the New CB by giving them seven (7) Business Days’ prior notice specifying the proposed date of redemption.

LETTER FROM THE BOARD

Request for early redemption by the holder of the New CB:

The holder of the New CB may request Suntrust for early redemption of the New CB at any time during the period commencing from the day immediately after the first (1st) anniversary of the issue date of the New CB and expiring on the Maturity Date or if extended, the Maturity Date as extended at 100% of their outstanding principal amount together with accrued interest thereon (including default interest) (if any) and an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB up to the date of redemption up to the date of redemption provided the holder of the New CB shall only make such redemption request after making prior consultation with Suntrust and is reasonably satisfied that Suntrust will be able to pay its debts when they fall due after making the redemption subject to the Redemption Condition. The decision of holder of the New CB to redeem the New CB is made by written notice to Suntrust by giving Suntrust seven (7) Business Days' prior notice.

Redemption at maturity:

Unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the New CB on the Maturity Date or if extended, on the Maturity Date as extended subject to the Redemption Condition, at:

- the outstanding principal amount up to the Maturity Date or if extended, the Maturity Date as extended;
- an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB to the Maturity Date or if extended, the Maturity Date as extended; and
- any other outstanding amount due but unpaid under the New CB.

LETTER FROM THE BOARD

Redemption upon event of default:

Upon the occurrence of an event of default (brief particular of which are mentioned in “Events of default” below), Suntrust shall redeem the New CB subject to the Redemption Condition at:

- 100% of their outstanding principal amount together with interest thereon up to the date of redemption; and
- any other outstanding amount due but unpaid under the New CB.

Events of default:

Among other customary events of default, set out below are the principal events of default under the New CB:

- (1) **Payment default:** a default is made in the payment of any sum due on the New CB 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 the New CB Subscription Agreement:** a material breach of any of the terms of the New CB Subscription Agreement by Suntrust, including a breach of any warranty, covenants and/or undertakings therein; or
- (3) **Involuntary 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 New CB; 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

LETTER FROM THE BOARD

- (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; or
- (6) **No listing approval:** failure to obtain approval of the PSE for the listing of the Conversion Shares on PSE within such period of time from the filing of the relevant application for listing as the holder of the New CB may specify; or
- (7) **Increase in Authorised Capital Stock:** failure to obtain the necessary consent, approval and/or waiver for the Increase in Authorised Capital Stock upon request in writing by the holder of the New CB such that there is not sufficient number of authorised but unissued Suntrust Shares available for the fulfilment of the obligation regarding conversion of the New CB; or
- (8) **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).

For so long as the Loan remains outstanding, SA Investments shall not declare any event of default under the New CB.

Transfer Condition:

For so long as the Loan remains outstanding, the holder of the New CB shall not make, cause or effect any transfer, assignment or other disposal of all or any of the New CB or create or cause or allow the creation of any lien or encumbrance over any of the New CB, except those expressly allowed under the Loan Agreement.

Transferability of the New CB:

Subject to the terms and conditions of the New CB and the Transfer Condition, the New CB may be transferred, assigned or otherwise mortgaged, charged or pledged to any person in whole multiples of PHP10,000,000 (or such lesser amount as may represent the entire principal amount thereof).

LETTER FROM THE BOARD

Any transfer, assignment, mortgage, charge or pledge of the New CB 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 five (5) calendar days from its execution provided there shall be no transfer or assignment of the New CB if such transfer or assignment will result in the New CB being held by more than nineteen (19) holders at any one time.

Conversion restriction:

Notwithstanding any other terms and conditions of the New CB, the holder(s) of the New CB shall exercise the New CB Conversion Rights attaching to the New CB only if it is confirmed by Suntrust in writing that the allotment and issue of the Conversion Shares to such holder(s) of the New CB pursuant to an exercise of the New CB 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% for Suntrust.

Voting:

The New CB does not confer any voting rights on its holder at any general meetings of Suntrust.

No listing of the New CB:

No application has been or will be made for the listing of the New CB on the PSE or any other stock exchange.

The Set-Off

Upon Completion, the Subscription Price will be applied by Suntrust to redeem the 2020 CB and the 2022 CB by paying the Indebted Amount either (a) (if the Subscription Price is equal to or more than the Indebted Amount) in full; or (b) (if the Subscription Price is less than the Indebted Amount) in part to an amount equal to the Subscription Price with the amount of shortfall to be paid by Suntrust in cash. For the foregoing purpose, as part of the terms of the New CB Subscription Agreement, SA Investments and Suntrust will enter into the Set-Off Deed upon Completion for the purposes of the Set-Off and for payment by Suntrust in cash for any shortfall when the Subscription Price is less than the Indebted Amount due to, including without limitation, the actual Completion Date is later than the Completion Date (Expected). The Set-Off under the Set-Off Deed is subject to (i) the approval by the Independent Shareholders at the SGM; and (ii) satisfaction of (or waiver of) the other Conditions Precedent under the New CB Subscription Agreement.

LETTER FROM THE BOARD

The Board has consulted with the Group's legal advisers and based on their opinion and previous applications, the application to SEC for the approval of the issue of the New CB is expected to take approximately seven (7) months from the date of application. As the principal amount of the New CB must be confirmed upon Suntrust requesting the necessary consent, approval and waiver from the SEC and other relevant governmental authorities in the Philippines in relation to the issue of the New CB, SA Investments and Suntrust have mutually agreed to set a maximum cap on the Indebted Amount to be set-off under the New CB Subscription Agreement (the "**Maximum Set-Off Amount**") that will take into account the expected timeline of fulfilling all the Conditions Precedent.

Assuming the Completion Date (Expected) falls on 30 April 2024, the Maximum Set-Off Amount as contemplated under the Set-Off will be PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) comprising the following:

- (a) the principal amounts of the 2020 CB and 2022 CB of PHP5.6 billion (equivalent to approximately HK\$798.9 million) and PHP6.4 billion (equivalent to approximately HK\$913.0 million) respectively; and
- (b) the interest accrued on the basis of the Interest Waiver on the principal amounts due and owing under the 2020CB and the 2022 CB respectively up to the Completion Date (Expected) of approximately PHP785.2 million (equivalent to approximately HK\$112.0 million) and approximately PHP725.9 million (equivalent to approximately HK\$103.6 million) respectively.

Based on arm's length negotiations between Suntrust and SA Investments regarding the Set-Off, as part of the terms of the New CB Subscription Agreement, SA Investments has conditionally agreed to the Interest Waiver and SA Investments and Suntrust will enter into a waiver deed upon Completion for that purpose as part of the terms of the New CB Subscription Agreement.

Basis of the New CB Conversion Price

The New CB Conversion Price of PHP1.10 was arrived at after arm's length negotiations between Suntrust and SA Investments with reference to (i) the prevailing market price of the Suntrust Shares, i.e. the closing price of PHP0.85 per Suntrust Share on the Last Trading Day and the closing price of PHP0.88 per Suntrust Share for the last five trading days up to and including the Last Trading Day as quoted on the PSE; (ii) the 2020 CB Conversion Price and the 2022 CB Conversion Price; (iii) the conversion price of the Fortune Noble CB of PHP1.10 per Suntrust Share; and (iv) the Indebted Amount due under the 2020 CB and the 2022 CB. Each of Suntrust and SA Investments considers making reference to point (iii) and (iv) is commercially justifiable given that the term of maturity and size of the New CB (which will be applied to set-off the Indebted Amount, either in full or in part) is comparable to the Fortune Noble CB, such that Suntrust and SA Investments agree to set the New CB Conversion Price to be same as the conversion price of the Fortune Noble CB as to be fair to the holders of the convertible bonds of Suntrust.

The New CB Conversion Price of PHP1.10 represents a discount of approximately 38.9% and 33.3% to the 2020 CB Conversion Price of PHP1.80 per Conversion Share and the 2022 CB Conversion Price of PHP1.65 per Conversion Share respectively.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the closing price of Suntrust is PHP0.80 per Suntrust Share as quoted on the PSE.

As a result of such discount to the 2020 CB Conversion Price and the 2022 CB Conversion Price respectively, the number of Suntrust Shares to be issued upon full conversion of New CB in comparison to the aggregate number of Suntrust Shares to be issued upon full conversion of the 2020 CB and the 2022 CB will be an increase of approximately 75.7% from an aggregate of 6,989,898,989 Suntrust Shares to 12,282,859,277 Suntrust Shares.

Interest rate to the New CB

The New CB bears nil interest rate is based on arm's length negotiations between Suntrust and SA Investments after considering (i) SA Investments shall, subject to the Redemption Condition, receive an amount that would make up an annual return of 6% on the New CB when (a) early redemption by Suntrust; (b) request for early redemption by the holder of the New CB; and (c) redemption at maturity; (ii) the New CB Conversion Price represents a significant reduction as compared to the 2020 CB Conversion Price and 2022 CB Conversion Price that potentially allows the Group to capture the upside of the prospect of Suntrust; and (iii) lowering the cashflow pressure for Suntrust in order to facilitate the completion and opening of the Main Hotel Casino which would potentially increase the value of Suntrust over time and better serve the long term interests of the Company in its investment in Suntrust. Hence, the Directors are of the view that nil interest for the New CB is justifiable, and is fair and reasonable and in the interests of the Company and the Shareholders.

Conversion condition of the New CB

Pursuant to the New CB, it is agreed that until repayment of at least seventy-five percent (75%) of the Loan has been made, the holder of the New CB shall not exercise any New CB Conversion Rights or agree to any amendment to the terms and conditions of the New CB ("**Conversion Condition of the New CB**"). The Directors are of the view that despite the Loan Agreement is made between the Lender and Suntrust, the Loan can substantially resolve Suntrust's financing needs and facilitate the construction of the Main Hotel Casino which directly enhance the prospective long-term value and return of the Group's investment in Suntrust, the Conversion Condition of the New CB is justifiable, and is fair and reasonable and in the interests of the Company and the Shareholders.

Charge of the New CB and Subordination of the New CB in favour of the Lender

With effect from the Independent Shareholders' Approval Date, (a) the New CB will form part of the securities charged to the Lender under the Security Agreement; and (b) the New CB will form part of the Subordinated Indebtedness and be subordinated to the Secured Obligations in favour of the Lender under the Subordination Agreement. Further details of the charge and the subordination are set out in "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Security Agreement" and "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Subordination Agreement" in this circular.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF SUNTRUST

For illustrative purposes only, the shareholding structure of Suntrust (assuming that there are no other changes to the shareholding structure of Suntrust from the Latest Practicable Date and up to any conversion of the Fortune Noble CB, 2020 CB or 2022 CB) (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Fortune Noble CB only; (iii) immediately upon full conversion of the 2020 CB and the 2022 CB only; and (iv) immediately upon full conversion of the Fortune Noble CB, 2020 CB and 2022 CB, are as follows:

	As at the Latest Practicable Date		Conversion of Fortune Noble CB only		Conversion of 2020 CB and 2022 CB only		Conversion of Fortune Noble CB, 2020 CB and 2022 CB	
	<i>No. of Suntrust</i>		<i>No. of Suntrust</i>		<i>No. of Suntrust</i>		<i>No. of Suntrust</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
LET Group								
SA Investments	–	–	–	–	6,989,898,989	49.1	6,989,898,989	33.5
Fortune Noble	3,697,500,000	51.0	10,333,863,636	74.4	3,697,560,000	26.0	10,333,863,636	49.5
Sub-total	3,697,500,000	51.0	10,333,863,636	74.4	10,687,398,989	75.1	17,323,762,625	83.0
Megaworld and related parties	2,513,694,000	34.7	2,513,694,000	18.1	2,513,694,000	17.6	2,513,694,000	12.0
Directors of Suntrust other than Mr. Lo and Mr. Chua Ming Huat, David	3	0.0	3	0.0	3	0.0	3	0.0
Public	<u>1,038,805,997</u>	<u>14.3</u>	<u>1,038,805,997</u>	<u>7.5</u>	<u>1,038,805,997</u>	<u>7.3</u>	<u>1,038,805,997</u>	<u>5.0</u>
Total	<u><u>7,250,000,000</u></u>	<u><u>100.0</u></u>	<u><u>13,886,363,636</u></u>	<u><u>100.0</u></u>	<u><u>14,239,898,989</u></u>	<u><u>100.0</u></u>	<u><u>20,876,262,625</u></u>	<u><u>100.0</u></u>

LETTER FROM THE BOARD

For illustrative purposes only, the shareholding structure of Suntrust (assuming that there are no other changes to the shareholding structure of Suntrust from the Latest Practicable Date and up to any conversion of the Fortune Noble CB or New CB) (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Fortune Noble CB only; (iii) immediately upon full conversion of the New CB only; and (iv) immediately upon full conversion of the Fortune Noble CB and New CB, are as follows:

	As at the Latest Practicable Date		Conversion of Fortune Noble CB only		Conversion of New CB only		Conversion of Fortune Noble CB and New CB	
	No. of Suntrust		No. of Suntrust		No. of Suntrust		No. of Suntrust	
	Shares	%	Shares	%	Shares	%	Shares	%
LET Group								
SA Investments	-	-	-	-	12,282,859,277	62.9	12,282,859,277	46.9
Fortune Noble	3,697,500,000	51.0	10,333,863,636	74.4	3,697,500,000	18.9	10,333,863,636	39.5
Sub-total	3,697,500,000	51.0	10,333,863,636	74.4	15,980,359,277	81.8	22,616,722,914	86.4
Megaworld and related parties	2,513,694,000	34.7	2,513,694,000	18.1	2,513,694,000	12.9	2,513,694,000	9.6
Directors of Suntrust other than Mr. Lo and Mr. Chua Ming Huat, David	3	0.0	3	0.0	3	0.0	3	0.0
Public	<u>1,038,805,997</u>	<u>14.3</u>	<u>1,038,805,997</u>	<u>7.5</u>	<u>1,038,805,997</u>	<u>5.3</u>	<u>1,038,805,997</u>	<u>4.0</u>
Total	<u><u>7,250,000,000</u></u>	<u><u>100.0</u></u>	<u><u>13,886,363,636</u></u>	<u><u>100.0</u></u>	<u><u>19,532,859,277</u></u>	<u><u>100.0</u></u>	<u><u>26,169,222,914</u></u>	<u><u>100.0</u></u>

THE SA LOAN AGREEMENT

In pursuance of the Loan Agreement, Suntrust is required to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) in a construction reserve account to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino (the “**CRA Reserve Requirement**”).

On 26 July 2023, SA Investments as lender entered into the SA Loan Agreement with Suntrust, pursuant to which, subject to obtaining of the approval of the Independent Shareholders and other SA Loan Conditions Precedent mentioned below, SA Investments will provide a loan facility of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.

LETTER FROM THE BOARD

The date, parties and key terms and conditions of the SA Loan Agreement are set out below:

Date	:	26 July 2023.
Lender	:	SA Investments, a wholly-owned subsidiary of the Company.
Borrower	:	Suntrust.
Facility amount	:	Up to US\$20,000,000 (approximately HK\$155,000,000).
Purpose	:	For the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.
Interest rate	:	Six percent (6.0%) per annum.
Default interest rate	:	Eight percent (8.0%) per annum.
Availability period	:	A period of sixty (60) days from the date of fulfillment of all the SA Loan Conditions Precedent (or such longer period as SA Investments may in its sole and absolute discretion thinks fit).
Term	:	The date falling ten (10) years from the date of drawdown of the SA Loan under the SA Loan Facility (the “ SA Loan Maturity Date ”). The SA Loan Maturity Date may upon application by Suntrust in writing to SA Investments be extended for successive terms of one (1) month each subject to the aggregated term as may be extended shall not be more than three (3) months (unless SA Investments otherwise agrees to a longer period in its sole and absolute discretion), and in respect of each extension upon and subject to such terms and conditions as SA Investments may in its sole and absolute discretion impose.
Repayment	:	The SA Loan together with all interest accrued thereon and all amounts due and owing under the SA Loan Agreement shall be repaid in full by Suntrust the earlier of: (i) the SA Loan Maturity Date or the extended SA Loan Maturity Date as may be extended in accordance with the SA Loan Agreement; and (ii) forthwith upon the occurrence of an SA Loan EOD.
Taxes and other charges	:	All applicable taxes and other charges as a result of the SA Loan shall be paid by Suntrust.

LETTER FROM THE BOARD

- Events of default : Set out below are the events of default upon the occurrence of any of them the SA Loan together with all interest accrued thereon and all amounts due and owing to SA Investments under the SA Loan Agreement shall be immediately due and repayable to SA Investments without further notice or demand:
- (i) Suntrust fails to pay in accordance with the terms of the SA Loan Agreement; or
 - (ii) Suntrust defaults in performing or observing the SA Loan Agreement and such default shall not have been remedied within thirty (30) days after written notice thereof having been given to Suntrust; or
 - (iii) any of Suntrust's representations, warranties and undertakings proves to be incorrect or misleading when made or deemed to be made or repeated in any material respect or shall be breached; or
 - (iv) an order is made or an effective resolution is passed or analogous proceedings are taken for the amalgamation, winding up or dissolution of Suntrust (save for the purpose of and followed by an amalgamation or reconstruction previously approved in writing by SA Investments); or
 - (v) any encumbrancer takes possession or if a receiver or other similar officer is appointed or if a distress or execution is levied or enforced upon or sued out against the whole or any part of the undertaking, assets or property of Suntrust and is not discharged within thirty (30) days of being levied or enforced; or
 - (vi) any other present or future indebtedness of Suntrust for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity or Suntrust fails to pay when due any amount payable by it under any present or future guarantee for any moneys borrowed or raised; or
 - (vii) if the shares of Suntrust are suspended for trading on the PSE for a period of thirty (30) consecutive trading days or more, or listing of the shares of Suntrust on the PSE are revoked or withdrawn; or
 - (viii) any material litigation, arbitration or administrative proceedings before any court, arbitration or other relevant authority is current, pending or threatened against Suntrust; or

LETTER FROM THE BOARD

- (ix) Suntrust shall stop payment to creditors generally or shall be unable to pay its debts; or
- (x) there occurs, in SA Investments' opinion, a material adverse change in the financial condition of Suntrust, or any other event occurs or circumstance arises which, in the SA Investments' opinion, is likely materially and adversely to affect the ability of Suntrust to perform its obligations under the SA Loan Agreement; or
- (xi) the SA Loan Agreement and any other ancillary documents shall cease to be in full force and effect; or
- (xii) the occurrence of any event which under the law of any jurisdiction relevant to Suntrust, has an analogous or equivalent effect to any event mentioned above.

Conditions precedent of the SA Loan Agreement

The SA Loan Agreement and the availability of the SA Loan are conditional upon the following:

- (i) the Company having obtained approval of the SA Loan Agreement and all transactions contemplated thereunder from the Independent Shareholders in compliance with the Listing Rules and complied with the requirements as the Stock Exchange may require;
- (ii) Suntrust having obtained all necessary approvals, consents or waivers (as appropriate) as are required under the Securities Regulations Code in the Philippines for related party transactions covering the grant of the SA Loan and subsequent performance of the SA Loan Agreement and all transactions contemplated thereunder; and
- (iii) all Suntrust's representations, warranties and undertakings remain true and correct on and as of each such time as if each were made with reference to the facts and circumstances existing at each such time.

SA Investments may, at its sole and absolute discretion, at any time on or before the SA Loan Long Stop Date by notice in writing to Suntrust waive the SA Loan Conditions Precedent set out in (iii) above in whole or in part.

If any of the SA Loan Conditions Precedent shall not have been fulfilled (or, as the case may be, waived by SA Investments insofar as they can be waived under the terms of the SA Loan Agreement) on or before the SA Loan Long Stop Date, the SA Loan Agreement shall terminate and the respective obligations of the parties under the SA Loan Agreement shall forthwith cease and terminate and none of the parties shall have any claim against the other of them save for any antecedent breach.

As at the Latest Practicable Date, other than (ii) above, which is not required to be obtained by Suntrust, none of the other SA Loan Conditions Precedent have been fulfilled.

LETTER FROM THE BOARD

Charge of the SA Loan Agreement and Subordination of the SA Loan in favour of the Lender

With effect from the Independent Shareholders' Approval Date, (a) the SA Loan Agreement will form part of the securities (i.e. the Assigned Loan Contracts) charged to the Lender under the Security Agreement; and (b) the SA Loan will form part of the Subordinated Indebtedness and be subordinated to the Secured Obligations in favour of the Lender under the Subordination Agreement. Further details of the charge and the subordination are set out in "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Security Agreement" and "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Subordination Agreement" in this circular.

THE LOAN FACILITY

The principal terms of the Loan Facility on terms of the Loan Agreement as revised and amended by the Loan Amendment Agreement are as follows:

Date: 8 June 2023 as amended by the Loan Amendment Agreement dated 26 July 2023.

Principal amount of the Loan: Up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion).

Availability period of the Loan Facility: The period commencing on the date of the Loan Agreement and terminating on the earlier of (a) the date the Loan Facility is fully drawn by Suntrust, (b) the date of completion of the Main Hotel Casino and its opening to the public and commencement of commercial operations with a valid licence from the relevant authority in the Philippines to commence casino operation, or (c) the date the Loan Facility is fully cancelled or the Loan Facility is terminated in accordance with the Loan Agreement.

Drawdown schedule:	Scheduled Drawdown Date	Drawdown Amount
	July 2023	PHP2,000,000,000.00
	September 2023	PHP1,340,000,000.00
	October 2023	PHP5,400,000,000.00
	June 2024	PHP2,260,000,000.00
	April 2025	PHP7,520,000,000.00
	October 2025	PHP6,480,000,000.00
	Total	PHP25,000,000,000.00

subject to adjustment as may be mutually agreed in writing by the Lender and Suntrust.

Up to the Latest Practicable Date, PHP2,000,000,000 was drawn by Suntrust under the Loan Facility on 31 July 2023.

LETTER FROM THE BOARD

Application of the Loan: To partially finance the construction and development of the Main Hotel Casino.

Maturity: The eighth (8th) anniversary of the date of an initial drawdown under the Loan Facility or the immediately preceding banking day if that date is not a banking day on which commercial banks are generally open for business in Makati City and Taguig City of the Philippines.

Interest rate: The interest rate per annum shall be initially fixed two (2) banking days prior to the relevant drawdown date (the “**Interest Rate Setting Date**”) based on the higher of (a) the Benchmark Rate plus Spread and (b) the Floor Rate, in each case divided by an interest premium factor of 0.99 (applicable to interest periods prior to the third (3rd) anniversary of the initial drawdown date) and 0.95 (applicable to interest periods commencing on or after the 3rd anniversary but prior to the fifth (5th) anniversary of the initial drawdown date).

All interest rates shall be reset one banking day prior to the fifth (5th) anniversary of the initial drawdown date (the “**Interest Rate Resetting Date**”) based on the higher of (a) the Benchmark Rate plus Spread and (b) the Floor Rate, in each case divided by an interest premium factor of 0.95.

Spread: 175 basis points per annum.

Floor Rate: 7.00% per annum.

LETTER FROM THE BOARD

Benchmark Rate:

On the relevant Interest Rate Setting Date:

The simple average of the five (5) year PHP BVAL Reference Rate as published on the PDEX page of Bloomberg (or such successor page of the publication agent) at approximately 5:00 p.m. for the three (3) consecutive banking days immediately preceding and ending on the relevant Interest Rate Setting Date.

On the Interest Rate Resetting Date:

The simple average of the three (3) year PHP BVAL Reference Rate as published on the PDEX page of Bloomberg (or such successor page of the publication agent) at approximately 5:00 p.m. for the three (3) consecutive banking days immediately preceding and ending on the Interest Rate Resetting Date.

If the Benchmark Rate cannot be determined as provided above, then the parties shall agree on a mutually acceptable mechanism for determining the Benchmark Rate or a mutually acceptable interest rate. In the absence of such agreement, no drawdowns shall be permitted under the Loan Facility.

Interest payment:

Payable on the last day of each interest period (i.e. each successive three (3)-month period commencing from the date of initial drawdown and ending on the maturity date of the Loan Facility).

Default interest rate:

24% per annum.

Surety:

Mr. Lo as surety for the Secured Obligations.

Security providers:

- (a) Suntrust;
- (b) Fortune Noble, a direct wholly-owned subsidiary of LET; and
- (c) SA Investments.

LETTER FROM THE BOARD

Conditions precedent to drawdown under the Loan Facility:

Below are the major conditions precedent to an initial drawdown under the Loan Facility:

- (a) delivery to the Lender and its facility agent the Loan Agreement duly executed by the parties thereto;
- (b) the Fortune Noble CB having been amended to reflect terms similar to the Required CB Conditions, and to waive the right of their holder to call or declare a default thereunder, all to the satisfaction of the Lender;
- (c) delivery to the Lender and its security agent the security documents required to be executed by Suntrust and Fortune Noble as security providers providing securities to the security agent of the Lender to secure the Secured Obligations;
- (d) delivery to the facility agent of the Lender a subordination agreement duly executed by Fortune Noble subordinating all present and future indebtedness owing by Suntrust to Fortune Noble in payment junior to the Secured Obligations;
- (e) a surety agreement duly executed by Mr. Lo as surety to secure the Secured Obligations and provide Project Support to Suntrust to (i) ensure timely completion of the Main Hotel Casino; and (ii) timely fund the costs overruns of the Main Hotel Casino project through Project Support to Suntrust;
- (f) delivery to the facility agent of the Lender the legal opinions as required by the Lender;
- (g) delivery to the facility agent of the Lender a financial model prepared by Suntrust forecasting the construction, financing, revenues and expenditure of the Main Hotel Casino project;
- (h) delivery to the Lender and its security agent the Security Agreement duly executed by SA Investments;

LETTER FROM THE BOARD

- (i) delivery to the facility agent of the Lender the Subordination Agreement duly executed by SA Investments;
- (j) delivery to the Lender and its facility agent the Supplemental Deed Polls duly executed by Suntrust and SA Investments; and
- (k) delivery to the Lender and its facility agent the Undertaking duly executed by Suntrust and SA Investments.

Subsequent drawdowns under the Loan Facility are conditional on the following major conditions precedent:

- (l) the second drawdown: on or before 30 September 2023, (a) Suntrust has funded the construction reserve account to be maintained in the name of the security trustee to the Lender in an aggregate amount not less than US\$20,000,000; and (b) the Independent Shareholders' Approval has been obtained and the Independent Shareholders' Approval Date has occurred;
- (m) the third drawdown: the facility agent of the Lender having received a certification from Suntrust and its designated contractor for the Main Hotel Casino project, validated by the Lender's technical advisor, confirming that energization and tower watertightness for the Main Hotel Casino project have been completed;
- (n) the fourth drawdown: the facility agent of the Lender having received a certification from Suntrust and its designated contractor for the Main Hotel Casino project, validated by the Lender's technical advisor, confirming that the proper fire safety approval for the Main Hotel Casino project has been issued and the requisite fire safety compliance and commission report has been submitted;

LETTER FROM THE BOARD

- (o) the fifth drawdown: the facility agent of the Lender having received a certification from Suntrust and its designated contractor for the Main Hotel Casino project, validated by the Lender's technical advisor, confirming that podium fit-out for the Main Hotel Casino project has been completed, the proper partial occupancy permit for the Main Hotel Casino has been issued and the Main Hotel Casino project has achieved at least 85% construction completion, the relevant authority in the Philippines has issued a notice to commence casino operation of the Main Hotel Casino project and additional cash equity^(note) into the Main Hotel Casino in an amount equivalent to at least PHP7.87 billion has been infused by Fortune Noble, Mr. Lo and SA Investments; and

- (p) the sixth drawdown: the facility agent of the Lender having received a certification from Suntrust and its designated contractor for the Main Hotel Casino project, validated by the Lender's technical advisor, confirming that hotel fit-out for the Main Hotel Casino project has been completed, and additional cash equity^(note) into the Main Hotel Casino in an amount equivalent to at least PHP11.50 billion has been infused by Fortune Noble, Mr. Lo and SA Investments.

Note: As at the Latest Practicable Date, save for the SA Loan Agreement for the provision of US\$20 million (equivalent to approximately HK\$155 million) to Suntrust, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement, the Company is not aware of any further contribution required.

SA Investments is not obliged to provide additional cash equity. The Company will comply with the relevant requirements under the Listing Rules in the event that additional cash equity shall be provided by SA Investments.

SA Investments will not have any obligations or liabilities under the Loan Facility if any of the resolutions to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance is or are voted down by the Independent Shareholders at the SGM.

LETTER FROM THE BOARD

THE SECURITY AGREEMENT AND OTHER DOCUMENTS PROVIDED BY SA INVESTMENTS

SA Investments is a party to the Loan Agreement as one of the security providers to provide the following securities and other documents prior to Suntrust making an initial drawdown under the Loan Facility:

Security Agreement

The Security Agreement was incorporated as part of the Loan Agreement dated 8 June 2023 rather than a separate stand alone document. As such, execution of the Loan Agreement by SA Investments amounted to execution of the Security Agreement by SA Investments on 8 June 2023. Under the Security Agreement, SA Investments (a) created a first charge and an assignment by way of security of (i) all present and future convertible bonds (“CBs”) issued or may in the future be issued by Suntrust to SA Investments (including without limitation, the 2020 CB and the 2022 CB in issue); (ii) all present and future agreements, contracts, documents or instruments entered into or to be entered into between Suntrust and SA Investments (save and except the CBs) evidencing or relating to loans or advances by SA Investments to Suntrust (“Assigned Loan Contracts”); (b) created a first charge over all Suntrust Shares owned or held or that in the future may be owned or held by SA Investments; and (c) undertook (“SA Project Support Undertaking”) to provide Project Support to Suntrust to ensure timely completion of the Main Hotel Casino and timely fund the cost overruns of the Main Hotel Casino project through Project Support to Suntrust. As at the Latest Practicable Date, save for the SA Loan Agreement, the Company is not aware of any further contribution required pursuant to the SA Project Support Undertaking.

By the Loan Amendment Agreement:

- the 2020 CB, the 2022 CB and the New CB will only form part of the CBs charged and/or assigned under the Security Agreement effective and starting from the Independent Shareholders’ Approval Date;
- the Suntrust Shares owned or held or that in the future may be owned or held by SA Investments will only form part of the charge and/or assignment under the Security Agreement effective and starting from the Independent Shareholders’ Approval Date;
- the SA Loan Agreement will only form part of the Assigned Loan Contracts charged or otherwise assigned under the Security Agreement effective and starting from the Independent Shareholders’ Approval Date; and
- the SA Project Support Undertaking provided by SA Investments under the Security Agreement was revised and amended with effect from 8 June 2023 so that it will only be given by SA Investments on and after the Independent Shareholders’ Approval Date. Given the revision and amendment made, the provision of the SA Project Support Undertaking is in compliance with the Listing Rules and is without any conflict of the underlying terms of the Security Agreement.

LETTER FROM THE BOARD

Fortune Noble has provided securities over the Fortune Noble CB, all the Suntrust Shares it (or its nominee) holds and identical undertaking same as the SA Project Support Undertaking to the security trustee to the Lender under a security agreement executed by it prior to initial drawdown under the Loan Facility.

Subject to obtaining of the Independent Shareholders' Approval, the New CB to be issued to SA Investments upon Completion will form part of the CBs and the SA Loan Agreement will form part of the securities (i.e. the Assigned Loan Contracts) charged to the Lender or its agent under the Security Agreement. Please refer to "Letter from the Board – The New CB Subscription" and "Letter from the Board – The SA Loan Agreement" in this circular for details of the New CB subscribed by SA Investments and the SA Loan Agreement, respectively.

Subordination Agreement

Under the Subordination Agreement dated 26 July 2023 executed by SA Investments prior to initial drawdown under the Loan Facility, SA Investments has irrevocably subordinated any and all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to SA Investments under all advances and loans to Suntrust (the "**Subordinated Indebtedness**") to and ranking junior in payment to the Secured Obligations.

Under and pursuant to the Subordination Agreement, SA Investments shall not demand, collect, accept and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable by the Suntrust to SA Investments under the SA Loan Agreement.

By the Loan Amendment Agreement:

- all amounts due and payable by Suntrust to SA Investments as holder of and under the New CB shall be deemed and made Subordinated Indebtedness effective and starting on the Independent Shareholders' Approval Date; and
- all amounts due and payable by Suntrust to SA Investments under the SA Loan shall be deemed and made Subordinated Indebtedness effective and starting on the Independent Shareholders' Approval Date.

Fortune Noble has subordinated in favour of the Lender all present and future indebtedness owing to it by Suntrust to rank junior in payment to the Secured Obligations under a subordination agreement executed by it prior to initial drawdown under the Loan Facility.

Subject to obtaining of the Independent Shareholders' Approval, all amounts due and payable by Suntrust to SA Investments as holder of and under the New CB and the SA Loan will be subordinated to and ranking junior in payment to the Secured Obligations under the Subordination Agreement.

The CRA Reserve Requirement

By the Loan Amendment Agreement, the CRA Reserve Requirement is required to be met by Suntrust and the Independent Shareholders' Approval has to be obtained and the Independent Shareholders' Approval Date has to occur on or before 30 September 2023.

LETTER FROM THE BOARD

Supplemental Deed Polls

On 26 July 2023, the Supplemental Deed Polls were executed by Suntrust and SA Investments. The major terms and conditions of the Supplemental Deed Polls are the same and are as follows:

The 2020 CB and the 2022 CB are amended respectively whereby subject to fulfilment of the conditions precedent to the Supplemental Deed Polls mentioned below, with effect from the earlier of the date of the fulfilment of such conditions precedent and 29 February 2024, the 2020 CB and the 2022 CB shall be revised by adding the following:

- (a) SA Investments agrees and undertakes with the Lender to the Required CB Conditions.
- (b) In relation to each of the 2020 CB and the 2022 CB, SA Investments agrees to waive the right to declare an event of default under it on or before its maturity date to comply with the Subordination under the Required CB Conditions.

The Supplemental Deed Polls are both subject to the following conditions precedent:

- (aa) the obtaining of the necessary consent and approval from the Stock Exchange for the change in terms of the 2020 CB and the 2022 CB as contemplated under the Supplemental Deed Polls; and
- (bb) the obtaining of the approval of the Independent Shareholders to the change in terms of the 2020 CB and the 2022 CB as contemplated under the Supplemental Deed Polls at a special general meeting of the Company.

The term “Required CB Conditions” referred to in (aa) above is defined in the Definitions section of this circular and is repeated below in so far as relating to the 2020 CB and the 2022 CB:

- (i) for as long as the Loan remains outstanding, there shall be no conversion or amendment of the 2020 CB and the 2022 CB without the prior written consent of the Lender, provided that no such consent shall be needed if at least seventy-five percent (75%) of the Loan has been repaid;
- (ii) the payment of principal, interest, and other amounts under any of the 2020 CB and the 2022 CB shall be subordinated to the Loan, and any such payment shall only be made if it will not contravene the terms of the Loan Agreement; and
- (iii) any conversion, amendment, or payment in violation of any of the foregoing conditions shall be deemed void.

If the conditions precedent shall not have been fulfilled by 30 September 2023 or such later date as Suntrust and SA Investments may agree, the Supplemental Deed Polls shall lapse and Suntrust and SA Investments shall release each other from all obligations thereunder.

LETTER FROM THE BOARD

Given the Stock Exchange's consent and approval are not for the change in terms of the 2020 CB and the 2022 CB as contemplated under the Supplemental Deed Polls, there are no required consent and approval of the Stock Exchange to be obtained for the purpose of the conditions precedent (aa) to the Supplemental Deed Polls. The conditions precedent (aa) to the Supplemental Deed Polls is not applicable and need not be fulfilled.

The conditions precedent (bb) to the Supplemental Deed Polls cannot be waived. As at the Latest Practicable Date, the conditions precedent (bb) has not been fulfilled pending the approval of the Independent Shareholders at the SGM.

The Supplemental Deed Polls provide interim safeguard to the Lender prior to the obtaining of the approval by the Independent Shareholders to the charge of the CBs (including the 2020 CB, the 2022 CB and the New CB) to the Lender under the Security Agreement.

Fortune Noble has also executed a supplemental deed poll dated 26 July 2023 to amend the Fortune Noble CB as described in "The Loan Facility – Conditions precedent to drawdown under the Loan Facility – (b)" in this circular prior to initial drawdown under the Loan Facility.

The Directors consider that the revisions contemplated under (a) and (b) as abovementioned are essential to be included in the Supplemental Deed Polls for Suntrust to secure the Loan that can substantially resolve Suntrust's financing needs and facilitate the construction of the Main Hotel Casino which directly enhance the prospective long-term value and return of the Group's investment in Suntrust, hence is fair and reasonable and in the interests of the Company and the Shareholders.

Undertaking

On 26 July 2023, SA Investments executed an undertaking ("**Undertaking**") in favour of the Lender agreeing, committing and undertaking in favor of the Lender that:

- (a) for so long as more than twenty-five percent (25%) of the Loan remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to exercising any conversion right that it may have under any or all of the 2020 CB and/or the 2022 CB;
- (b) for so long as any Loan remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to:
 - (i) selling, assigning, transferring or otherwise disposing of any or all of the 2020 CB and/or the 2022 CB;
 - (ii) creating or agreeing to create any lien on any or all of the 2020 CB and/or the 2022 CB;
 - (iii) collecting, demanding and/or receiving from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under any or all of the 2020 CB and/or the 2022 CB; and/or
 - (iv) declaring any event of default under any of the 2020 CB and/or the 2022 CB.

LETTER FROM THE BOARD

In any of the instances provided in (a) and (b) above, the Lender may grant, withhold or deny any consent sought by SA Investments at the sole and absolute discretion of the Lender without prejudice to the rights, interests, and liens of the Lender under the Loan Agreement, including those with respect to the 2020 CB and 2022 CB.

The Undertaking become effective on 31 July 2023 upon initial drawdown by Suntrust under the Loan Facility and will remain in force and effect until the Secured Obligations are fully and indefeasibly paid or upon full redemption of the 2020 CB and the 2022 CB.

Non-compliance by SA Investments with the Undertaking will constitute an event of default under the Loan Agreement.

INDEMNITY BY LET

By a deed of counter-indemnity dated 8 June 2023 executed by LET in favour of SA Investments, LET agrees to indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain when (a) the Lender makes any request or demand upon SA Investments for payment of any sum of money under or pursuant to any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement; or (b) the Lender enforces any or all of its rights and remedies against SA Investments under any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement; or (c) the Lender enforces any or all securities created under any or all the Finance Documents; or (d) SA Investments becomes liable to pay any sum of money under or pursuant to any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement to the Lender; or (e) they are arising from or as a consequence of any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement.

FINANCIAL EFFECT OF THE LOAN FACILITY RELATED FINANCIAL ASSISTANCE AND THE NEW CB RELATED FINANCIAL ASSISTANCE

In relation to the Loan Facility Related Financial Assistance, the proposed SA Loan Agreement of the amount up to US\$20 million (equivalent to approximately HK\$155 million) represents approximately 4.5% of the net assets value of the Group as at 31 December 2022. The SA Loan Agreement will generate interest income to the Group at the prevailing deposit interest rate, amounted to approximately HK\$9.3 million for each financial year. Other than that, the Company considers that there will not be any material effect on the earnings, assets and liabilities of the Group immediately after the execution of the Loan Facility Related Financial Assistance. In the event that the Group were to fulfill the SA Project Support Undertaking, the Group's liabilities would be increased by approximately HK\$1,116.0 million being the equity or financing to be arranged for the construction of the Main Hotel Casino, which in turn is indemnified by a deed of counter-indemnity dated 8 June 2023 executed by LET in favour of SA Investments.

LETTER FROM THE BOARD

In relation to the New CB Related Financial Assistance, the maximum amount of the New CB in the amount of PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) represents approximately 55.2% of the net assets value of the Group as at 31 December 2022. As the Subscription Price will be settled by way of the Set-Off, the New CB Subscription will not cause any material impact on the total assets, total liabilities and net asset value of the Group. The New CB is a zero-coupon bond and will not pay any interest to the Group during the Conversion Period unless upon maturity or upon early redemption. At the Maturity Date, unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the New CB at its outstanding principal amount plus an amount payable to the Group that would make up an annual return at 6% during the Conversion Period, amounted to approximately PHP6,485.3 million (equivalent to approximately HK\$925.1 million) and PHP8,106.7 million (equivalent to approximately HK\$1,156.4 million) upon maturity on the 8th anniversary and if the Maturity Date is extended, the 10th anniversary of its issue date respectively.

Assuming no settlement of the Payment Obligations prior to the Completion Date (Expected), the sums of the interest forfeited by the Group in relation to the Interest Waiver up to the Completion Date (Expected) under the 2020 CB and the 2022 CB are approximately PHP149.8 million (equivalent to approximately HK\$21.4 million) and approximately PHP114.3 million (equivalent to approximately HK\$16.3 million) respectively.

INFORMATION OF THE LET GROUP, FORTUNE NOBLE AND THE SUNTRUST GROUP

Suntrust is a company incorporated in the Philippines, the shares of which are listed on the PSE. The Suntrust Group is principally engaged in the development and operation of the Main Hotel Casino in the Philippines which is expected to commence operations in 2024. The Main Hotel Casino will encompass (i) a 5-Star hotel with over 450 hotel rooms; (ii) casino establishment with approximately 300 gaming tables and 1,300 electronic gaming machines; and (iii) approximately 1,000 car parking spaces for the hotel and casino establishment to be erected at the Project Site. Further details are set out in the LET Circular.

As at the Latest Practicable Date, Suntrust is indirectly held as to 51% by LET and a non-wholly-owned subsidiary of LET. LET is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange with stock code 1383. The LET Group is principally engaged in (i) through the Suntrust Group, the development and operation of the Main Hotel Casino in the Philippines; (ii) through the Group, the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the “**IEZ Primorye**”) in the Russian Federation; (iii) property development in Japan; and (iv) management and operation of malls in the PRC.

Fortune Noble, a company incorporated in BVI with limited liability, is a direct wholly-owned subsidiary of LET, which principally engaged in investment holding.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in (i) the operation of the hotel and gaming business in the IEZ Primorye in Russia; and (ii) property development in Japan. The gaming and hotel operations of the Group are conducted through its 77.5% equity interest in Oriental Regent Limited, an indirect non-wholly owned subsidiary of the Company. The Company is an approximately 69.66% owned subsidiary, in aggregate directly and indirectly, of LET.

REASONS FOR AND BENEFITS OF THE LOAN FACILITY RELATED FINANCIAL ASSISTANCE AND THE NEW CB RELATED FINANCIAL ASSISTANCE

Based on the latest development plan and schedule of the Main Hotel Casino, the total construction and development costs of the Main Hotel Casino for it to commence operation are estimated to be approximately US\$1,100 million (equivalent to approximately HK\$8,525 million) in total, of which US\$496 million (equivalent to approximately HK\$3,844.0 million) has already been raised as at the date of this circular. As at the Latest Practicable Date, Megaworld, a non-wholly owned subsidiary of Alliance Global Group, Inc. (the “**Alliance Group**”) and shares of both companies are listed on the Philippine Stock Exchange, Inc., and related parties hold 34.7% equity interest in Suntrust. The Alliance Group is one of the most prominent conglomerates in the Philippines, consisting of, among others, its real estate business, and operating the first integrated resort “Newport World Resorts” (formerly known as Resorts World Manila) in Manila since 2009. Led and managed by the combined expertise and strengths of LET and the Alliance Group, the Main Hotel Casino is anticipated to develop into a premier, world-class entertainment resort that delights and captivates its domestic and international visitors.

As disclosed in the Loan Facility Announcement, Suntrust has entered into the Loan Agreement with the Lender for the grant of the Loan Facility to fund its Main Hotel Casino project in the Philippines. Suntrust failure to effect payment of interests due under the 2020 CB and the 2022 CB may deter the Lender and/or any investors from providing funding for the remaining capital expenditure needs for the development of the Main Hotel Casino and may significantly postpone its completion and opening. Under the terms of the New CB, the New CB Conversion Price represents a significant discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price and the 2022 CB Conversion Price respectively and the principal amount of the New CB will include the accumulated outstanding interest on the basis of the Interest Waiver accrued under the 2020 CB and the 2022 CB up to the maximum amount as may be included up to the Completion Date (Expected), increasing the prospective long-term value and return of the Group’s investment in Suntrust and the potential equity stake of the Group in Suntrust upon the eventual opening of the Main Hotel Casino, with the number of potential Conversion Shares increased by approximately 75.0%.

The Main Hotel Casino is still under construction and not yet in operation. Up to 30 June 2023, approximately US\$461.1 million has been paid for the Main Hotel Casino project by the Suntrust Group, representing approximately 42% of the estimated total construction and development costs. The structural topping-off on Level 12 of the Main Hotel Casino was achieved and façade works were in progress. Podium is now in a water-tight condition for the commencement of interior fit-out works in the coming months. The Suntrust Group is also starting the employee recruitment process for the Main Hotel Casino’s operations team. If SA Investments does not restructure the Payment Obligations with Suntrust, the Loan Facility would be adversely affected and Suntrust may not be able to secure adequate

LETTER FROM THE BOARD

funding for the Main Hotel Casino. As a result, the Group is unlikely to be able to recuperate its investment in Suntrust. Facilitating the completion and opening of the Main Hotel Casino is essential to the Group securing a return on its investment. The New CB Related Financial Assistance and the SA Loan Agreement coupled with the other Loan Facility Related Financial Assistance will help substantially to secure the Loan Facility, and resolve Suntrust's financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening.

Having considered the above, the Directors (including the independent non-executive Directors as members of the Independent Board Committee whose recommendation is set out in "Letter from the Independent Board Committee" in this circular) are of the view that the terms of the Financial Assistance, i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance, are on normal commercial terms, fair and reasonable and, while not in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole.

Mr. Lo, being a common director of the Company, LET and Suntrust and the controlling shareholder of LET and Mr. Chua Ming Huat David, being a common director of the Company and Suntrust, are regarded as having a material interest (or as the case may be, potential conflict of interest) in the Financial Assistance, i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance. At the meetings of the Board approving the Financial Assistance, i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance, Mr. Lo and Mr. Chua Ming Huat David had abstained from voting on the resolutions approving the Financial Assistance, i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance.

LISTING RULES IMPLICATIONS

Chapter 14

The Financial Assistance (i.e. the Loan Facility Related Financial Assistance and the New CB Related Financial Assistance) constitutes the provision of financial assistance by SA Investments to Suntrust under Chapter 14. Although some of the applicable percentage ratios in respect of the Financial Assistance exceed 100%, the Financial Assistance is not acquisition by the Company and constitutes as major transaction (instead of very substantial acquisition) for the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14.

Chapter 14A

Suntrust is a connected person of the Company for being an indirect 51% non-wholly owned subsidiary of LET, which in turn is a controlling shareholder of the Company interested in, directly and indirectly, an aggregate of approximately 69.66% of the Shares in issue as at the Latest Practicable Date.

The Financial Assistance constitutes as connected transaction for the Company under Chapter 14A. As one or more of the applicable percentage ratios in respect of the Financial Assistance, exceed 25%, the Financial Assistance is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A.

LETTER FROM THE BOARD

The Shareholders' Approval

Subsequent to the execution of the Loan Agreement on 8 June 2023, the Lender has by the Loan Amendment Agreement agreed to the obtaining of the Independent Shareholders' Approval to the provision of financial assistance by SA Investments to Suntrust under the Security Agreement and the Subordination Agreement as a condition subsequent to the initial drawdown of the Loan under the Loan Facility as disclosed in "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Security Agreement" and "Letter from the Board – The Security Agreement and other documents provided by SA Investments – Subordination Agreement" in this circular.

The New CB Subscription Agreement, the SA Loan Agreement and the Finance Documents (including the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) are not inter-conditional with each others.

As at the Latest Practicable Date, the New CB Subscription, the SA Loan Agreement and the Finance Documents (including the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) are not yet effective and will only become effective until the resolution to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance has been passed by the Independent Shareholders at the SGM. Voting down of such resolution by the Independent Shareholders at the SGM will not have any contractual impact on the Company itself and the Company will not have any obligations or liabilities under the New CB Subscription Agreement, the SA Loan Agreement and the Finance Documents.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise and give recommendation to the Independent Shareholders on the fairness and reasonableness of the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively, and whether the Financial Assistance would be in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the resolutions proposed to be put forward to them for approving the Financial Assistance on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively.

Astrum has been appointed to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Financial Assistance on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively.

LETTER FROM THE BOARD

SGM AND VOTING

The SGM will be convened and held by the Company at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 4:00 p.m. on Wednesday, 13 September 2023 to consider and, if thought fit, approve the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance).

At the SGM, any Shareholders with a material interest in the Financial Assistance are required to abstain from voting on the proposed resolutions to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance. Mr. Lo is a common director of the Company, LET and Suntrust and is the controlling shareholder of LET and the Company, being indirectly interested in approximately 72.07% of the issued shares of LET and 69.77% of the issued Shares. Accordingly, LET and its associate, Victor Sky, each holding 123,255,000 Shares and 3,018,306,811 Shares respectively (representing an aggregate of approximately 69.66% interest in Shares in issue), and Mr. Lo's associates, Better Linkage Limited and Ever Smart Capital Limited, each holding 520,000 Shares and 4,452,000 Shares respectively (representing an aggregate of approximately 0.11% interest in Shares), will therefore be abstained from voting on the resolutions proposed to be put forward to the Independent Shareholders at the SGM for the purpose of approving the Financial Assistance. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders are materially interested in the Financial Assistance who are required to abstain from voting at the SGM on these resolutions.

A notice convening the SGM is set out on page SGM-1 to SGM-2 of this circular and a form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, 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 later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so desire.

In compliance with the Listing Rules, voting on the resolutions to be proposed at the SGM will be conducted by way of poll.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 September 2023 to Wednesday, 13 September 2023 (both days inclusive), during which period no transfer of Shares will be registered, for the purpose of determining the identity of the Shareholders entitled to attend and vote at the SGM. In order to qualify for attending and voting at the SGM to be held on Wednesday, 13 September 2023, all transfers of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrar, 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 4:30 p.m. on Thursday, 7 September 2023.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 61 of this circular which contains its recommendation to the Independent Shareholders in relation to the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance), and the letter from the Independent Financial Adviser set out on pages 62 to 112 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and the Financial Assistance, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Financial Assistance.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Summit Ascent Holdings Limited
Lo Kai Bong
Chairman

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)

24 August 2023

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION:
PROVISION OF FINANCIAL ASSISTANCE –
(1) NEW CB SUBSCRIPTION;
(2) THE SA LOAN AGREEMENT; AND
(3) THE FINANCE DOCUMENTS**

We refer to the circular of the Company dated 24 August 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively. Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned, and the Financial Assistance on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Financial Assistance on terms of the New CB Subscription Agreement, the Finance Documents and the SA Loan Agreement, respectively.

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 THE INDEPENDENT FINANCIAL ADVISER



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

24 August 2023

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

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTIONS:
PROVISION OF FINANCIAL ASSISTANCE –
(1) NEW CB SUBSCRIPTION;
(2) THE SA LOAN AGREEMENT; AND
(3) THE FINANCE DOCUMENTS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Summit Ascent Holdings Limited (the “**Company**”) in relation to (i) the Finance Documents, the SA Loan Agreement and the transactions contemplated thereunder respectively (collectively, the “**Loan Facility Related Financial Assistance**”); (ii) the New CB Subscription, the Set-Off, the Interest Waiver and the transactions contemplated thereunder respectively (collectively, the “**New CB Related Financial Assistance**”, together with the Loan Facility Related Financial Assistance, the “**Financial Assistance**”). The details of the Financial Assistance were disclosed in the announcements of the Company dated 9 June 2023 and 26 July 2023 (the “**Announcements**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 13 to 60 of the circular of the Company dated 24 August 2023 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) The Loan Facility Related Financial Assistance

Suntrust, a fellow subsidiary of the Company and a member of the LET Group, proposed to obtain the Loan Facility (i.e. a term loan in the principal amount of up to PHP25.0 billion (equivalent to approximately HK\$3.6 billion)) from the Lender (i.e. China Banking Corporation) to fund its Main Hotel Casino project in the Philippines by entering into the Loan Agreement. Suntrust, Mr. Lo (a controlling shareholder of LET) and Fortune Noble, a member of the LET Group, will provide surety and securities to the Lender as securities for the Secured Obligations. It is one of the requirements of the Lender that SA Investments shall provide certain securities to the security trustee to the Lender and other documents on terms of the Loan Agreement as reused and amended by the Loan Amendment Agreement as disclosed in the Letter from the Board as security for the Secured Obligations.

In pursuance of the Loan Agreement, Suntrust is required to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) in a construction reserve account to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino (the “**CRA Reserve Requirement**”). On 26 July 2023, SA Investments as lender entered into the SA Loan Agreement with Suntrust, pursuant to which, subject to obtaining of the approval of the Independent Shareholders and other SA Loan Conditions Precedent, SA Investments will provide a loan facility of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.

(ii) The New CB Related Financial Assistance

On 1 June 2020, SA Investments entered into the 2020 Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2020 CB in the aggregate principal amount of PHP5.6 billion (equivalent to approximately HK\$798.9 million). The 2020 CB was issued by Suntrust to SA Investments on 30 December 2020. The 2020 CB bears an interest rate of 6.0% per annum on the aggregate principal amount of the 2020 CB from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2020 CB (i.e. 30 December 2020) on the basis of a 365-day year.

On 20 September 2021, SA Investments entered into the 2021 Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2022 CB in the aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$913.0 million). The 2022 CB was issued by Suntrust to SA Investments on 10 June 2022. The 2022 CB bears an interest rate of 6.0% per annum on the aggregate principal amount of the 2022 CB from time to time outstanding, payable yearly in arrears accruing from the issue date of the 2022 CB (i.e. 10 June 2022) on the basis of a 365-day year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Suntrust has duly settled the first interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) to SA Investments for the 2020 CB due on 30 December 2021. Taking into account the current financial situation, cash flow and capital expenditure needs of Suntrust, Suntrust has not paid to SA Investments (i) the second interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) due under the 2020 CB on 30 December 2022; and (ii) the first interest payment of PHP382.9 million (equivalent to approximately HK\$54.6 million) due under the 2022 CB on 10 June 2023 (collectively the “**Payment Obligations**”). SA Investments has agreed in principle to restructure the Payment Obligations in light of the potential issue of the New CB by setting off the Subscription Price with the aggregate outstanding amounts due under the 2020 CB and the 2022 CB up to the Completion Date (Expected).

On 26 July 2023 (after trading hours), SA Investments entered into the New CB Subscription Agreement with Suntrust, pursuant to which Suntrust conditionally agrees to issue and SA Investments conditionally agrees to subscribe for the New CB in the principal amount of up to approximately PHP13,511.1 million (equivalent to approximately HK\$1.93 billion), being the Maximum Set-Off Amount, and pay the Subscription Price by setting off against the Indebted Amount (in full or as the case may be, in part) as at the Completion Date up to the Maximum Set-Off Amount. Up to the Latest Practicable Date, the sums of the principal amount and all accrued interest of the 2020 CB and the 2022 CB were approximately PHP6,224.4 million (equivalent to approximately HK\$887.9 million) and approximately PHP6,885.3 million (equivalent to approximately HK\$982.2 million), respectively.

Pursuant to the terms of the 2020 CB and the 2022 CB, the 2020 CB and the 2022 CB are subject to an overdue interest rate of 8% per annum from their respective interest due dates of 30 December 2022 and 10 June 2023 until settlement of the Payment Obligations. Based on arm’s length negotiations between Suntrust and SA Investments regarding the set-off of the Indebted Amount with the Subscription Price up to the Maximum Set-Off Amount, SA Investments agreed to calculate the accrued interest based on the non-overdue interest rate of 6% per annum, thereby waiving the extra 2% interest per annum under the overdue interest rate of the 2020 CB and the 2022 CB already accrued and to be accrued until Completion. Assuming no settlement of the Payment Obligations prior to the Completion Date (Expected), the sums of the interest forfeited under the Interest Waiver up to the Completion Date (Expected) under the 2020 CB and the 2022 CB are approximately PHP149.8 million (equivalent to approximately HK\$21.4 million) and approximately PHP114.3 million (equivalent to approximately HK\$16.3 million), respectively.

Upon Completion, the Subscription Price will be applied by Suntrust to redeem the 2020 CB and the 2022 CB by paying the Indebted Amount either (a) (if the Subscription Price is equal to or more than the Indebted Amount) in full; or (b) (if the Subscription Price is less than the Indebted Amount) in part to an amount equal to the Subscription Price with the amount of shortfall to be paid by Suntrust in cash. For the foregoing purpose, as part of the terms of the New CB Subscription Agreement, SA Investments and Suntrust will enter into the Set-Off Deed upon Completion for the purposes of the Set-Off and for payment by Suntrust in cash for any shortfall when the Subscription Price is less than the Indebted Amount due to, including without limitation, the actual Completion Date is later than the Completion Date (Expected).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Financial Assistance (i.e. the Loan Facility Related Financial Assistance and the New CB Related Financial Assistance) constitutes the provision of financial assistance by SA Investments to Suntrust under Chapter 14 of the Listing Rules. Although some of the applicable percentage ratios in respect of the Financial Assistance exceed 100%, the Financial Assistance is not acquisition by the Company and constitutes as major transaction (instead of very substantial acquisition) for the Company subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Suntrust is a connected person of the Company for being an indirect 51% non-wholly owned subsidiary of LET, which in turn is a controlling shareholder of the Company interested in, directly and indirectly, an aggregate of approximately 69.66% of the Shares in issue as at the Latest Practicable Date.

The Financial Assistance constitutes as connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Financial Assistance exceed 25%, the Financial Assistance is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Subsequent to the execution of the Loan Agreement on 8 June 2023, the Lender has by the Loan Amendment Agreement agreed to the obtaining of the Independent Shareholders' Approval to the provision of financial assistance by SA Investments to Suntrust under the Security Agreement and the Subordination Agreement as a condition subsequent to the drawdown of the Loan under the Loan Facility as disclosed in the paragraphs headed "The Security Agreement and other documents provided by SA Investment – Security Agreement" and "The Security Agreement and other documents provided by SA Investment – Subordination Agreement" in the Letter from the Board contained in the Circular.

The New CB Subscription Agreement, the SA Loan Agreement and the Finance Documents (including the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) are not inter-conditional with each others.

As at the Latest Practicable Date, the New CB Subscription, the SA Loan Agreement and the Finance Documents (including the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) are not yet effective and will only become effective until the resolutions to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance have been passed by the Independent Shareholders at the SGM. Voting down of such resolutions by the Independent Shareholders at the SGM will not have any contractual impact on the Company itself and the Company will not have any obligations or liabilities under the New CB Subscription Agreement, the SA Loan Agreement and the Finance Documents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A SGM will be held by the Company to consider and, if thought fit, approve the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance). The voting at the SGM will be taken by poll. At the SGM, any Shareholders with a material interest in the Financial Assistance are required to abstain from voting on the proposed resolutions to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance. Mr. Lo is a common director of the Company, LET and Suntrust and is the controlling shareholder of LET and the Company, being indirectly interested in approximately 72.07% of the issued shares of LET and 69.77% of the issued Shares. Accordingly, LET and its associate, Victor Sky, each holding 123,255,000 Shares and 3,018,306,811 Shares respectively (representing an aggregate of approximately 69.66% interest in Shares in issue), and Mr. Lo's associates, Better Linkage Limited and Ever Smart Capital Limited, each holding 520,000 Shares and 4,452,000 Shares respectively (representing an aggregate of approximately 0.11% interest in Shares), will therefore be abstained from voting on the resolutions proposed to be put forward to the Independent Shareholders at the SGM for the purpose of approving the Financial Assistance. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders are materially interested in the Financial Assistance who are required to abstain from voting at the SGM on these resolutions.

An 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 make recommendations to the Independent Shareholders in respect of the Financial Assistance and as to voting at the SGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

During the last two years, we have acted as (i) the independent financial adviser of the Company in respect of (a) the loan variation involving the subscription of the 2022 CB (details of which were set out in the circular of the Company dated 26 October 2021) (the "**2021 Loan Variation Circular**"); (b) the provision of revolving loan in the principal amount up to HK\$500,000,000 to LET (details of which were set out in the joint announcement of LET and the Company dated 27 January 2023), which was subsequently terminated on 10 May 2023; and (c) a major and connected transaction relating to the acquisition of certain companies (details of which were set out in the circular of the Company dated 28 June 2023); and (ii) the independent financial adviser of LET, which is one of the controlling shareholders of the Company, in respect of a mandatory cash offer. In view of the fact that each of the aforementioned engagements was an individual appointment of Astrum Capital Management Limited to act as independent financial adviser for providing independent opinion to the independent board committee and the independent shareholders in connection with different transactions, we are of the view that none of the previous engagements shall jeopardize our independence nor cause Astrum Capital Management Limited to have conflict of interests in acting as the independent financial adviser to the Independent Board Committee regarding the Financial Assistance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, LET, Suntrust, the Lender and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates as at the Latest Practicable Date, and there was no other engagement between the Group, LET, Suntrust, the Lender and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Financial Assistance, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Financial Assistance.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcements, the Circular, the 2020 Subscription Agreement (as supplemented by an extension letter dated 11 September 2020) in relation to the subscription of the 2020 CB, the 2021 Subscription Agreement in relation to the subscription of the 2022 CB, the New CB Subscription Agreement, the Loan Agreement (as amended by the Loan Amendment Agreement), the Security Agreement, the Supplemental Deed Polls, the Subordination Agreement, the SA Loan Agreement, the annual reports of the Company for the two financial years ended 31 December 2021 and 31 December 2022 (the “**2021 Annual Report**” and the “**2022 Annual Report**”, respectively). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted discussions with the Management regarding the Financial Assistance, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Unless otherwise specified in this letter, (a) amounts denominated in US\$ have been converted to HK\$ and PHP at rates of US\$1.00 to HK\$7.75 and US\$1.00 to PHP54.3275, respectively; and (b) amounts denominated in HK\$ have been converted to PHP at a rate of HK\$1.00 to PHP7.01.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Financial Assistance are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Group is principally engaged in (i) the operation of the hotel and gaming business in the Integrated Entertainment Zone of the Primorye Region (the “**IEZ Primorye**”) in the Russian Federation; and (ii) property development in Japan. The gaming and hotel operations of the Group are conducted through its 77.5% equity interest in Oriental Regent Limited, an indirect non-wholly owned subsidiary of the Company. The Company is an approximately 69.66% owned subsidiary, in aggregate directly and indirectly, of LET.

As disclosed in its 2022 Annual Report, the Group holds a gaming license granted by the Russian government for an indefinite period and the development rights on three adjacent parcels of land, namely Lot 8, Lot 9 and Lot 10 with site area of approximately 73,000 square meters, 90,000 square meters and 154,000 square meters respectively, in the IEZ Primorye of the Russian Far East, being the largest of five designated zones in Russia where gaming and casino activities are legally permitted. 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. Lot 8 is partly erected with dormitories, a gas-powered station and a storage area, called the utility zone. The remaining portion of Lot 8 and the entire Lot 10 are vacant land currently, held for the phased development of Tigre de Cristal in the future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tigre de Cristal offers 121 hotel rooms and suites, and its average hotel occupancy rate maintained at approximately 88% during weekends and approximately 63% during weekdays in 2019 (being the pre-COVID level), which considerably limited the growth in the number of foreign visitors. Thus, the development of Tigre de Cristal Phase II (the “**TdC Phase II**”) was planned in order to improve its accommodation capacity and non-gaming amenities to serve the potential high rollers who want to stay overnight inside the IEZ Primorye. However, the COVID-19 epidemic has had serious negative impacts on the global economy and severely affected tourism since the beginning of 2020, which also hindered the pre-construction phase, including design, procurement of construction materials, tendering and associated payments, of TdC Phase II. While the Russian tourism industry is slowly recovering from the COVID-19 pandemic, it now faces huge uncertainty from the impact of the significant escalation in the Russia-Ukraine Conflict since late February 2022. The United States, the European Union and their allies have imposed an unprecedented range of sanctions and export controls on Russia, which aim at weakening its ability to finance the special military operation including, but not limited to, removal of major Russian banks from the SWIFT messaging system operated by the Society for Worldwide Interbank Financial Telecommunication. A lot of large global corporations have also voluntarily suspended their operations in Russia. Several governments have banned Russian aircraft from their airspace and have issued travel advisories calling on their nationals to avoid travel to Russia. The Russian government responded with a mutual ban for these countries. The escalation in conflict and sanctions has a negative effect on the motivation and choices for international tourists to freely travel into and out of Russia, which affects Tigre de Cristal’s customer base. There is currently no indication on when the military conflict and the related sanctions will end.

Taking into account the abovementioned effects and uncertainties of the Russia-Ukraine Conflict, the Board does not have a positive outlook for Tigre de Cristal and is of the opinion that developing Phase II of Tigre de Cristal would result in significantly increased expenditures with minimal potential return on investment in the current economic environment. Accordingly, the development of TdC Phase II has been suspended. Part of the net proceeds from the rights issue (the “**Rights Issue**”) conducted by the Company in 2020 (please refer to the circular of the Company dated 14 August 2020 for further details of the Rights Issue) and the placing (the “**Placing**”) conducted by the Company in 2019 (please refer to the announcement of the Company dated 25 July 2019 for further details of the Placing) to the extent of approximately HK\$186.4 million and approximately HK\$292.9 million, respectively, originally intended for use in the development of TdC Phase II is not required for immediate use by the Group. As disclosed in the circular of the Company dated 28 June 2023, the Group intends to utilise such proceeds as to (i) HK\$280.0 million for the settlement of the consideration of the acquisition of (a) the entire issued share capital of Modest Achieve Limited and its outstanding non-interest bearing liabilities owed to LET; and (b) the entire issued share capital of Joyful Award Limited and its outstanding non-interest bearing liabilities owed to Solid Impact Limited (the “**Acquisition**”) (details of which were set out in the circular of the Company dated 28 June 2023); (ii) HK\$125.0 million for designing, planning and funding in part the future development of the land parcel located in Miyakojima City, Okinawa Prefecture, Japan acquired under the Acquisition; and (iii) the remaining approximately HK\$74.3 million for general working capital or potential investment opportunities of the Group (the “**Change in Proceeds**”). The Change in Proceeds was duly approved by the then independent Shareholders at the special general meeting of the Company held on 14 July 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information about Suntrust

According to the Letter from the Board, Suntrust is a company incorporated in the Philippines, the shares of which are listed on the PSE. The Suntrust Group is principally engaged in the development and operation of the Main Hotel Casino in the Philippines. As at the Latest Practicable Date, Suntrust was indirectly held as to 51% by LET and hence was a non-wholly-owned subsidiary of LET. LET is an investment holding company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. LET Group is principally engaged in (i) through the Suntrust Group, the development and operation of the Main Hotel Casino in the Philippines; (ii) through the Group, the operation of the hotel and gaming business in the IEZ Primorye in the Russian Federation; (iii) property development in Japan; and (iv) management and operation of malls in the PRC.

As disclosed in the circular of LET dated 26 March 2020 (the “**LET Circular**”) and the annual report of LET for the year ended 31 December 2022, 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 in 2024. The Main Hotel Casino will encompass a (i) 5-Star hotel with over 450 hotel rooms; (ii) casino establishment with approximately 300 gaming tables and 1,300 electronic gaming machines; and (iii) approximately 1,000 car parking spaces for the hotel and casino establishment to be erected at the Project Site. Further details are set out in the LET Circular.

3. Background of the entering into of the 2020 Subscription Agreement and the 2021 Subscription Agreement

On 1 June 2020, Suntrust, as issuer, entered into the 2020 Subscription Agreement with SA Investments, as subscriber, pursuant to which Suntrust conditionally agreed to issue and SA Investments conditionally agreed to subscribe for the 2020 CB in the aggregate principal amount of PHP5.6 billion (equivalent to approximately HK\$798.9 million) with a coupon rate of 6% per annum. The Board considered that the subscription of the 2020 CB allowed the Company to diversify the Group’s asset base and enter into a new developing geographical market, and the subscription of the 2020 CB was 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. The subscription of the 2020 CB was duly approved by the then independent Shareholders at the special general meeting of the Company held on 7 September 2020. Completion of the subscription of the 2020 CB subsequently took place on 30 December 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned in the section headed “*1. Information on the Group*” above, due to the continual impact of the COVID-19, the progress of the pre-construction phase, including design, procurement of construction materials, tendering and associated payments, of the Group’s development of TdC Phase II has been affected. Accordingly, the fund originally intended for the use for development of TdC Phase II in an amount of US\$200 million (equivalent to approximately HK\$1,550.0 million) (including part of the net proceeds from the Rights Issue to the extent of US\$60 million (equivalent to approximately HK\$465.0 million)) (the “**Phase II Development Fund**”) was idle in bank bearing minimal interest at a rate of 0.72% per annum on average. On 23 February 2021, SA Investments, as lender, entered into a loan agreement (the “**2021 Loan Agreement**”) with Suntrust, as borrower, pursuant to which SA Investments shall conditionally provide the loan in the principal amount of US\$120 million (equivalent to approximately HK\$930.0 million) (the “**2021 Loan**”) to Suntrust. The 2021 Loan bears interest at a rate of 6% per annum, and will become mature on the date falling on the expiry of three months from the date of the disbursement of the 2021 Loan to Suntrust, extendable for successive terms of one month each subject to the aggregate term as may be extended shall not be more than three months (unless SA Investments otherwise agrees to a longer period in its sole and absolute discretion). With the Phase II Development Fund being idle in bank bearing minimal interest, the Company considered that the 2021 Loan provided the Group with an opportunity to earn interest income at the rate of 6% per annum for the moment, and that the rate of return of the 2021 Loan was way better than that as may be earned from fixed deposits with banks and financial institutions alike. Please refer to the circular of the Company dated 26 March 2021 for further details of the 2021 Loan. The 2021 Loan was subsequently advanced to Suntrust on 18 May 2021.

At the time of entering into the 2021 Loan Agreement, there were indications that the COVID-19 situation in the Philippines was improving because of the imminent deployment of various COVID-19 vaccines and the decreasing trend of infections in the Philippines. However, the COVID-19 situation was getting worsened in the Philippines thereafter. Due to the worsening COVID-19 situation in Manila, where the Main Hotel Casino is currently being developed, there have been various stages of enhanced quarantine and lockdown measures taken to fight the spread of the new variants of COVID-19 which have severely limited business and governmental services. The stay-at-home order has severely hampered the negotiations between Suntrust and various third parties in relation to securing financing for the development of the Main Hotel Casino, as the banks and financial institutions who have indicated interest in providing financing for the development of the Main Hotel Casino were not able to adequately perform their respective know your client and due diligence related procedures, such as in-person meetings with the management of Suntrust. Therefore, Suntrust was not able to secure adequate financing within the original projected timeline. Accordingly, on 20 September 2021 (after trading hours of the Stock Exchange), SA Investments entered into the 2021 Subscription Agreement with Suntrust, pursuant to which Suntrust has conditionally agreed to issue and SA Investments has conditionally agreed to subscribe for the 2022 CB in the maximum aggregate principal amount of PHP6.4 billion (equivalent to approximately HK\$913.0 million). The aggregate subscription amount payable by SA Investments under the 2021 Subscription Agreement shall be satisfied by setting off the outstanding amount owing by Suntrust to SA Investments under the 2021 Loan Agreement with an equal amount of the aggregate subscription amount payable by SA Investments as at completion of the subscription of the 2022 CB (the “**2021 Loan Set-Off**”). Please refer to the 2021 Loan Variation Circular for further details of the subscription of the 2022 CB and the 2021 Loan Set-Off. The subscription of the 2022 CB was duly approved by the then independent Shareholders at the special general meeting of the Company held on 16 November 2021. Completion of the subscription of the 2022 CB in the principal amount of PHP6.4 billion subsequently took place on 10 June 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Reasons for and benefits of the entering into of the Finance Documents and the transactions contemplated thereunder

(i) The Main Hotel Casino is considered as a sound investment project

The Main Hotel Casino is considered as a sound investment project, and investment by way of the subscription of the 2020 CB and the 2022 CB offered a good opportunity for the Group to extend its presence to the Philippines with potentially attractive return. According to the website of the Philippine Amusement and Gaming Corporation (a state-run gaming regulator and operator, “PAGCOR”) (www.pagcor.ph), the gross gaming revenue in the Philippines increased steadily from approximately PHP158.1 billion for the financial year ended 31 December 2016 to approximately PHP256.5 billion for the financial year ended 31 December 2019, representing a compound annual growth rate (“CAGR”) of approximately 17.5%. The gross gaming revenue in the Philippines then dropped by approximately 61.5% from approximately PHP256.5 billion for the financial year ended 31 December 2019 to approximately PHP98.8 billion for the financial year ended 31 December 2020, and maintained at a low level of approximately PHP113.1 billion for the financial year ended 31 December 2021. The Directors believe that such deterioration was mainly attributable to the outbreak of COVID-19. After the implementation of various measures by the government of the Philippines to control the spread of COVID-19 (including but not limited to the mass-scale vaccine injection), the quarantine and vaccine requirements were gradually eased for its citizens and tourists since 2022 and the gaming industry in the Philippines showed a sign of recovery. The gross gaming revenue in the Philippines recorded an annual growth of approximately 89.5% to approximately PHP214.3 billion for the year ended 31 December 2022, representing approximately 83.6% of that recorded in 2019 (i.e. pre-COVID-19 level). In the first half of 2023, the Philippines’ gross gaming revenue further increased to approximately PHP136.4 billion, representing an increase of approximately 48.7% as compared to approximately PHP91.7 billion in the corresponding period of 2022. According to the press release published on the website of PAGCOR, PARCOR is optimistic about the performance of the gaming industry and expects that the gross gaming revenue in the Philippines will increase to PHP244.8 billion in 2023, representing an annual growth rate of 14.2%. Furthermore, based on the research report published by Goldman Sachs Global Investment Research on 24 July 2023, it is expected that the gross gaming revenue in the Philippines will further increase to approximately US\$5.5 billion (equivalent to approximately PHP298.8 billion) in 2025.

In addition, the Philippine government has expressed its intention to further develop the country’s tourism industry. In March 2023, the Department of Tourism of the Philippines Government announced the National Tourism Development Plan for 2023 to 2028 to serve as the administration’s blueprint and the development framework of the tourism industry in the Philippines, and expected that the number of international tourists will reach 12 million by 2028, as compared to approximately 8.3 million in 2019 (i.e. pre-COVID level).

In view of the above, the Directors are of the opinion that the prospect of the gaming industry in the Philippines is positive, which provides a favorable environment for operation of the Main Hotel Casino.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the letter from the Board, as at the Latest Practicable Date, Megaworld, a non-wholly owned subsidiary of Alliance Global Group, Inc. (the “**Alliance Group**”) and shares of both companies are listed on the Philippine Stock Exchange, Inc., and related parties hold 34.7% equity interest in Suntrust. The Alliance Group is one of the most prominent conglomerates in the Philippines, consisting of, among others, its real estate business, and operating the first integrated resort “Newport World Resorts” (formerly known as Resorts World Manila) in Manila since 2009. Led and managed by the combined expertise and strengths of LET and the Alliance Group, the Main Hotel Casino is anticipated to develop into a premier, world-class entertainment resort that delights and captivates its domestic and international visitors.

(ii) Suntrust is in imminent need to raise a substantial size of fund for the construction of the Main Hotel Casino

Following the stabilization of the COVID-19 pandemic and the removal of strict quarantine measures in the Philippines, the construction progress of the Main Hotel Casino has been able to progress smoothly with minimal interference. Up to 30 June 2023, approximately US\$461.1 million has been paid for the Main Hotel Casino project by the Suntrust Group, representing approximately 42% of the estimated total construction and development costs. The structural topping-off on Level 12 of the Main Hotel Casino was achieved and façade works were in progress. Podium is now in a water-tight condition for the commencement of interior fit-out works in the coming months. The Suntrust Group is also starting the employee recruitment process for the Main Hotel Casino’s operations team. As advised by the Management, the Main Hotel Casino is strategically scheduled for a phased opening with the key revenue drivers (including the casino floors, food hall and one hotel tower) planned to commence operations in December 2024, while another hotel tower, premium suites and clubs, and other amenities are expected to open in the second quarter of 2025. Before the commencement of the operation of the Main Hotel Casino, it is unlikely that the Group is able to recuperate its investments in Suntrust.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the latest development plan and schedule of the Main Hotel Casino, the total construction and development costs (including the payment of lease of the Project Site) paid and estimated to be payable by Suntrust are as follows:

Table 1: Total construction and development costs of the Main Hotel Casino

	Construction and development costs <i>(in US\$ million)</i>
Paid up to 30 June 2023	461.1
Payable for the period from 1 July 2023 to 31 December 2023	154.9
Payable for the year ending 31 December 2024	265.7
Payable for the year ending 31 December 2025	204.2
Payable for the year ending 31 December 2026	14.1
Total	<u>1,100.0</u>

Note: As advised by the Management, the retention of 5% of the contract sum shall be held until the expiry of the one-year defects liability period, which commences from the completion of the respective construction works. Based on the latest development plan and schedule of the Main Hotel Casino, the last phase of construction works will be completed in the fourth quarter of 2025. Therefore, the last payment of construction and development costs of the Main Hotel Casino will be payable in the fourth quarter of 2026.

Furthermore, we understood from the Management that it is a normal market practice for the customers to withhold a portion (usually 5%) of the contract sum as retention money, which shall be payable after the expiry of the defects liability period. We consider that this arrangement can ensure the contractors' commitment during the one-year defects liability period and thus, safeguard the interest of Suntrust. In view of the above, we are of the view that the construction and development costs are reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in Table 1 above, the total construction and development costs of the Main Hotel Casino are estimated to be approximately US\$1,100 million (equivalent to approximately HK\$8,525 million) in total, of which approximately US\$461.1 million (equivalent to approximately HK\$3,573.5 million) has already been paid up to 30 June 2023. As advised by the Management, the financing for the aforementioned US\$1,100 million (equivalent to approximately HK\$8,525 million) already raised and to be arranged is as follows:

Table 2: Sources of funding

Sources of funding	US\$ million	Expected Repayment date
(i) Subscription of the Suntrust Shares by shareholders of Suntrust	73	N/A
(ii) Subscription of the Fortune Noble CB by Fortune Noble	150	May 2030
(iii) Subscription of the 2020 CB by SA Investments	117	December 2030
(iv) Subscription of the 2022 CB by SA Investments	120	July 2028
(v) Loan provided by Major Success Group Limited (a controlling Shareholder)	6	May 2028
(vi) Settlement of the paid-up capital of Suntrust by Megaworld	25	N/A
(vii) Loan provided by LET	5	July 2033
	496	
(viii) Loan Facility (<i>Note 1</i>)	460	July 2031
	956	
Equity or financing to be arranged (<i>Note 2</i>)	144	
Total	1,100	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. According to the Loan Agreement, the drawdown schedule of the Loan Facility is as follows:

Scheduled drawdown date	Drawdown amount
July 2023	PHP2,000 million (equivalent to approximately US\$37 million)
September 2023	PHP1,340 million (equivalent to approximately US\$25 million)
October 2023	PHP5,400 million (equivalent to approximately US\$99 million)
June 2024	PHP2,260 million (equivalent to approximately US\$42 million)
April 2025	PHP7,520 million (equivalent to approximately US\$138 million)
October 2025	PHP6,480 million (equivalent to approximately US\$119 million)
Total	<u>PHP25,000 million (equivalent to approximately US\$460 million)</u>

Up to the Latest Practicable Date, PHP2,000 million was drawn by Suntrust under the Loan Facility on 31 July 2023.

2. As at the Latest Practicable Date, save for the provision of the SA Loan of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust pursuant to the SA Loan Agreement for the sole purpose of the fulfilment of the CRA Reserve Requirement by Suntrust (details of which are set out in the section headed “5. Reasons for and benefits of the entering into of the SA Loan Agreement” below), the Directors were not aware of any requirement, or the Group had any intention, to provide further financial assistance to Suntrust. In the event that the Group provides further financial assistance to Suntrust, it will comply with the relevant requirements under the Listing Rules (including the obtaining of the approval of the Independent Shareholders, if required).

SA Investments will not have any obligations or liabilities under the Loan Facility if the resolution to be put forward to the Independent Shareholders at the SGM for approving the Financial Assistance is voted down by the Independent Shareholders at the SGM.

Without securing the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) provided by the Lender, it is expected that the remaining available fund for the construction and development of the Main Hotel Casino will be running out shortly by September 2023, leading to the temporary suspension of the construction and development of, and the delay in opening of, the Main Hotel Casino, which would increase the overall project costs and cause loss of revenue and business opportunities and, in turn, adversely affect the Group’s investment asset values and their potential returns by virtue of the bondholder of the 2020 CB and the 2022 CB. In view of the above, we concur with the view of the Board that it is crucial for Suntrust to obtain the Loan Facility to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline, thereby safeguarding the interests of the Company and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) The Loan Facility is the only feasible way and the best option currently available for the Suntrust Group to raise a meaningful size of fund

At the time of the publication of the 2021 Loan Variation Circular in respect of the subscription of the 2022 CB, Suntrust was in detailed discussions for a US\$600 million (equivalent to approximately HK\$4,650 million) long-term loan facility from certain financial institutions (the “**Financial Institutions**”). Feedback from the Financial Institutions was positive towards the Main Hotel Casino and Suntrust’s application for the relevant loan facilities. However, since then, the LET Group underwent various restructurings of its shareholdings and changes in LET Directors. Due to the uncertainty in ownership of LET (being the controlling shareholder of Suntrust holding 51% of the issued share capital of Suntrust), discussions by the Suntrust Group with the Financial Institutions were inevitably stalled, and it was difficult for the Suntrust Group to negotiate with the Financial Institutions for terms favorable to the Suntrust Group in relation to the relevant loan facility. The continual travel restrictions due to COVID-19 also hindered face-to-face communication which further obstructed effective negotiations with the Financial Institutions.

Subsequent to the change in controlling shareholder of LET in 2022, Suntrust restarted discussions with the Financial Institutions regarding the possible loan facility in the fourth quarter of 2022. However, the global investment sentiment has generally deteriorated as a result of the COVID-19 pandemic and the worldwide economic uncertainty created by ongoing geopolitical tensions. After a prolonged negotiation, the Lender expressed its willingness to provide the Loan Facility in a meaningful size of up to PHP25.0 billion (equivalent to approximately US\$460 million) which largely matches with the funding need of Suntrust for the construction and development of the Main Hotel Casino and in terms which are acceptable to the Suntrust Group.

In addition to debt financing, the Suntrust Group has also considered equity financing to raise sufficient capital for the construction and development of the Main Hotel Casino. However, taking into account (i) the net current liabilities position of the Suntrust Group of approximately PHP1,630.4 million as at 31 March 2023; and (ii) the active project status of the development of the Main Hotel Casino which will be considered as higher investment risks, the Suntrust Group anticipated that the cost of capital would be high and it is hard for them to procure investors without offering a very deep discount on the subscription price to the prevailing market price of the Suntrust Shares in view of the considerable fund-raising size, which will lead to a significant dilution of ownership. Furthermore, it might take a long time for Suntrust to identify suitable investors to invest in the Suntrust Group, and the fund-raising timetable might not be able to match with the payment schedule of the construction costs of the Main Hotel Casino.

In view of the above, we concur with the Directors’ view that the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) is the only feasible way and the best option currently available for the Suntrust Group to raise a meaningful size of fund to match with the funding need for the construction and development of the Main Hotel Casino.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) The delivery of the Finance Documents and the Undertaking to the Lender and its facility agent are the conditions precedent to the initial drawdown of the Loan under the Loan Facility, which is crucial to the development and completion of the Main Hotel Casino

According to the Loan Agreement, the initial drawdown of the Loan under the Loan Facility will be conditional upon, among others, (i) delivery to the Lender and its security agent the Security Agreement duly executed by SA Investments; (ii) delivery to the facility agent of the Lender the Subordination Agreement duly executed by SA Investments; (iii) delivery to the Lender and its facility agent the Supplemental Deed Polls duly executed by Suntrust and SA Investments; and (iv) delivery to the Lender and its facility agent the Undertaking duly executed by Suntrust and SA Investments.

(a) the Security Agreement

According to the Letter from the Board, under the Security Agreement, SA Investments (a) created a first charge and an assignment by way of security of (i) all present and future convertible bonds (i.e. the CBs) issued or may in the future be issued by Suntrust to SA Investments (including without limitation, the 2020 CB and the 2022 CB in issue); (ii) all present and future agreements, contracts, documents or instruments entered into or to be entered into between Suntrust and SA Investments (save and except the CBs) evidencing or relating to loans or advances by SA Investments to Suntrust (i.e. the Assigned Loan Contracts); (b) created a first charge over all Suntrust Shares owned or held or that in the future may be owned or held by SA Investments; and (c) undertook to provide Project Support to Suntrust to ensure timely completion of the Main Hotel Casino and timely fund the cost over-runs of the Main Hotel Casino project through Project Support to Suntrust (i.e. the SA Project Support Undertaking). Based on the Company's understanding, it is the intention of Suntrust to raise the outstanding construction and development cost of US\$144 million (equivalent to approximately HK\$1,116 million) through equity or debt financing from LET and/or external investors. As at the Latest Practicable Date, save for the provision of the SA Loan of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust pursuant to the SA Loan Agreement for the sole purpose of the fulfilment of the CRA Reserve Requirement by Suntrust (details of which are set out in the section headed "5. Reasons for and benefits of the entering into of the SA Loan Agreement" below), the Directors were not aware of any requirement, or the Group had any intention, to provide further financial assistance to Suntrust. In the event that the Group provides further financial assistance to Suntrust, it will comply with the relevant requirements under the Listing Rules (including the obtaining of the approval of the Independent Shareholders, if required).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) the Subordination Agreement

Under the Subordination Agreement dated 26 July 2023 executed by SA Investments prior to initial drawdown of the Loan under the Loan Facility, SA Investments has irrevocably subordinated any and all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to SA Investments under all advances and loans to Suntrust (i.e. the Subordinated Indebtedness) to and ranking junior in payment to the Secured Obligations. Furthermore, under and pursuant to the Subordination Agreement, SA Investments shall not demand, collect, accept and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable by Suntrust to SA Investments under the SA Loan Agreement.

(c) the Supplemental Deed Polls

Pursuant to the Supplemental Deed Polls entered into between Suntrust and SA Investments, SA Investments shall (i) agree and undertake with the Lender that (a) for as long as the Loan remains outstanding, there shall be no conversion or amendment of the 2020 CB and the 2022 CB without the prior written consent of the Lender, provided that no such consent shall be needed if at least seventy-five percent (75%) of the Loan has been repaid; (b) the Required CB Subordination, and any such payment shall only be made if it will not contravene the terms of the Loan Agreement; and (c) any conversion, amendment, or payment in violation of any of the foregoing conditions shall be deemed void (i.e. the Required CB Conditions); and (ii) in relation to each of the 2020 CB and the 2022 CB, agree to waive the right to declare an event of default under it on or before its maturity date to comply with the Subordination under the Required CB Conditions. Having considered the facts that (i) the Group has no present intention to redeem the New CB (if the New CB Subscription is approved by the Independent Shareholders at the SGM) given that the Main Hotel Casino is considered to be a sound investment project and investment by way of the New CB Subscription represents a good opportunity for the Group to extend its presence to the Philippines with potentially attractive return; and (ii) in order to maximize the potential profitability of the Main Hotel Casino after the commencement of operation, it is the intention of the Group to exercise the New CB Conversion Rights at the Maturity Date (being the eighth (8th) anniversary of the issue date of the New CB which may, subject to agreement by the holder of the New CB upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the New CB), by which it is expected that the Loan Facility has been fully repaid by Suntrust to the Lender in accordance with the Loan Agreement, we are of the view that the Required CB Conditions are acceptable to the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In respect of waiving the right to declare an event of default under the 2020 CB and the 2022 CB, we concur with the Directors' view that it could avoid triggering the cross-default of other convertible bonds and/or loans of the Suntrust Group (including but not limited to the Fortune Noble CB), which might result in the Suntrust Group being under an immediate repayment obligation for all such convertible bonds and/or loans and thus, further deteriorate the financial position of the Suntrust Group and increase the Suntrust Group's difficulty in raising fund to meet the remaining capital expenditure needs for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the development of the Main Hotel Casino. In view of the above, we consider that the waiving of the right to declare an event of default under the 2020 CB and the 2022 CB is justifiable, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(d) the Undertaking

On 26 July 2023, SA Investments executed the Undertaking in favour of the Lender agreeing, committing and undertaking in favor of the Lender that: (a) for so long as more than twenty-five percent (25%) of the Loan remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to exercising any conversion right that it may have under any or all of the 2020 CB and/or the 2022 CB; (b) for so long as any Loan remains outstanding, SA Investments shall seek and obtain the written consent of the Lender prior to: (i) selling, assigning, transferring or otherwise disposing of any or all of the 2020 CB and/or the 2022 CB; (ii) creating or agreeing to create any lien on any or all of the 2020 CB and/or the 2022 CB; (iii) collecting, demanding and/or receiving from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under any or all of the 2020 CB and/or the 2022 CB; and/or (iv) declaring any event of default under any of the 2020 CB and/or the 2022 CB. In any of the instances provided in (a) and (b) above, the Lender may grant, withhold or deny any consent sought by SA Investments at the sole and absolute discretion of the Lender without prejudice to the rights, interests, and liens of the Lender under the Loan Agreement, including those with respect to the 2020 CB and 2022 CB.

For the sake of safeguarding the interests of the Group, LET (as the controlling shareholder of Suntrust) executed a deed of counter-indemnity in favour of SA Investments on 8 June 2023 and agreed to indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain when (a) the Lender makes any request or demand upon SA Investments for payment of any sum of money under or pursuant to any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement; or (b) the Lender enforces any or all of its rights and remedies against SA Investments under any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement; or (c) the Lender enforces any or all securities created under any or all the Finance Documents; or (d) SA Investments becomes liable to pay any sum of money under or pursuant to any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement to the Lender; or (e) they are arising from or as a consequence of any or all the Finance Documents and/or the Undertaking and/or the Loan Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, the delivery of the Finance Documents (comprising the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) and the Undertaking was requested by the Lender as the conditions precedent to the initial drawdown of the Loan under the Loan Facility in order to safeguard their interests. As discussed in the paragraph headed “(ii) Suntrust is in imminent need to raise a substantial size of fund for the construction of the Main Hotel Casino” above, without securing the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) provided by the Lender, it is expected that the remaining available fund for the construction and development of the Main Hotel Casino will be running out shortly by September 2023, leading to the temporary suspension of the construction and development of, and the delay in opening of, the Main Hotel Casino, which would increase the overall project costs and cause loss of revenue and business opportunities and, in turn, adversely affect the Group’s investment asset values and their potential returns by virtue of the bondholder of the 2020 CB and the 2022 CB. Therefore, we concur with the Directors’ view that it is crucial for Suntrust to obtain the Loan Facility to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline, thereby safeguarding the interests of the Company and the Shareholders.

It is undoubted that the delivery of the Finance Documents and the Undertaking, and the provision of the SA Project Support Undertaking may, on a standalone basis, not be in the best interests of the Company. However, the delivery of the Finance Documents and the Undertaking forms part and parcel of the Financial Assistance (comprising the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance). Therefore, we are of the view that in assessing the fairness and reasonableness of the delivery of the Finance Documents and the Undertaking, we should also take into account the reasons for and the benefits of the New CB Subscription as discussed in the section headed “6. Reasons for and benefits of the New CB Subscription, the Set-Off and the Interest Waiver” below. In particular, as a gesture of goodwill to appreciate the Company for the assistance of obtaining the Loan Facility by way of providing the Finance Documents and the Undertaking to the Lender, Suntrust agreed to lower the New CB Conversion Price to PHP1.10, representing a significant discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price of PHP1.80 per Conversion Share and the 2022 CB Conversion Price of PHP1.65 per Conversion Share, respectively. The reduction of the New CB Conversion Price allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing CBs. Based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares (as defined below) amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Letter from the Board, subsequent to the execution of the Loan Agreement on 8 June 2023, the Lender has by the Loan Amendment Agreement agreed to the obtaining of the Independent Shareholders' Approval to the provision of financial assistance by SA Investments to Suntrust under the Security Agreement and the Subordination Agreement as a condition subsequent to the initial drawdown of the Loan under the Loan Facility (the "**Arrangement**"). Pursuant to the terms of the Loan Facility, the Independent Shareholders' Approval should be obtained before the second drawdown of the Loan (i.e. on or before 30 September 2023). As mentioned above, the delivery of the Finance Documents (comprising the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) and the Undertaking was requested by the Lender as the conditions precedent to the initial drawdown of the Loan under the Loan Facility, and the Security Agreement and the Subordination Agreement are typical security documents required by lenders alike to safeguard their interests. We consider that the Arrangement, on one hand, allows Suntrust to execute the initial drawdown of the Loan of PHP2,000 million in order to relief the tight cash position of Suntrust and meet the existing capital expenditure needs for the development of the Main Hotel Casino and, on the other hand, provides sufficient time for the Company to obtain the Independent Shareholders' Approval to the provision of financial assistance by SA Investments to Suntrust under the Security Agreement and the Subordination Agreement. In the event that the relevant resolution to be put forward to the Independent Shareholders at the SGM for approving the Security Agreement and the Subordination Agreement is voted down by the Independent Shareholders, Suntrust will not be capable of drawing down the remaining phases of the Loan, leading to a disastrous impact on the development of the Main Hotel Casino.

In view of above, particularly the facts that (i) the initial drawdown of the Loan Facility is conditional upon, among others, the delivery of the Finance Documents (comprising the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) and the Undertaking to the Lender and its facility agent; (ii) the obtaining of the Independent Shareholders' Approval to the provision of financial assistance by SA Investments to Suntrust under the Security Agreement and the Subordination Agreement are the condition subsequent to the initial drawdown of the Loan under the Loan Facility; (iii) it is crucial for Suntrust to obtain the Loan Facility in the sizable principal amount of PHP25 billion (equivalent to approximately US\$460 million) to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline, thereby safeguarding the interests of the Company and the Shareholders; (iv) the Loan Facility is the only feasible way and the best option currently available for the Suntrust Group to raise a meaningful size of fund to match with the funding need for the construction and development of the Main Hotel Casino; (v) it is difficult for the Group to recuperate its investment in Suntrust before the operation of the Main Hotel Casino; (vi) the Security Agreement and the Subordination Agreement are typical security documents required by lenders alike to safeguard their interests; (vii) LET will indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain; (viii) the reasons for and the benefits of the New CB Subscription as discussed in the section headed "6. Reasons for

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and benefits of the New CB Subscription, the Set-Off and the Interest Waiver” below; and (ix) the terms of the New CB are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis as set out in the section headed “7. Principal terms of the New CB” below), we agree with the Board’s view that the provision of the financial assistance on terms of the Finance Documents and the Undertaking, and the provision of the SA Project Support Undertaking are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

(v) Conclusion

Having considered the above, in particular the facts (i) the Main Hotel Casino is considered as a sound investment project; (ii) without securing the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) provided by the Lender, it is expected that the remaining available fund for the construction and development of the Main Hotel Casino will be running out shortly by September 2023, leading to the temporary suspension of the construction and development of, and the delay in opening of, the Main Hotel Casino; (iii) it is crucial for Suntrust to obtain the Loan Facility to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline, thereby safeguarding the interests of the Company and the Shareholders; (iv) the Loan Facility is the only feasible way and the best option currently available for the Suntrust Group to raise a meaningful size of fund to match with the funding need for the construction and development of the Main Hotel Casino; (v) the initial drawdown of the Loan under the Loan Facility is conditional upon, among others, the delivery of the Finance Documents (comprising the Security Agreement, the Subordination Agreement and the Supplemental Deed Polls) and the Undertaking to the Lender and its facility agent; (vi) the Security Agreement and the Subordination Agreement are typical security documents required by lenders alike to safeguard their interests; (vii) LET will indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain; and (viii) the reasons for and the benefits of the New CB Subscription as discussed in the section headed “6. Reasons for and benefits of the New CB Subscription, the Set-Off and the Interest Waiver” below, we concur with the Directors’ view that the entering into of the Finance Documents is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Reasons for and benefits of the entering into of the SA Loan Agreement

In pursuance of the Loan Agreement, Suntrust is required to maintain a credit balance of not less than US\$20 million (equivalent to approximately HK\$155 million) in a construction reserve account to be maintained in the name of a security trustee to the Lender to cover any cost over-runs of the construction of the Main Hotel Casino (i.e. the CRA Reserve Requirement). On 26 July 2023, SA Investments as lender entered into the SA Loan Agreement with Suntrust, pursuant to which, subject to obtaining of the approval of the Independent Shareholders and other SA Loan Conditions Precedent as set out in the paragraph headed “Conditions precedent of the SA Loan Agreement” under the section headed “SA Loan Agreement” in the Letter from the Board, SA Investments will provide a loan facility of up to US\$20 million (equivalent to approximately HK\$155 million) to Suntrust, for the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.

The Directors consider that the SA Loan provides the Group with an opportunity to have stable interest income at a rate of 6% per annum. On the basis of (i) the maximum principal amount of US\$20 million (equivalent to approximately HK\$155 million); and (ii) the interest rate of 6% per annum, the SA Loan will generate interest income receivable of approximately HK\$9.3 million per annum to the Group.

In addition, we have studied the financial performance and position of the Group (in particular, its cash position). According to the 2022 Annual Report, the Group made a turnaround from loss making position to profit making position, and recorded profit attributable to the owners of the Company of approximately HK\$11.8 million for the year ended 31 December 2022, as compared to loss of approximately HK\$230.0 million for the year ended 31 December 2021. The total assets and total liabilities of the Group as at 31 December 2022 amounted to approximately HK\$3,734.5 million and approximately HK\$240.3 million, respectively, leading to net assets of approximately HK\$3,494.2 million. As at 31 December 2022, the Group had cash and bank balances of approximately HK\$831.9 million, representing a notable increase of approximately 37.1% as compared to approximately HK\$606.6 million as at 31 December 2021. Such increase was mainly due to (i) the net cash generated from operating activities of approximately HK\$85.8 million; (ii) the positive effect of foreign exchange rate changes of approximately HK\$57.6 million; (iii) the partial repayment of short-term loan by Suntrust of approximately HK\$53.3 million; and (iv) the receipt of interest income from derivative financial instruments of approximately HK\$41.0 million. As at 31 December 2022, cash and cash equivalents of the Group were HK\$831.9 million. After deduction of (i) the consideration of the Acquisition of HK\$280.0 million and the development cost of the land parcel located in Miyakojima City, Okinawa Prefecture, Japan acquired under the Acquisition of HK\$125.0 million; and (ii) the SA Loan in the maximum principal amount of US\$20 million (equivalent to approximately HK\$155 million), the remaining cash and bank balances of the Group as at 31 December 2022 would be approximately HK\$271.9 million. The Directors consider that barring the unforeseen circumstances, the Group possesses sufficient cash for its daily operation for the coming few years.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, in particular the facts that (i) the CRA Reserve Requirement is required in pursuance of the Loan Agreement; (ii) it is crucial for Suntrust to obtain the Loan Facility to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline (please refer to our analysis as disclosed in the section headed “4. Reasons for and benefits of the entering into of the Finance Documents and the transactions contemplated thereunder” above); (iii) the SA Loan will generate interest income receivable of approximately HK\$9.3 million per annum to the Group on the basis of the maximum principal amount of US\$20 million (equivalent to approximately HK\$155 million) and the interest rate of 6% per annum; (iv) the financial position of the Group remains strong; (v) in the maximum principal amount of the SA Loan of US\$20 million (equivalent to approximately HK\$155 million) represents merely approximately 18.6% and approximately 4.4% of the cash and bank balances and net assets of the Group as at 31 December 2022, respectively; and (vi) barring unforeseen circumstances, it is expected that the Group possesses sufficient cash for its daily operation for the coming few years, we concur with the Directors’ view that the entering into of the SA Loan Agreement is in the interests of the Company and the Shareholders as a whole.

6. Reasons for and benefits of the New CB Subscription, the Set-Off and the Interest Waiver

(i) Suntrust is incapable of fulfilling the Payment Obligations and the Set-Off will help substantially to secure the Loan Facility and resolve Suntrust’s financing needs

As mentioned in the section headed “3. Background of the entering into of the 2020 Subscription Agreement and the 2021 Subscription Agreement” above, the Group subscribed for the 2020 CB in the principal amount of PHP5.6 billion (equivalent to approximately HK\$798.9 million) and the 2022 CB in the principal amount of PHP6.4 billion (equivalent to approximately HK\$913.0 million) issued by Suntrust on 30 December 2020 and 10 June 2022, respectively. Both the 2020 CB and the 2022 CB (collectively, the “**Existing CBs**”) carry interest at 6.0% per annum on the aggregate principal amount of the respective convertible bonds from time to time outstanding, payable yearly in arrears accruing from the issue date of the respective convertible bonds on the basis of a 365-day year, with the last payment of interest to be made on the respective maturity date.

According to the Letter from the Board, Suntrust has duly settled the first interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) to SA Investments for the 2020 CB due on 30 December 2021. However, taking into account the current financial situation, cash flow and capital expenditure needs of Suntrust, Suntrust has not paid to SA Investments (i) the second interest payment of PHP336.0 million (equivalent to approximately HK\$47.9 million) due under the 2020 CB on 30 December 2022; and (ii) the first interest payment of PHP382.9 million (equivalent to approximately HK\$54.6 million) due under the 2022 CB on 10 June 2023 (i.e. the Payment Obligations).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, Suntrust's failure to effect payment of interests due under the 2020 CB and the 2022 CB may deter the Lender and/or any investors from providing funding for the remaining capital expenditure needs for the development of the Main Hotel Casino and may significantly postpone its completion and opening. In particular, according to the Loan Agreement, the initial drawdown under the Loan Facility is conditional upon, among others, the delivery to the Lender and its facility agent the Supplemental Deed Polls duly executed by Suntrust and SA Investments. Pursuant to the Supplemental Deed Polls entered into between Suntrust and SA Investments, SA Investments shall (i) agree and undertake with the Lender to the Required CB Conditions; and (ii) in relation to each of the 2020 CB and the 2022 CB, agree to waive the right to declare an event of default under it on or before its maturity date to comply with the Subordination under the Required CB Conditions.

As at the Latest Practicable Date, the Main Hotel Casino was still under construction and not yet in operation. If SA Investments does not restructure the Payment Obligations with Suntrust, Suntrust might not be able to draw down the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) provided by the Lender to meet the funding need for the construction and development of the Main Hotel Casino. As a result, the Group is unlikely to be able to recuperate its investment in Suntrust if the Payment Obligations are unable to be resolved. Therefore, facilitating the completion and opening of the Main Hotel Casino is essential to the Group securing a return on its investment, by making a trade-off for pursuing long term rewards rather than receiving short term returns. Having considered the above, we concur with the view of the Board that the Set-Off will help substantially to secure the Loan Facility, and resolve Suntrust's financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening, and thus, is in the interests of the Company and the Shareholders as a whole.

(ii) The New CB Conversion Price is lower than the 2020 CB Conversion Price and the 2022 CB Conversion Price, allowing the Group to obtain more shareholding in Suntrust when exercising the conversion right attaching to the New CB

According to the New CB Subscription Agreement, the New CB Conversion Price is PHP1.10 per Conversion Share, representing a significant discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price of PHP1.80 per Conversion Share and the 2022 CB Conversion Price of PHP1.65 per Conversion Share, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For illustrative purpose only, the following table sets out the shareholding structure of Suntrust (i) as at the Latest Practicable Date; (ii) immediately after full conversion of the 2020 CB and the 2022 CB at the 2020 CB Conversion Price and the 2022 CB Conversion Price, respectively; and (iii) immediately after full conversion of the New CB at the New CB Conversion Price assuming that the New CB Subscription is approved by the Independent Shareholders at the SGM and there is no other change in the issued share capital of Suntrust:

Table 3: Shareholding structure of Suntrust

Suntrust shareholders	As at the Latest Practicable Date		Immediately after full conversion of the 2020 CB and the 2022 CB at the 2020 CB Conversion Price and the 2022 CB Conversion Price		Immediately after full conversion of the New CB at the New CB Conversion Price	
	<i>Number of Suntrust Shares</i>	%	<i>Number of Suntrust Shares</i>	%	<i>Number of Suntrust Shares</i>	%
LET Group						
Fortune Noble Limited	3,697,500,000	51.0	3,697,500,000	26.0	3,697,500,000	18.9
SA Investments	–	–	6,989,898,989	49.1	12,282,859,277	62.9
Sub-total	3,697,500,000	51.0	10,687,398,989	75.1	15,980,359,277	81.8
Megaworld and related parties	2,513,694,000	34.7	2,513,694,000	17.7	2,513,694,000	12.9
Directors of Suntrust other than Mr. Lo and Mr. Chua						
Ming Huat David	3	0.0	3	0.0	3	0.0
Public shareholders	1,038,805,997	14.3	1,038,805,997	7.3	1,038,805,997	5.3
Total	7,250,000,000	100.0	14,239,898,989	100.0	19,532,859,277	100.0

Note: Any discrepancies in the table above between totals and sums of amounts set out in it are due to rounding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the facts that (i) the New CB Conversion Price represents a significant discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price and the 2022 CB Conversion Price, respectively; and (ii) the principal amount of the New CB will include the accumulated outstanding interest accrued under the 2020 CB and the 2022 CB up to the maximum amount as may be included up to the Completion Date (Expected), the number of Suntrust Shares to be issued upon full conversion of the New CB in comparison to the aggregate number of Suntrust Shares to be issued upon full conversion of the 2020 CB and the 2022 CB will be an increase of approximately 75.7% from an aggregate of 6,989,898,989 Suntrust Shares to 12,282,859,277 Suntrust Shares (assuming that the Interest Waiver Approval (details of which are disclosed in the paragraph headed “(iii) Interest Waiver” below) is obtained). Based on the closing price of PHP0.85 per Suntrust Share as quoted on the PSE on the Last Trading Day, the market value of the 5,292,960,288 additional Suntrust Shares (the “**Additional Suntrust Shares**”) amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million).

Having considered the facts that (i) the Main Hotel Casino is considered as a sound investment project; (ii) the prospect of the gaming industry in the Philippines is positive, which provides a favorable environment for operation of the Main Hotel Casino; (iii) the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing CBs; and (iv) based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million), we are of the view that the entering into of the New CB Subscription Agreement enables the Group to increase the prospective long-term value and return of its investment in Suntrust and the potential equity stake of the Group in Suntrust upon the eventual opening of the Main Hotel Casino, which is beneficial to the Group.

(iii) Interest Waiver

As at the Latest Practicable Date, the unpaid Payment Obligation remained outstanding. Pursuant to the 2020 Subscription Agreement and the 2021 Subscription Agreement, the 2020 CB and the 2022 CB are subject to an overdue interest rate of 8% per annum from their respective interest due dates (i.e. 30 December 2022 and 10 June 2023, respectively) until settlement of the Payment Obligations. Based on arm’s length negotiations between Suntrust and SA Investments regarding the set-off of the Indebted Amount with the Subscription Price up to the Maximum Set-Off Amount, SA Investments agreed to calculate the accrued interest based on the non-overdue interest rate of 6% per annum, thereby waiving the extra 2% interest per annum under the overdue interest rate of the 2020 CB and the 2022 CB already accrued and to be accrued until Completion. Assuming no settlement of the Payment Obligations prior to the Completion Date (Expected), the sums of the interest forfeited under the Interest Waiver up to the Completion Date (Expected) under the 2020 CB and the 2022 CB are approximately PHP149.8 million (equivalent to approximately HK\$21.4 million) and approximately PHP114.3 million (equivalent to approximately HK\$16.3 million), respectively (in aggregate, approximately PHP264.1 million (equivalent to approximately HK\$37.7 million)) (the “**Forfeited Interest**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is indubitable that the Interest Waiver is, on a standalone basis, not in the interests of the Company and the Shareholders as a whole. Nevertheless, given that the New CB Subscription is conditional upon the approval of the Interest Waiver Approval by the Independent Shareholders at the SGM, coupled with the benefits of the New CB Subscription as discussed above (particularly, (i) the New CB Subscription will substantially resolve Suntrust's financing needs and allow Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening; (ii) facilitating the completion and opening of the Main Hotel Casino is essential to the Group securing a return on its investment, by making a trade-off for pursuing long term rewards rather than receiving short term returns; (iii) the Main Hotel Casino is considered as a sound investment project; (iv) the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing CBs; and (v) based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million), which is much higher than the Forfeited Interest), we consider that the Interest Waiver is justifiable, and is fair and reasonable.

(iv) Conclusion

Having considered the above, in particular the facts (i) taking into account the current financial situation, cash flow and capital expenditure needs of Suntrust, Suntrust is incapable of fulfilling the Payment Obligations; (ii) Suntrust's failure to effect payment of interests due under the 2020 CB and the 2022 CB may deter the Lender and/or any investors from providing funding for the remaining capital expenditure needs for the development of the Main Hotel Casino and may significantly postpone its completion and opening; (iii) the Group is unlikely to be able to recuperate its investment in Suntrust if the Payment Obligations are unable to be resolved; (iv) the Set-Off will help substantially to secure the Loan Facility, and resolve Suntrust's financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening; (v) the Main Hotel Casino is considered as a sound investment project; (vi) the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing CBs; (vii) based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million), which is much higher than the Forfeited Interest; (viii) the entering into of the New CB Subscription Agreement enables the Group to increase the prospective long-term value and return of its investment in Suntrust and the potential equity stake of the Group in Suntrust upon the eventual opening of the Main Hotel Casino, which is beneficial to the Group; and (ix) the terms of the New CB (including but not limited to the New CB Conversion Price) are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis as set out in the section headed "7. Principal terms of the New CB" below), we concur with the Directors' view that the New CB Subscription, the Set-Off and the Interest Waiver are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Principal terms of the New CB

Issuer:	Suntrust.
Principal amount:	Up to a maximum of approximately PHP13,511.1 million (equivalent to approximately HK\$1.93 billion).
Form and denomination:	The New CB will be issued in registered form and in a minimum denomination of PHP10,000,000 each save where the outstanding amount of the New CB is less than PHP10,000,000 in which case the New CB may be issued in such lesser amount.
Issue price:	100% of the aggregate principal amount of the New CB, which is at the full face value of the New CB.
Interest:	Nil.
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 eighth (8th) anniversary of the issue date of the New CB which may, subject to agreement by the holder of the New CB upon request by Suntrust, be extended to the date falling on the tenth (10th) anniversary of the issue date of the New CB or, if that is not a Business Day, the first Business Day thereafter (the “ Maturity Date ”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

New CB Conversion Price:

The price at which Conversion Shares will be issued upon conversion will initially be PHP1.10 per Conversion Share, which is subject to adjustment provisions, brief particulars of which are set out in “Adjustment events” under the paragraph headed “Principal terms of the New CB” in the Letter from the Board. The New CB Conversion Price of PHP1.10 per Conversion Share represents:

- (i) a premium of approximately 29.41% over the closing price of PHP0.85 per Suntrust Share as quoted on the PSE on the Last Trading Day;
- (ii) a premium of approximately 25.00% over the closing price of PHP0.88 per Suntrust Share as quoted on the PSE for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 27.91% over the closing price of PHP0.86 per Suntrust Share as quoted on the PSE for the last ten trading days up to and including the Last Trading Day; and
- (iv) a premium of 37.5% over the closing price of PHP0.80 per Suntrust Share as quoted on the PSE on the Latest Practicable Date.

Adjustment events:

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

- (i) consolidation, subdivision or reclassification of Suntrust Shares;
- (ii) capitalisation of profits or reserves (other than in lieu of a cash dividend);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) issue of Suntrust Shares by way of a scrip dividend where the current market price exceeds the amount of the relevant cash dividend;
- (iv) capital distribution to the shareholders of Suntrust;
- (v) rights issues of Suntrust Shares or options over Suntrust Shares (at less than 80% of the current market price per Suntrust Share) ^(note);
- (vi) rights issues of other securities by Suntrust;
- (vii) issue (other than as mentioned in (v) above), or issue or grant (otherwise as mentioned in paragraph (v) 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 ^(note);
- (viii) other issue by Suntrust or its subsidiaries (other than as mentioned in (v), (vi) or (vii) above) of any securities carrying the rights of conversion into, or exchange or subscription for Suntrust Shares 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 ^(note);
- (ix) modification of the rights of conversion, exchange, subscription or redesignation attaching to any securities mentioned in (viii) 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 ^(note); and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (x) 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.

Note: The basis for less than 80% of the current market price per Suntrust Share is made reference to the prevailing market practice in relation to the terms of adjustment of convertible bonds issued by listed companies listed on the Stock Exchange.

For further details of the adjustment events, please refer to the paragraph headed “Principal terms of the New CB” under the section “The New CB Subscription” in the Letter from the Board.

Conversion period:

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

Conversion Condition:

Until repayment of at least seventy-five percent (75%) of the Loan has been made, the holder of the New CB shall not exercise any New CB Conversion Rights or agree to any amendment to the terms and conditions of the New CB.

Redemption Condition:

All amounts due and payable under the New CB shall be subordinated to and shall rank junior in payment to the Secured Obligations until full payment of the Secured Obligations. For so long as the Loan under the Loan Facility remains outstanding, SA Investments shall not collect, demand and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under the New CB (the “**Redemption Condition**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Redemption:

Early redemption by Suntrust:

Suntrust is entitled to cancel and to redeem all the New CB in whole at any time after the first (1st) anniversary of the issue date of the New CB and expiring on the Maturity Date (or if extended, the Maturity Date as extended) at 100% of their outstanding principal amount together with accrued interest (including default interest) (if any) and an amount that would make up an annual return on the New CB to redeemed at 6% calculated from the issue date of the New CB up to the date of redemption subject to the Redemption Condition. The decision of Suntrust to cancel and to redeem the New CB is made by written notice to the holders of the New CB by giving them seven (7) Business Days' prior notice specifying the proposed date of redemption.

Request for early redemption by the holder of the New CB:

The holder of the New CB may request Suntrust for early redemption of the New CB at any time during the period commencing from the day immediately after the first (1st) anniversary of the issue date of the New CB and expiring on the Maturity Date or if extended, the Maturity Date as extended at 100% of their outstanding principal amount together with accrued interest thereon (including default interest) (if any) and an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB up to the date of redemption provided the holder of the New CB shall only make such redemption request after making prior consultation with Suntrust and is reasonably satisfied that Suntrust will be able to pay its debts when they fall due after making the redemption subject to the Redemption Condition. The decision of holder of the New CB to redeem the New CB is made by written notice to Suntrust by giving Suntrust seven (7) Business Days' prior notice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Redemption at maturity:

Unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the New CB on the Maturity Date or if extended, on the Maturity Date as extended subject to the Redemption Condition, at:

- the outstanding principal amount up to the Maturity Date or if extended, the Maturity Date as extended;
- an amount that would make up an annual return on the New CB to be redeemed at 6% calculated from the issue date of the New CB to the Maturity Date or if extended, the Maturity Date as extended; and
- any other outstanding amount due but unpaid under the New CB.

Redemption upon event of default:

Upon the occurrence of an event of default (brief particulars of which are mentioned in “Events of default” in the section headed “Principal terms of the New CB” in the Letter from the Board), Suntrust shall redeem the New CB subject to the Redemption Condition at:

- 100% of their outstanding principal amount together with interest thereon up to the date of redemption; and
- any other outstanding amount due but unpaid under the New CB.

Transfer Condition:

For so long as the Loan remains outstanding, the holder of the New CB shall not make, cause or effect any transfer, assignment or other disposal of all or any of the New CB or create or cause or allow the creation of any lien or encumbrance over any of the New CB, except those expressly allowed under the Loan Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For further details of the principal terms of the New CB, please refer to the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the New CB, we have attempted to identify a list of convertible bonds/notes announced by companies listed on PSE through Bloomberg and the company filings published on the website of PSE (edge.pse.com.ph). In view of (i) the term to maturity of the New CB (i.e. 8 years); and (ii) the maximum principal amount of the New CB (i.e. approximately PHP13,511.1 million (equivalent to approximately HK\$1.93 billion)), we have attempted to identify all convertible bonds announced by companies listed on the PSE during the three-month period immediately before the date of the New CB Subscription Agreement (i.e. from 27 April 2023 to 26 July 2023) which (i) the term to maturity is more than or equal to five years; and (ii) the principal amount of the convertible bond is higher than HK\$1.0 billion. However, we could not locate any other convertible bonds/notes issued by companies listed on PSE through Bloomberg and the website of PSE. Thereafter, we tried to relax selection criteria to those convertible bonds announced by companies listed on the PSE during the last two years immediately before the date of the New CB Subscription Agreement (i.e. from 27 July 2021 to 26 July 2023) which (i) the term to maturity is more than one year; and (ii) the principal amount of the convertible bond is higher than HK\$500 million. However, to the best of our knowledge, we could only locate one convertible bond (which was issued by Suntrust (i.e. the 2022 CB)) that met the above-mentioned selection criteria. Due to the small sample size, we tried to identify all convertible bonds (regardless of the terms of the convertible bonds) issued by companies listed on PSE. To the best of our knowledge and as far as we are aware of, save for the convertible bonds issued by Cebu Air, Inc. (ticker: CEB.PM, “**Cebu Air**”) in 2021 and the 2022 CB, we could not locate any other convertible bonds/notes issued by companies listed on PSE through Bloomberg and the website of PSE since 2021.

As disclosed in the annual report of Cebu Air for the year ended 31 December 2021, on 16 April 2021, Cebu Air entered into an agreement (the “**Cebu Air Agreement**”) with three independent third parties to issue 4.5% per annum convertible bonds (the “**Cebu Air CB**”) in the aggregate principal amount of US\$250.0 million (equivalent to approximately HK\$1,937.5 million) carrying conversion rights to convert into shares of Cebu Air (the “**Cebu Air Share(s)**”) at the conversion price of PHP38.00 per Cebu Air Share and maturing on 10 May 2027. The conversion price of the Cebu Air CB of PHP38.00 represents (i) a discount of approximately 24.15% to the closing price of PHP50.10 per Cebu Air Share as quoted on the PSE on 16 April 2021 (being the date of the Cebu Air Agreement); and (ii) a discount of approximately 22.21% to the average closing price of PHP48.85 per Cebu Air Share as quoted on the PSE for the last five trading days up to and including the date of the Cebu Air Agreement. We noted that the Cebu Air CB was issued by Cebu Air under the unfavorable environment as a result of the outbreak of the COVID-19 pandemic in 2020 and 90% of the proceeds of the Cebu Air CB would be used as the working capital of Cebu Air, repayment of debt and lease obligations. Given that (i) the Cebu Air CB is the sole comparable convertible bonds which we could locate (except for the convertible bonds issued by Suntrust); and (ii) the business of the Cebu Air was significantly affected by the outbreak of the COVID-19 pandemic at the time of the issuance of the Cebu Air CB, we consider that the Cebu Air CB could not truly reflect the prevailing market sentiment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Therefore, we identified a list of convertible bonds/notes announced by companies listed on the Stock Exchange instead. In view of (i) the term to maturity of the New CB (i.e. 8 years); and (ii) the maximum principal amount of the New CB (i.e. approximately PHP13,511.1 million (equivalent to approximately HK\$1.93 billion)), we have attempted to identify all convertible bonds/notes announced by companies listed on the Stock Exchange during the three-month period immediately before the date of the New CB Subscription Agreement (i.e. from 27 April 2023 to 26 July 2023) which (i) the term to maturity is more than or equal to five years; and (ii) the principal amount of the convertible bond is higher than HK\$1.0 billion. However, we could only locate two comparable convertible bonds that met the above-mentioned selection criteria. In view of the limited sample size, we have extended the review period from three-month to six-month (i.e. from 27 January 2023 to 26 July 2023). However, we could not locate any additional comparable convertible bonds that met the above-mentioned selection criteria.

In this regard, we further relaxed the selection criteria to those convertible bonds (the “**Comparable CBs**”) announced by companies listed on the Stock Exchange (the “**Comparable Issuers**”) during the twelve-month period immediately before the date of the New CB Subscription Agreement (i.e. from 27 July 2022 to 26 July 2023) which (i) the term to maturity is more than or equal to three years; and (ii) the principal amount of the convertible bond is higher than HK\$500 million. Based on the information available from the website of the Stock Exchange, we have identified an exhaustive list of seven Comparable CBs which met the said criteria and have not yet lapsed as at the Latest Practicable Date. We consider that the review period of twelve months represents a sufficient period of time to reflect the recent market conditions and provide sufficient sample size for our analysis purpose, and that the Comparable CBs are fair and representative.

Shareholders should, however, note that the businesses, operations and prospect of Suntrust are not the same as that of the issuer of the Comparable CBs. Notwithstanding that, we consider that the Comparable CBs were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transactions. Therefore, we consider that the Comparable CBs are indicative in assessing the fairness and reasonableness of the principal terms of the New CB (including but not limited to the New CB Conversion Price). The following table sets forth the relevant details of the Comparable CBs:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 4: Details of the Comparable CBs

Date of announcement	Name of Company	Stock code	Principal amount (HK\$ million)	Duration (year(s))	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/ (Discount) – Last Day") (%)	Premium/ (discount) of conversion price over/(to) the average closing price of the last 5 trading days prior to the date of the relevant agreement ("Premium/ (Discount) – 5 Days") (%)
28/6/2023	Luye Pharma Group Ltd.	2186	1,395 (Note 1)	5.0	6.25	26.1%	27.4%
13/6/2023	Sunac China Holdings Limited	1918	7,750 (Note 1 & 3)	9.0	1.00	336.7% (Note 4)	1,224.5% (Note 5)
13/6/2023	Sunac China Holdings Limited	1918	17,050 (Note 1 & 3)	5.0	0.00	31.0%	297.4%
29/03/2023	Kerry Logistics Network Limited	636	780	Perpetual	3.30	44.2%	46.6%
28/12/2022	Global New Material International Holdings Limited ("Global New Material")	6616	550 (Note 2)	4.0	3.50	90.0%	92.9%
18/08/2022	Lenovo Group Limited	992	5,231 (Note 1)	7.0	2.50	42.2%	41.8%
15/08/2022	Standard Chartered PLC ("Standard Chartered")	2888	9,688 (Note 1)	Perpetual	7.75	(0.9)%	2.5%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of Company	Stock code	Principal amount (HK\$ million)	Duration (year(s))	Interest rate per annum (%)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement ("Premium/ (Discount) – Last Day") (%)	Premium/ (discount) of conversion price over/(to) the average closing price of the last 5 trading days prior to the date of the relevant agreement ("Premium/ (Discount) – 5 Days") (%)
All Comparable CBs							
			Maximum:	Perpetual <i>(Note 6)</i>	7.75	336.7%	1,224.5%
			Minimum:	4.0 <i>(Note 6)</i>	0.00	(0.9)%	2.5%
			Median:	5.0 <i>(Note 6)</i>	3.30	42.2%	46.6%
			Average:	6.0 <i>(Note 6)</i>	3.47	81.3%	247.6%
			Standard deviation:	2.0 <i>(Note 6)</i>	2.74	115.9%	442.0%
All Comparable CBs (excluding outliers)							
			Maximum:	Perpetual <i>(Note 6)</i>	7.75	90.0%	297.4%
			Minimum:	4.0 <i>(Note 6)</i>	0.00	(0.9)%	2.5%
			Median:	5.0 <i>(Note 6)</i>	3.30	36.6%	44.2%
			Average:	6.0 <i>(Note 6)</i>	3.47	38.8%	84.7%
		New CB:		8.0	0.00	29.41%	25.00%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source:

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

Notes:

1. The amount was stated in US\$ and was converted to HK\$ at the exchange rate of US\$1.00 = HK\$7.75.
2. The amount was stated in RMB and was converted to HK\$ at the exchange rate of RMB1.00 = HK\$1.10.
3. According to the announcement of Sunac China Holdings Limited (stock code: 1918) (“**Sunac**”) dated 13 June 2023, Sunac proposed to issue three convertible bonds in the aggregate principal amount of US\$1,000 million (“**Sunac CB (A)**”), US\$1,750 million (“**Sunac CB (B)**”) and US\$450 million (“**Sunac CB (C)**”), respectively. As the duration and conversion price of Sunac CB (A) are different from those of Sunac CB (B) and Sunac CB (C), while the duration and conversion price of Sunac CB (B) and Sunac CB (C) are equal to each other, therefore, we consider Sunac CB (B) and Sunac CB (C) as one Comparable CB for our analysis purpose.
4. As the Premium/(Discount) – Last Day represented by the conversion price of the convertible bonds issued by Sunac (i.e. Sunac CB (A)) exceeds two standard deviations from the average of that of the Comparable CBs, we consider that the Premium/(Discount) – Last Day represented by the conversion price of Sunac CB (A) is an outlier and has excluded it from our analysis for the Premium/(Discount) – Last Day represented by the conversion price of the Comparable CBs in order to avoid the distortion of our analysis results.
5. As the Premium/(Discount) – 5 Days represented by the conversion price of the convertible bonds issued by Sunac (i.e. Sunac CB (A)) exceeds two standard deviations from the average of that of the Comparable CBs, we consider that the Premium/(Discount) – 5 Days represented by the conversion price of Sunac CB (A) is an outlier and has excluded it from our analysis for the Premium/(Discount) – 5 Days represented by the conversion price of the Comparable CBs in order to avoid the distortion of our analysis results.
6. Among the Comparable CBs, we noted that the duration of the convertible bonds issued by Kerry Logistics Network Limited (stock code: 636) and Standard Chartered PLC (stock code: 2888) (collectively, the “**Perpetual CBs**”) are perpetual. For our analysis purpose, the Perpetual CBs were included in the calculation for the maximum and minimum of duration of the Comparable CBs but were excluded from the calculation for the median, average and standard deviation of duration of the Comparable CBs.

(i) Duration

Among the Comparable CBs, we noted that the duration of the Perpetual CBs is perpetual. For our analysis purpose, the Perpetual CBs were included in the calculation for the maximum and minimum of duration of the Comparable CBs but were excluded from the calculation for the median and average of duration of the Comparable CBs.

According to Table 4 above, the duration of the Comparable CBs ranged from 4 years to perpetual with an average of 6 years (without taking into consideration the Perpetual CBs). The duration of the New CB of 8 years fall within the range of the duration of the Comparable CBs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understood from the Company that the duration of the New CB were determined after arm's length negotiation between the Group and Suntrust with reference to (i) the construction and development plan of the Main Hotel Casino; (ii) the expected opening date of the Main Hotel Casino; and (iii) the financial position of the Group. As discussed in the section headed "5. Reasons for and benefits of the entering into of the SA Loan Agreement" above, the financial position and cash position of the Group is strong and the Group possesses sufficient cash for its daily operation for the coming few years. As mentioned in the section headed "1. Information on the Group" above, the development of TdC Phase II has been suspended due to the uncertain business environment in the Russian Federation. Other than the Acquisition, the Group does not have any significant capital commitments. We concur with the Directors' view that the duration of the New CB of 8 years is long enough to, on one hand, allow the Suntrust Group to complete the construction and development of the Main Hotel Casino and, on the other hand, allow the Group to obtain sufficient operation history of the Main Hotel Casino before making a right decision on whether or not to exercise the New CB Conversion Rights. In view of the above, we consider that the duration of the New CB is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) New CB Conversion Price

According to the Letter from the Board, the New CB Conversion Price of PHP1.10 was arrived at after arm's length negotiations between Suntrust and SA Investments with reference to (i) the prevailing market price of the Suntrust Shares, i.e. the closing price of PHP0.85 per Suntrust Share on the Last Trading Day and the closing price of PHP0.88 per Suntrust Share for the last five trading days up to and including the Last Trading Day as quoted on the PSE; (ii) the 2020 CB Conversion Price and the 2022 CB Conversion Price; (iii) the conversion price of the Fortune Noble CB of PHP1.10 per Suntrust Share; and (iv) the Indebted Amount due under the 2020 CB and the 2022 CB.

Pursuant to the New CB Subscription Agreement, the New CB Conversion Price is PHP1.10 per Conversion Share, representing a discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price of PHP1.80 per Conversion Share and the 2022 CB Conversion Price of PHP1.65 per Conversion Share, respectively. Accordingly, the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing SA CBs.

Furthermore, as illustrated in Table 4 above, as the Premium/(Discount) – Last Day represented by the conversion price of the convertible bonds issued by Sunac (i.e. Sunac CB (A)) exceeds two standard deviations from the average of that of the Comparable CBs, we consider that the Premium/(Discount) – Last Day represented by the conversion price of Sunac CB (A) is an outlier and has excluded it from our analysis for the Premium/(Discount) – Last Day represented by the conversion price of the Comparable CBs in order to avoid the distortion of our analysis results. The Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs ranged from a discount of approximately 0.9% to a premium of approximately 90.0%, with a median of a premium of approximately 36.6% and an average of a premium of approximately 38.8%. The Premium/(Discount) – Last Day represented by the New CB Conversion Price is a premium of approximately 29.41%, which is within the range and lower than the average and median of the Premium/(Discount) – Last Day represented by the conversion prices of the Comparable CBs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Premium/(Discount) – 5 Days represented by the conversion price of the convertible bonds issued by Sunac (i.e. Sunac CB (A)) exceeds two standard deviations from the average of that of the Comparable CBs, we consider that the Premium/(Discount) – 5 Days represented by the conversion price of the Sunac CB (A) is an outlier and have excluded it from our analysis for the Premium/(Discount) – 5 Days represented by the conversion price of the Comparable CBs in order to avoid the distortion of our analysis results. The Premium/(Discount) – 5 Days represented by the conversion prices of the Comparable CBs ranged from a premium of approximately 2.5% to a premium of approximately 297.4%, with a median of a premium of approximately 44.2% and an average of a premium of approximately 84.7%. The Premium/(Discount) – 5 Days represented by the New CB Conversion Price is a premium of approximately 25.00%, which is within the range and lower than the average and median of the Premium/(Discount) – 5 Days represented by the conversion prices of the Comparable CBs.

In view of the above, we consider that the New CB Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Interest rate

According to the Letter from the Board, the New CB bears nil interest rate is based on arm's length negotiations between Suntrust and SA Investments after considering (i) SA Investments shall, subject to the Redemption Condition, receive an amount that would make up an annual return of 6% on the New CB when (a) early redemption by Suntrust; (b) request for early redemption by the holder of the New CB; and (c) redemption at maturity; (ii) the New CB Conversion Price represents a significant reduction that potentially allows the Group to capture the upside of the prospect of Suntrust; and (iii) lowering the cashflow pressure for Suntrust in order to facilitate the completion and opening of the Main Hotel Casino.

As shown in Table 4 above, the annual interest rates of the Comparable CBs ranged from nil to 7.75%, with a median of 3.30% and an average of 3.47%. The zero interest rate of the New CB is equivalent to the lowest of the interest rates of the Comparable CBs.

Notwithstanding that the New CB does not bear interest, in the event that the New CB is (i) early redeemed by Suntrust; (ii) requested for early redemption by the holder of the New CB; and (iii) redeemed by Suntrust at the Maturity Date, Suntrust shall redeem the outstanding amount of the New CB on the Maturity Date at (i) the outstanding principal amount up to the Maturity Date; (ii) an amount that would make up an annual return on the New CB at 6.0% calculated from the issue date of the New CB to the Maturity Date; and (iii) any other outstanding amount due but unpaid under the New CB. Amongst the Comparable CBs, we noted that save for the convertible bonds issued by Global New Material (the “**Global New Material CB**”) that conditionally provided a guarantee of internal rate of return of 9.0% per annum (if the convertible bonds are redeemed at maturity or early redeemed by Global New Material) and 15.0% per annum (if conversion request served by the subscriber is rejected), all other Comparable CBs did not provide any guarantee of annual rate of return nor internal rate of return. The annual return rate of the New CB of 6% falls within the range and is higher than the average of the interest rates of the Comparable CBs. In view of the above, we consider that the annual return rate of the New CB of 6% is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

There is no doubt that the zero interest rate of the New CB may, on a standalone basis, not be in the best interest of the Company and the Shareholders. Nevertheless, having considered the facts that (i) the reasons for and the benefits of the New CB Subscription as discussed in the section headed “6. Reasons for and benefits of the New CB Subscription, the Set-Off and the Interest Waiver” above (in particular, (a) the Main Hotel Casino is considered as a sound investment project; (b) the Set-Off will help substantially to secure the Loan Facility, and resolve Suntrust’s financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening; (c) the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing SA CBs; and (d) based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million), which is much higher than the Forfeited Interest); (ii) the annual return rate of the New CB of 6% falls within the range and is higher than the average of the interest rates of the Comparable CBs; (iii) the nil interest rate of the New CB is equivalent to the lowest of the interest rates of the Comparable CBs, which is not uncommon under the prevailing market condition; (iv) the New CB Conversion Price represents a discount of approximately 38.9% and approximately 33.3% to the 2020 CB Conversion Price of PHP1.80 per Conversion Share and the 2022 CB Conversion Price of PHP1.65 per Conversion Share, respectively; and (v) the Premium/(Discount) – Last Day and the Premium/(Discount) – 5 Days represented by the New CB Conversion Price are lower than the average and median of the Premium/(Discount) – Last Day and the Premium/(Discount) – 5 Days represented by the conversion prices of the Comparable CBs, respectively, we consider that the overall benefits of the New CB Subscription outweigh the negative effect brought by the zero interest rate of the New CB and therefore, we consider that the interest rate of the New CB is justifiable, and is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

(iv) Conversion condition, redemption condition and transfer condition

Pursuant to the terms of the New CB, for so long as twenty-five percent (25%) or more of the Loan remains outstanding, the holder of the New CB shall not exercise any New CB Conversion Rights or agree to any amendment to the terms and conditions of the New CB (i.e. the Conversion Condition of the New CB). In addition, for so long as the Loan under the Loan Facility remains outstanding, (i) SA Investments shall seek and obtain the written consent of the Lender prior to collecting, demanding and/or receiving from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable under the New CB (i.e. the Redemption Condition); and (ii) the holder of the New CB shall not make, cause or effect any transfer, assignment or other disposal of all or any of the New CB or create or cause or allow the creation of any lien or encumbrance over any of the New CB, except those expressly allowed under the Loan Agreement (the “**Transfer Condition**”, together with the Conversion Condition of the New CB and the Redemption Condition, the “**Conditions**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned in the paragraph headed “(iv) The delivery of the Finance Documents and the Undertaking to the Lender and its facility agent are the conditions precedent to the initial drawdown of the Loan under the Loan Facility, which is crucial to the development and completion of the Main Hotel Casino” under the section headed “4. Reasons for and benefits of the entering into of the Finance Documents and the transactions contemplated thereunder” above, SA Investments executed the Security Agreement and the Subordination Agreement, pursuant to which, among others, (i) SA Investments (a) created a first charge and an assignment by way of security of all present and future convertible bonds (i.e. the CBs) issued or may in the future be issued by Suntrust to SA Investments; and (b) created a first charge over all Suntrust Shares owned or held or that in the future may be owned or held by SA Investments; (ii) SA Investments has irrevocably subordinated any and all present and future indebtedness, liabilities or obligations of Suntrust, direct or indirect, contingent or non-contingent, owing to SA Investments under all advances and loans to Suntrust (i.e. the Subordinated Indebtedness) to and ranking junior in payment to the Secured Obligations; and (iii) SA Investments shall not demand, collect, accept and/or receive from Suntrust, whether directly or indirectly, any principal, interest, default interest, penalties or other amounts payable by the Suntrust to SA Investments under the SA Loan Agreement. We consider that the Conditions applied to the New CB ensures SA Investments to comply with terms of the Security Agreement and the Subordination Agreement.

Furthermore, as mentioned in the section headed “4. Reasons for and benefits of the entering into of the Finance Documents and the transactions contemplated thereunder” above, the Directors consider that the Main Hotel Casino is a sound investment project and investment by way of the subscription of the 2020 CB and the 2022 CB, or the New CB Subscription if approved by the Independent Shareholders at the SGM, represents a good opportunity for the Group to extend its presence to the Philippines with potentially attractive return. Therefore, the Group has no present intention to transfer or redeem the New CB. Instead, it is the intention of the Group to exercise the New CB Conversion Rights at the Maturity Date in order to maximize the potential profitability of the Main Hotel Casino after the commencement of operation.

Having considered the facts that (i) the Conditions applied to the New CB ensures SA Investments to comply with terms of the Security Agreement and the Subordination Agreement; (ii) the reasons for and the benefits of the provision of the financial assistance on terms of the Finance Documents (including but not limited to the Security Agreement and the Subordination Agreement) as discussed in the section headed “4. Reasons for and benefits of the entering into of the Finance Documents and the transactions contemplated thereunder” above; and (iii) it is the intention of the Group to exercise the New CB Conversion Rights at the Maturity Date in order to maximize the potential profitability of the Main Hotel Casino after the commencement of operation, we are of the opinion that the Conditions are acceptable to the Group, and are fair and reasonable and in the interests of the Company and the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(v) Conversion Period

According to the New CB Subscription Agreement, the Conversion Period commences from the day immediately following the issue date of the New CB up to 4:00 p.m. on the Maturity Date, implying that SA Investments can exercise the New CB Conversion Right any time before 4:00 p.m. on the Maturity Date, subject to the Conversion Condition of the New CB as stated above.

Given that (i) SA Investments can exercise the New CB Conversion Right any time before 4:00 p.m. on the Maturity Date, subject to the Conversion Condition of the New CB as stated above; (ii) as discussed in the paragraph headed “(iv) Conversion condition, redemption condition and transfer condition” above, the Conditions (including the Conversion Condition of the New CB) are acceptable to the Group, and are fair and reasonable and in the interests of the Company and the Shareholders; and (iii) the Group intends exercise the New CB Conversion Rights at the Maturity Date, we are of the view that the Conversion Period is fair and reasonable and in the interests of the Company and the Shareholders.

(vi) Adjustment events

Pursuant to the terms of the New CB, provided that in all instances, the New CB Conversion Price shall not be less than the par value of the Suntrust’s Shares, the New CB Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the New CB upon the occurrence of certain events, including but not limited to (i) consolidation, subdivision or reclassification of the Suntrust Shares; (ii) capitalisation of profits or reserves; (iii) distributions; (iv) rights issues of Suntrust Shares or options over Suntrust Shares; and (v) rights issues of other securities by Suntrust. Based on our review on the principal terms disclosed on the respective announcements relating to the Comparable CBs, we noted that the conversion prices of all Comparable CBs are, in general, subject to similar adjustment events as the New CB.

Furthermore, we concur with the Directors’ view that given the long term maturity of the New CB, the adjustment events can protect SA Investments’ interests in Suntrust for being a holder of the New CB, by ensuring that the New CB Conversion Price can accurately reflect changes in Suntrust’s capital structure upon the occurrence of the adjustment events.

In view of the above, we are of the opinion that the adjustment events of the New CB are fair and reasonable and in the interests of the Company and the Shareholders.

(vii) Conclusion

Having considered the above, we are of the view that the terms of the New CB are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8. Principal terms of the SA Loan Agreement

Date:	26 July 2023.
Lender:	SA Investments.
Borrower:	Suntrust, a wholly-owned subsidiary of the Company.
Facility amount:	Up to US\$20 million (equivalent to approximately HK\$155 million).
Purpose:	For the sole purpose of Suntrust to fulfill the CRA Reserve Requirement.
Interest rate:	6.0% per annum.
Default interest:	8.0% per annum.
Availability period:	A period of sixty (60) days from the date of fulfillment of the all the SA Loan Conditions Precedent (or such longer period as SA Investments may in its sole and absolute discretion thinks fit).
Term:	The date falling ten (10) years from the date of drawdown under the SA Loan Facility (the “ SA Loan Maturity Date ”).

The SA Loan Maturity Date may upon application by Suntrust in writing to SA Investments be extended for successive terms of one (1) month each subject to the aggregated term as may be extended shall not be more than three (3) months (unless SA Investments otherwise agrees to a longer period in its sole and absolute discretion), and in respect of each extension upon and subject to such terms and conditions as SA Investments may in its sole and absolute discretion impose.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Repayment:

The SA Loan together with all interest accrued thereon and all amounts due and owing under the SA Loan Agreement shall be repaid in full by Suntrust the earlier of:

- (i) the SA Loan Maturity Date or the extended SA Loan Maturity Date as may be extended in accordance with the SA Loan Agreement; and
- (ii) forthwith upon the occurrence of an SA Loan EOD.

For further details of the principal terms of the SA Loan Agreement, please refer to the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the SA Loan Agreement, we have compared the terms of the SA Loan with that of the loans provided by the companies listed on the Stock Exchange (or through its subsidiaries) to connected person(s). In view of the feature of the SA Loan (particularly with term to maturity of ten years and the maximum principal amount of US\$20 million (equivalent to HK\$155 million)), we attempted to identify loans provided by the companies listed on the Stock Exchange (or through its subsidiaries) to connected person(s) which (i) the term to maturity is more than three years; (ii) the principal amount of the loan is more than HK\$50 million but less than HK\$300 million; and (iii) companies initially announced the loans during the 3-month period immediately before the date of the SA Loan Agreement. Nevertheless, to the best of our knowledge and as far as we are aware of, we could not locate any comparable loan which met the said criteria. In this regard, we have relaxed the selection criteria to all loans provided by companies listed on the Stock Exchange (or through its subsidiaries) to connected person(s) which (i) the term to maturity is more than one year; and (ii) companies initially announced the loans during the 6-month period immediately before the date of the SA Loan Agreement. To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of 11 comparable loans (the “**Comparable Loans**”) which met the said criteria and had not lapsed as at the Latest Practicable Date. We have reviewed the relevant announcements in respect of the Comparable Loans and noted therefrom that the Comparable Loans, if mentioned, were applied for the development and operation of the borrowers (including but not limited (i) the research and development of new products; (ii) the payment of construction expenditures; and/or (iii) the general working capital). We consider that a review period of six months is appropriate to capture the recent market practice in respect of the provision of loans to connected persons under the current market condition and sentiment and on the other hand, provide sufficient sample size for analysis purpose, and that the Comparable Loans are fair and representative.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that (i) the businesses, operations and prospects of the Company are not the same as the relevant listed companies providing the Comparable Loans; and (ii) the credit risk of Suntrust might not be the same as that of the borrowers of the Comparable Loans, which were not fully disclosed in the relevant announcements of the listed companies, and thus the comparison of the principal terms of the SA Loan with that of the Comparable Loans may not represent an identical comparison. We, however, consider that such comparison could be treated as an indication as to the fairness and reasonableness of the SA Loan. The relevant details of the Comparable Loans are set forth in Table 5 below:

Table 5: Details of the Comparable Loans

Date of announcement	Name of Company	Stock code	Principal amount <i>(HK\$ million)</i>	Duration <i>(year(s))</i>	Interest rate per annum <i>(%)</i>
12/06/2023	Angelalign Technology Inc.	6699	19 <i>(Note 1)</i>	5.0	4.30
31/05/2023	Hengxin Technology Ltd.	1085	231 <i>(Note 1)</i>	1.0	4.90
23/05/2023	Sun Art Retail Group Limited	6808	110 <i>(Note 1)</i>	1.0	3.65
09/05/2023	Birmingham Sports Holdings Limited	2309	303 <i>(Note 3)</i>	7.0	11.90
08/05/2023	Buyang International Holding Inc	2457	16	3.0	6.00
28/04/2023	Hengxin Technology Ltd.	1085	44 <i>(Note 1)</i>	1.0	4.90
28/04/2023	Sinofert Holdings Limited	297	1,638 <i>(Note 1)</i>	6.0	3.25 <i>(Note 4)</i>
22/03/2023	China Healthwise Holdings Limited	348	9	1.0	8.88 <i>(Note 5)</i>
10/03/2023	Shenzhen Investment Limited	604	341 <i>(Note 1)</i>	1.0	3.50
28/02/2023	KangLi International Holdings Limited	6890	22 <i>(Note 1)</i>	3.0	5.50
13/02/2023	Digital Domain Holdings Limited	547	23 <i>(Note 3)</i>	3.0	10.00 <i>(Note 6)</i>
			Maximum:	7.0	11.90
			Minimum:	1.0	3.25
			Average:	2.9	6.07
			Median:	3.0	4.90
	The SA Loan		155	10.0	6.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source:

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

Notes:

1. The amount was stated in RMB and was converted to HK\$ using the exchange rate of RMB1.00 = HK\$1.10.
2. The amount was stated in Pounds Sterling (the lawful currency of the United Kingdom of Great Britain and Northern Ireland, “GBP”) and was converted to HK\$ at the exchange rate of GBP1.00 = HK\$10.10.
3. The amount was stated in US\$ and was converted to HK\$ at the exchange rate of US\$1.00 = HK\$7.75.
4. According to the announcement of Sinofert Holdings Limited (stock code: 297) dated 28 April 2023, the interest rate for the loan shall be determined based on the latest loan prime rate for loans with a term of five years or more (the “5-Year LPR”) as published by the National Interbank Funding Center (全國銀行間同業拆借中心) (“NIFC”) on the business day immediately preceding the actual drawdown date of such fund, less 95 basis points. According to the website of the NIFC, the 5-Year LPR is 4.20% per annum as at the Latest Practicable Date. For our analysis purpose, we assume the interest rate of the loan is 3.25% per annum (i.e. 4.20%-0.95%).
5. According to the announcement of China Healthwise Holdings Limited (stock code: 348) dated 22 March 2023, the interest rate for the loan shall be determined based on Hong Kong Dollar Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) from time to time plus 3% per annum. According to the website of the HSBC, the Hong Kong Dollar Best Lending Rate is 5.875% per annum as at the Latest Practicable Date. For our analysis purpose, we assume the interest rate of the loan is 8.875% per annum (i.e. 5.875%+3%).
6. According to the announcement of Digital Domain Holdings Limited (stock code: 547) dated 13 February 2023, the duration of the loan is three years and the interest rate for the loan shall be (i) 8% per annum for the first year; (ii) 10% per annum for the second year; and (iii) 12% per annum thereafter. For our analysis purpose, we assume the interest rate of the loan is 10% per annum.

(i) Duration

According to Table 5 above, the duration of the Comparable Loans ranged from 1 year to 7 years with an average of 2.9 years. The duration of the New CB of 10 years does not fall within the range of the duration of the Comparable Loans.

We understood from the Company that the duration of the SA Loan were determined after arm’s length negotiation between the Group and Suntrust with reference to (i) the CRA Reserve Requirement; (ii) the terms of the Subordination Agreement where all amounts due and payable by Suntrust to SA Investments under the SA Loan shall be subordinated to and rank junior in payment to the Secured Obligations; (iii) the duration of the Loan Facility; and (iv) the capital commitments and cash flow forecast of the Group. As discussed in the section headed “5. Reasons for and benefits of the entering into of the SA Loan Agreement” above, the financial position and cash position of the Group is strong and the Group possesses sufficient cash for its daily operation for the coming few years. As mentioned in the section headed “1. Information on the Group” above, the development of TdC Phase II has been suspended due to the uncertain business environment in the Russian Federation. Other than the Acquisition, the Group does not have any significant capital commitments. We concur with the Directors’ view that the duration of the SA Loan of 10 years is long enough to allow the Suntrust Group to complete the construction and development of the Main Hotel Casino and generate sufficient fund for the repayment of the Loan Facility and the SA Loan (together with the accrued interest). In view of the above, we consider that the duration of the SA Loan is justifiable, and is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Interest rate

As shown in Table 5 above, the annual interest rates of the Comparable Loans ranged from 3.20% to 11.90%, with an average of 6.07% and a median of 4.90%. The interest rate of the SA Loan falls within the range of, and is higher than the median of, the interest rates of the Comparable Loans.

In addition, the interest rate of the SA Loan of 6.00% is equivalent to the interest rate of the 2020 CB, the 2021 Loan and the 2022 CB.

In view of the above, we consider that the interest rate of the SA Loan is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(iii) Conclusion

Having considered the above, we are of the view that the terms of the SA Loan are fair and reasonable so far as the Independent Shareholders are concerned.

9. Financial effect of the Loan Facility Related Financial Assistance and the New CB Related Financial Assistance

In relation to the Loan Facility Related Financial Assistance, the proposed SA Loan of the amount up to US\$20 million (equivalent to approximately HK\$155 million) represents approximately 4.4% of the net assets of the Group as at 31 December 2022. The entering into of the SA Loan Agreement will generate interest income receivable of approximately HK\$9.3 million per annum to the Group. Other than that, the Company considers that there will not be any material effect on the earnings, assets and liabilities of the Group immediately after the execution of the Loan Facility Related Financial Assistance. In the event that the Group were to fulfill the SA Project Support Undertaking, the Group's liabilities would be increased by approximately HK\$1,116.0 million being the equity or financing to be arranged for the construction of the Main Hotel Casino, which in turn indemnified by a deed of counter-indemnity dated 8 June 2023 executed by LET in favour of SA Investments.

In relation to the New CB Related Financial Assistance, the maximum amount of the New CB in the amount of PHP13,511.1 million (equivalent to approximately HK\$1.93 billion) represents approximately 55.2% of the net assets value of the Group as at 31 December 2022. As the Subscription Price will be settled by way of the Set-Off, the New CB Subscription will not cause any material impact on the total assets, total liabilities and net asset value of the Group. The New CB is a zero-coupon bond and will not pay any interest to the Group during the Conversion Period. At the Maturity Date, unless previously redeemed, converted, purchased or cancelled, Suntrust shall redeem the New CB at its outstanding principal amount plus an amount payable to the Group that would make up an annual return at 6% during the Conversion Period, amounted to approximately PHP6,485.3 million (equivalent to approximately HK\$925.1 million) and PHP8,106.7 million (equivalent to approximately HK\$1,156.4 million) upon maturity on the 8th anniversary and if the Maturity Date is extended, the 10th anniversary of its issue date respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assuming no settlement of the Payment Obligations prior to the Completion Date (Expected), the sums of the interest forfeited by the Group in relation to the Interest Waiver up to the Completion Date (Expected) under the 2020 CB and the 2022 CB are approximately PHP149.8 million (equivalent to approximately HK\$21.4 million) and approximately PHP114.3 million (equivalent to approximately HK\$16.3 million) respectively.

OPINION

Notwithstanding the facts that (i) the delivery of the Finance Documents and the Undertaking, the provision of the SA Project Support Undertaking and the grant of the Interest Waiver may, on a standalone basis, not be in the best interests of the Company; and (ii) the New CB does not bear interest, having taken into account the facts that:

- (i) the Main Hotel Casino is considered as a sound investment project;
- (ii) Suntrust's failure to effect payment of interests due under the 2020 CB and the 2022 CB may deter the Lender and/or any investors from providing funding for the remaining capital expenditure needs for the development of the Main Hotel Casino and may significantly postpone its completion and opening;
- (iii) the Group is unlikely to be able to recuperate its investment in Suntrust if the Payment Obligations are unable to be resolved;
- (iv) the Set-Off will help substantially to secure the Loan Facility, and resolve Suntrust's financing needs allowing Suntrust to focus on completing construction of the Main Hotel Casino and preparing for its opening;
- (v) without securing the Loan Facility of up to PHP25.0 billion (equivalent to approximately US\$460 million) provided by the Lender, it is expected that the remaining available fund for the construction and development of the Main Hotel Casino will be running out shortly by September 2023, leading to the temporary suspension of the construction and development of, and the delay in opening of, the Main Hotel Casino;
- (vi) it is crucial for Suntrust to obtain the Loan Facility to ensure the continuation of the construction work of the Main Hotel Casino in order to meet the tight project timeline, thereby safeguarding the interests of the Company and the Shareholders;
- (vii) the Loan Facility is the only feasible way and the best option currently available for the Suntrust Group to raise a meaningful size of fund to match with the funding need for the construction and development of the Main Hotel Casino;
- (viii) the initial drawdown of the Loan under the Loan Facility is conditional upon, among others, the delivery of the Finance Documents and the Undertaking to the Lender and its facility agent;
- (ix) the Security Agreement and the Subordination Agreement are typical security documents required by lenders alike to safeguard their interests;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (x) LET will indemnify and keep SA Investments fully indemnified from and against all direct, indirect and consequential liabilities and losses, payments, damages, demands, claims, costs (including legal fees on a full indemnity basis), expenses of any kind, proceedings, actions and other consequences which SA Investments may incur, suffer or sustain;
- (xi) the New CB Subscription allows the Group to gain more shareholding in Suntrust when exercising the conversion right attaching to the New CB as compared to that of the Existing CBs, and based on the closing price of PHP0.85 per Suntrust Share on the Last Trading Day, the market value of the 5,292,960,288 Additional Suntrust Shares amounted to approximately PHP4,499.0 million (equivalent to approximately HK\$641.8 million), which is much higher than the Forfeited Interest;
- (xii) the SA Loan will generate interest income receivable of approximately HK\$9.3 million per annum to the Group on the basis of the maximum principal amount of US\$20 million (equivalent to approximately HK\$155 million) and the interest rate of 6% per annum;
- (xiii) the maximum principal amount of the SA Loan of US\$20 million (equivalent to approximately HK\$155 million) represents merely approximately 18.6% and approximately 4.4% of the cash and bank balances and net assets of the Group as at 31 December 2022, respectively;
- (xiv) barring unforeseen circumstances, it is expected that the Group possesses sufficient cash for its daily operation for the coming few years; and
- (xv) the terms of the New CB (including but not limited to the New CB Conversion Price) and the SA Loan are fair and reasonable so far as the Independent Shareholders are concerned,

we consider that notwithstanding that the provision of the Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) is not in the ordinary and usual course of business of the Group, the terms of the Financial Assistance are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution at the SGM to approve the Financial Assistance and the transactions contemplated thereunder.

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

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

1. FINANCIAL SUMMARY OF THE GROUP

Details of the audited consolidated financial information of the Group for the years ended 31 December 2020, 2021 and 2022 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) The audited financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023, from pages 98 to 170;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702414.pdf>

- (ii) The audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 25 April 2022, from pages 81 to 156;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042502386.pdf>

- (iii) The audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021, from pages 75 to 152;

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200705.pdf>

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2023, 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 indebtedness comprising (i) loans from non-controlling shareholders of a subsidiary of the Group with a principal amount of approximately HK\$116,320,000 and (ii) convertible bonds payable with a principal amount of approximately HK\$23,508,000.

As at 30 June 2023, the Group had outstanding lease liabilities in respect of leasehold land, buildings and offices of approximately HK\$6,542,000 comprising (i) secured and unguaranteed lease liabilities of approximately HK\$3,283,000, which were secured by rental deposits paid by the Group; and (ii) unsecured and unguaranteed lease liabilities of approximately HK\$3,259,000.

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 30 June 2023, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilised banking facilities, bank overdrafts, hire purchase commitments or other similar indebtedness, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees, or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement dated 14 August 2023 regarding the preliminary review of the Group's latest unaudited consolidated management accounts for the six-month period ended 30 June 2023, the Group is expected to record a loss attributable to owners of the Company of approximately HK\$16.1 million for the six-month period ended 30 June 2023 as compared to the profit attributable to owners of the Company of approximately HK\$85.2 million for the corresponding period in 2022. The expected loss attributable to owners of the Company for the six-month period ended 30 June 2023 is mainly due to the recognition of exchange losses of approximately HK\$35.2 million caused by the fluctuation of the Russian Ruble exchange rate, whereas exchange gains of approximately HK\$157.1 million were recognised for the corresponding period in 2022.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2022, being the date of which the latest published audited financial statements of the Company have been made up to.

4. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the 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 working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of publication of this circular. The Directors confirm that requirements under Rule 14.66(12) have been complied with.

5. FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in operation of hotel and gaming business in the IEZ Primorye in the Russian Federation, known as Tigre de Cristal, which is currently the only operating and reportable segment of the Group as disclosed in the annual report of the Company for the year ended 31 December 2022.

The Group has witnessed a full recovery in the local mass table and electronic gaming businesses in 2022. The performance in 2022 has been impressive, given that massive changes in the business environment have evolved, which made operating an integrated resort nothing comparable to the pre-COVID era. Nevertheless, these less-than-favourable factors have not hindered the Group from beating the records in the mass gaming market, which further amplified the privileged status of the integrated resort in the eyes of our customers in the Russian Far East.

Robust financial results aside, the Russia-Ukraine conflict continues to bring challenges to the Group operationally. The sanctions and the travel alerts to the Russian Federation are still in place, imports from abroad continued to be regulated, while international flights of the key international destinations have not yet been resumed. Throughout 2022, the Group had adapted by sourcing locally, stockpiling certain food and beverage items, and fine-tuning our marketing strategies, services and offering prices. Tigre de Cristal recognised the importance of local customers and will continue to build strong relationships with the local community, such as fully supporting local businesses by sourcing from them, organising well-loved local events for Russians and working towards becoming an active and engaged member of the local community through our comprehensive local corporate social responsibility initiatives.

Due to the unpredictable and volatile geopolitical tensions, the Group is now taking a conservative approach to slow down the progress of the Phase II development of the Tigre de Cristal. While the Group regrets having to make this inevitable decision, the integrated resort business environment changes rapidly and it is our mission to ensure that the Group generates value for our shareholders. The Company has been exploring alternative options, as well as potentially looking for strategic local partners who might be able to bring in value in terms of operating the integrated resort in the Russian Far East.

In addition to focusing locally on the leisure and entertainment business in the Russian Federation, the Company has invested in the gaming industry of the Philippines through Suntrust. The Philippines has proved itself as a Southeast Asian hub that could weather the lack of international travellers temporarily as it scored itself to be one of the best-performing countries in the Asian gaming sector amidst border closure in the past two years. Through leveraging the expertise in developing and operating a world-class integrated resort Tigre de Cristal, the Group will be able to establish a strong presence in the local Russian market while potentially diverging to other markets in the future.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**Directors' and chief executive's interests in the Company or its associated corporations**

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

(i) Long positions in the Shares and/or the underlying Shares**(a) Ordinary Shares**

Name of Director	Capacity/nature of interest	Number of Shares held	Approximate percentage of the total issued Shares <i>(Note 1)</i>
Mr. Lo	Interest of controlled corporations	3,146,533,811 <i>(Note 2)</i>	69.77%
Mr. Li Chak Hung	Beneficial owner	400,000	0.00%

(b) Share options granted by the Company

Name of Director	Capacity/nature of interest	Number of underlying Shares held pursuant to share options (Note 3)	Approximate percentage of the total issued Shares (Note 1)
Mr. Lau Yau Cheung	Beneficial owner	937,500	0.02%
Mr. Li Chak Hung	Beneficial owner	937,500	0.02%

Notes:

1. The percentage has been calculated based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 4,509,444,590 Shares).
2. LET, the listed holding company of the Company, is the beneficial owner of 123,255,000 Shares and is also interested in 3,018,306,811 Shares through its wholly-owned subsidiary, Victor Sky. As at the Latest Practicable Date, LET was majority controlled by Major Success Group Limited (“**Major Success**”), which is wholly-owned by Mr. Lo. In addition, Better Linkage Limited (“**Better Linkage**”), a company wholly-owned by Mr. Lo, is the beneficial owner of 520,000 Shares and is also interested in 4,452,000 Shares through its wholly-owned subsidiary Ever Smart Capital Limited (“**Ever Smart**”). By virtue of the SFO, Mr. Lo is deemed to be interested in 3,146,533,811 Shares held by LET, Victor Sky, Better Linkage and Ever Smart collectively.
3. All the underlying Shares are share options granted to the Directors by the Company on 13 December 2018 under the share options scheme of the Company at the exercise price of HK\$1.050 per Share and are registered under the name of the Directors who are also beneficial owners.

*(ii) Long positions in the shares and underlying shares of associated corporation of the Company**(a) Ordinary LET Shares*

Name of Director	Capacity/nature of Interest	Number of LET Shares held	Approximate percentage of total issued LET Shares (Note 1)
Mr. Lo	Interest of controlled corporations	4,999,694,857 (Note 2)	72.07%
Mr. Chiu King Yan	Beneficial owner	80,000	0.00%

(b) Share options granted by LET

Name of Director	Capacity/nature of Interest	Number of underlying shares of LET held pursuant to share options of LET	Approximate percentage of total issued shares of LET <i>(Note 1)</i>
Mr. Lo	Beneficial owner	40,000,000 <i>(Note 3)</i>	0.58%
Mr. Chiu King Yan	Beneficial owner	6,000,000 <i>(Note 4)</i>	0.09%

Notes:

1. The percentage has been calculated based on the total number of shares in issue of LET as at the Latest Practicable Date (i.e. 6,936,972,746 shares).
2. LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in 4,999,694,857 of shares of LET owned by Major Success.
3. All the underlying shares of LET are share options of LET granted to Mr. Lo by LET on 4 September 2017 under the share options scheme of LET at the exercise price of HK\$0.455 per share are divided into 3 tranches: 8,000,000 share options are exercisable from 4 September 2017, 12,000,000 share options are exercisable from 4 September 2018 and the remaining 20,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for shares of LET.
4. All the underlying shares of LET are share options of LET granted to Mr. Chiu King Yan by LET on 4 September 2017 under the share options scheme of LET at the exercise price of HK\$0.455 per share are divided into 3 tranches: 1,200,000 share options are exercisable from 4 September 2017, 1,800,000 share options are exercisable from 4 September 2018 and the remaining 3,000,000 share options are exercisable from 4 September 2019 respectively until 3 September 2027 to subscribe for shares of LET.

(iii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares and/or the underlying Shares

Name	Capacity/nature of interest	Number of Shares held	Approximate percentage of the total issued Shares (Note 1)
LET	Beneficial owner	123,255,000	2.73%
	Interest of controlled corporations (Note 2)	3,018,306,811	66.93%
		3,141,561,811	69.66%
Victor Sky	Beneficial owner (Note 2)	3,018,306,811	66.93%
Major Success	Interest of controlled corporations (Note 2)	3,141,561,811	69.66%

Notes:

1. The percentage has been calculated based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 4,509,444,590 Shares).
2. LET is the beneficial owner of 123,255,000 Shares and is also interested in 3,018,306,811 Shares through its wholly-owned subsidiary, Victor Sky. As at the Latest Practicable Date, LET was majority controlled by Major Success, which is wholly-owned by Mr. Lo.

3. COMPETING INTEREST

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

4. QUALIFICATION AND CONSENT OF EXPERT

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

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

- (a) As at the Latest Practicable Date, the above expert had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.
- (b) As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to any member of the Group.
- (c) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, reports or its name in the form and context in which they respectively appear

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

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 2022 (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.

7. MATERIAL CONTRACTS

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

- (1) the conditional subscription agreement dated 20 September 2021 entered into between Suntrust as issuer and SA Investments as subscriber of the 2022 CB;
- (2) a set-off deed dated 10 June 2022 entered into between SA Investments and Suntrust in relation to the set-off of approximately US\$120,900,000 owing by Suntrust to SA Investments against the US\$ equivalent of the aggregate subscription amount of the 2022 CB in the amount of approximately US\$120,900,000;
- (3) the Revolving Loan Agreement dated 27 January 2023 entered into between LET as borrower and the Company as lender pursuant to which the Company conditionally agreed to grant a revolving loan in the principal amount up to HK\$500,000,000 to LET that was subsequently terminated pursuant to the Termination Deed dated 10 May 2023 entered into between LET and the Company;
- (4) the conditional sale and purchase agreement dated 18 May 2023 pursuant to which amongst other things, LET (as seller) conditionally agreed to sell, and the Company (as buyer) conditionally agreed to acquire, the entire issued share capital of and shareholder's loan to Modest Achieve Limited at HK\$142.8 million;
- (5) the conditional sale and purchase agreement dated 18 May 2023 pursuant to which amongst other things, Solid Impact Limited (as seller) conditionally agreed to sell, and the Company (as buyer) conditionally agreed to acquire, the entire issued share capital of and shareholder's loan to Joyful Award Limited at HK\$137.2 million;
- (6) the Loan Agreement (incorporating the Security Agreement);
- (7) the Loan Amendment Agreement;
- (8) the Supplemental Deed Polls;
- (9) the Subordination Agreement;
- (10) the Undertaking;
- (11) the New CB Subscription Agreement; and
- (12) the SA Loan Agreement.

8. 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.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.saholdings.com.hk>) from the date of this circular up to and including 14 days (except public holidays):

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the contracts referred to in the paragraph headed “7. MATERIAL CONTRACTS” in this Appendix II;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 61 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 62 to 112 of this circular;
- (e) the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022;
- (f) the written consent referred to in the paragraph headed “4. QUALIFICATION AND CONSENT OF EXPERT” in this Appendix II; and
- (g) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Mok Ming Wai, who is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (b) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is at Unit 1704, 17th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.
- (d) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited, 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over its Chinese text.

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**”, together with its subsidiaries, the “**Group**”) will be held at Jade Rooms V-VII, Artyzen Club, 401A, 4th Floor, Shun Tak Centre, 200 Connaught Road Central, Hong Kong at 4:00 p.m. on Wednesday, 13 September 2023 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution 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 24 August 2023 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT

- (a) The Financial Assistance (i.e. the New CB Related Financial Assistance and the Loan Facility Related Financial Assistance) as contemplated under the following documents:
 - (i) the New CB Subscription Agreement entered into by SA Investments as subscriber and the New CB Subscription, the Interest Waiver and the Set-Off contemplated thereunder (a copy of the New CB Subscription Agreement having been produced to the SGM and marked “A” and initialed by the chairman of the SGM for the purpose of identification);
 - (ii) the SA Loan Agreement entered into by SA Investments as lender and the provision of the SA Loan by SA Investments to Suntrust contemplated thereunder (a copy of the SA Loan Agreement having been produced to the SGM and marked “B” and initialed by the chairman of the SGM for the purpose of identification); and
 - (iii) (aa) the Loan Agreement (incorporating the Security Agreement) as revised and amended by the Loan Amendment Agreement and the provision of securities by SA Investments thereunder over the CBs, the Assigned Loan Contracts and the Suntrust Shares, and the provision of Project Support by SA Investments under and pursuant to the SA Project Support Undertaking thereunder; (bb) the Subordination Agreement and the subordination of the Subordinated Indebtedness by SA Investments thereunder; and (cc) the Supplemental Deed Polls and the undertakings and waiver by SA Investments thereunder, all entered into by SA Investments (a copy of each of the Loan Agreement (incorporating the Security Agreement), the Loan Amendment Agreement, the Subordination Agreement and the Supplemental Deed Polls having been produced to the SGM and marked “C”, “D”, “E”, “F” and “G” and initialed by the chairman of the SGM for the purpose of identification),

be and are hereby approved and authorised and where required, ratified, confirmed, approved and authorised; and

NOTICE OF SGM

- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary and desirable or expedient to carry out and implement the Financial Assistance into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the New CB Subscription Agreement, the SA Loan Agreement, the Loan Agreement (incorporating the Security Agreement), the Loan Amendment Agreement, the Subordination Agreement and the Supplemental Deed Polls insofar as relating to the Financial Assistance.”

By order of the Board of
Summit Ascent Holdings Limited
Lo Kai Bong
Chairman

Hong Kong, 24 August 2023

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 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 Friday, 8 September 2023 to Wednesday, 13 September 2023 (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 4:30 p.m. on Thursday, 7 September 2023 for registration.