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太陽娛樂集團
SUN ENTERTAINMENT GROUP

SUN ENTERTAINMENT GROUP LIMITED

太陽娛樂集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8082)

**(A) PROPOSED CHANGE IN BOARD LOT SIZE;
(B) PROPOSED RIGHTS ISSUE ON THE BASIS OF
FOUR (4) RIGHTS SHARES
FOR EVERY FIVE (5) SHARES HELD ON THE
RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(C) CONNECTED TRANSACTION –
REPAYMENT OF SHAREHOLDER INDEBTEDNESS**

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Shares are traded on the Stock Exchange in board lot size of 5,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Shares to 10,000 Shares with effect from 9:00 a.m. on Monday, 4 October 2021 subject to the completion of the Rights Issue.

PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of four (4) Rights Shares for every five (5) issued Shares held on the Record Date at the Subscription Price of HK\$0.14 per Rights Share, to raise up to approximately HK\$146.2 million before the Set-off Arrangement and expenses by way of issuing up to 1,044,078,404 Rights Shares (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date other than the allotment and issue of new Shares upon the exercise in full of the subscription rights attached to all Vested Options (other than those under the Optionholders' Undertakings) on or before the Record Date and all Qualifying Shareholders shall take up their entitlements in full). The estimated net proceeds of the Rights Issue (taking into account the effect of the Set-off and deducting the related expenses for the Rights Issue), will be not more than approximately HK\$109.7 million (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Vested Options other than those under the Optionholders' Undertakings, but otherwise no other change in the issued share capital of the Company on or before the Record date, and all Qualifying Shareholders taking up their respective entitlement under the Rights Issue in full).

The Company will provisionally allot to the Qualifying Shareholders four (4) Rights Shares in nil-paid form for every five (5) issued Shares in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then Shares in issue in all respects. Holders of fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

THE UNDERTAKINGS AND OPTIONHOLDERS' UNDERTAKINGS

The Undertakings

As at the date of this announcement, Mr. Chau is beneficially interested in an aggregate of 431,346,823 Shares, representing approximately 34.5% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Chau has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 431,346,823 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 345,077,456 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to himself such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

As at the date of this announcement, Mr. Dong is beneficially interested in an aggregate of 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Dong has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 287,549,682 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 230,039,744 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to himself such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

The Company will apply adjustments to the number of Rights Shares to be offered to the Concert Group such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

As at the date of this announcement, Mr. Chong is beneficially interested in an aggregate of 2,000,000 Shares, representing approximately 0.2% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Chong has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 2,000,000 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; and (ii) he will lodge his acceptance of the 1,600,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

The Optionholders' Undertakings

As at the date of this announcement, there are Outstanding Share Options which entitle the holders thereof to subscribe for a total of 115,300,000 Shares under the Existing Share Option Scheme. Mr. Chong and two directors of the subsidiaries of the Company hold Share Options which entitle them to subscribe for an aggregate of 10,500,000 new Shares, while certain employees and consultants of the Company hold Share Options which entitle them to subscribe for 104,800,000 new Shares in aggregate. On 13 July 2021, each of Mr. Chong and two directors of the subsidiaries of the Company signed the Optionholders' Undertakings pursuant to which Mr. Chong and two directors of the subsidiaries of the Company have irrevocably undertaken in favour of the Company not to exercise any of the outstanding Share Options granted to them up to and including the close of business on the Record Date.

Save for the Undertakings and Optionholders' Undertakings, the Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other Shareholder of any intention to take up the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

SET-OFF ARRANGEMENT

On 21 December 2020, the Group entered into a revolving loan facility agreement with Mr. Chau and obtained revolving loan facilities up to a principal amount of HK\$100,000,000, of which a loan with a principal amount of HK\$35,000,000 was subsequently drawn down, which is repayable on the fifth anniversary of the first drawdown date (or such later date as may be agreed by the lender and the borrower). As at 30 June 2021, Mr. Chau has made total advances to the Group of HK\$35,000,000 pursuant to the said revolving loan facility agreement, which is unsecured and bears interest at 3.5% per annum.

Pursuant to the irrevocable undertaking given by Mr. Chau in favour of the Company, Mr. Chau conditionally agrees to the Set-off whereby HK\$48,310,844 required to be paid by Mr. Chau for the subscription of 345,077,456 Rights Shares provisionally allotted to him pursuant to the Rights Issue would be set-off against the Loan Amount of HK\$35,000,000. After the Set-off, Mr. Chau is required to pay the remaining balance of up to HK\$13,310,844 in cash for the subscription of the remaining 95,077,456 Rights Shares provisionally allotted to him (assuming there is no adjustment to the number of Rights Shares to be offered to the Concert Group) pursuant to the Rights Issue.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by the Shareholders by way of poll at the SGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting of the proposed resolution approving the Rights Issue and the transactions contemplated thereunder.

Mr. Chau is a controlling Shareholder holding 431,346,823 Shares, representing approximately 34.5% of the issued share capital of the Company as at the date of this announcement. The Set-off Arrangement would therefore constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the SGM under the GEM Listing Rules. The Concert Group, comprising Mr. Chau and Mr. Dong, will abstain from voting of the Rights Issue and the Set-off Arrangement at the SGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Concert Group, no other Shareholder is required or indicated his intention to abstain from voting on the Rights Issue and the Set-off Arrangement at the SGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Set-off Arrangement are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Set-off Arrangement.

In this connection, the Independent Financial Adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in these regards. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and the Set-off Arrangement and the voting recommendation on the resolution relating to the Rights Issue and the Set-off Arrangement.

The Circular containing, among other things, (i) further details of the Change in Board Lot Size; (ii) further details of the Rights Issue; (iii) further details of the Set-off Arrangement; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement; (vi) the notice convening the SGM; and (vii) other disclosure requirements under the GEM Listing Rules is expected to be despatched by the Company to the Shareholders on or before Tuesday, 3 August 2021.

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date. The Prospectus (without the PAL and the EAF) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Excluded Shareholders (if any) for their information only also on the Posting Date.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Rights Issue; and (ii) the Set-off Arrangement, each in accordance with the GEM Listing Rules.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the date of this announcement, the Shares are traded on the Stock Exchange in board lot size of 5,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Shares to 10,000 Shares with effect from 9:00 a.m. on Monday, 4 October 2021 subject to the completion of the Rights Issue. The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Trading Arrangement Guide**”), the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical diluted price of approximately HK\$0.228 per Share (calculated based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day) and assuming that the Rights Issue having become effective and the dealings in the Shares on an ex-rights basis having commenced, if the Shares would continue to be traded in board lots of 5,000, the value of each board lot of Shares would be below HK\$2,000.

It is proposed that subject to the Rights Issue becoming effective, the board lot size of the Shares shall be changed from 5,000 Shares to 10,000 Shares, such that, based on the theoretical diluted price of approximately HK\$0.228 per Share (calculated based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day), the estimated market value of each proposed new board lot would be approximately HK\$2,280 which is over HK\$2,000 as suggested under the Trading Arrangement Guide.

The Board considers that the Change in Board Lot Size will increase the value of each board lot of the Shares, as well as reduce transaction and registration costs incurred by the Shareholders and investors of the Company and may increase liquidity of the Shares and thereby attract more investors and extend the base of the Shareholders. The Board is of the opinion that the Change in Board Lot Size from 5,000 Shares to 10,000 Shares is in the interests of the Company and its Shareholders as a whole.

All existing share certificates in board lot of 5,000 shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of existing share certificates in board lot size 5,000 shares to new share certificate in board lot size of 10,000 shares is necessary.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place with the terms set out as follows:

Issue statistics

Basis of the Right Issue	: Four (4) Rights Shares for every five (5) Shares held on the Record Date
Subscription Price	: HK\$0.14 per Rights Share
Number of Shares in issue as at the date of this announcement	: 1,250,798,007 Shares
Total number of Rights Shares	: Up to 1,044,078,404 Rights Shares (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date other than the issue of new Shares upon the exercise in full of the subscription rights attached to all Vested Options (other than those under the Optionholders' Undertakings) on or before the Record Date and all Qualifying Shareholders shall take up their entitlements in full)
Number of Rights Shares being undertaken by the Concert Group and Mr. Chong	: Up to 576,717,200 Rights Shares (The actual amount of Rights Shares to be taken up by the Concert Group will depend on the level of subscriptions taken up by the Qualifying Shareholders and adjustment to the number of Right Shares to be offered to the Concert Group such that the minimum public float requirement under the GEM Listing Rules is satisfied immediately after completion of the Rights Issue)
Gross proceeds to be raised from the Rights Issue	: Up to approximately HK\$146.2 million before the expenses and Set-off Arrangement

As at the date of this announcement, there are 115,300,000 Outstanding Share Options granted under the Existing Share Option Scheme. Assuming no shares are issued or repurchased, other than as a result of the issue of new Shares upon full exercise of all the Vested Options other than those Share Options under the Optionholders' Undertakings, the maximum number of new Shares that would fall to be allotted and issued under the Existing Share Option Scheme on or before the Record Date would be 54,300,000 Shares.

Save for the aforesaid, the Company does not have any other options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The maximum number of 1,044,078,404 Rights Shares to be issued represents:

- (a) 83.5% of the number of issued Shares (assuming there is no change in the number of issued Shares on or before the Record Date and based on the Company's issued share capital as at the date of this announcement); and
- (b) 44.4% of enlarged issued share capital of the Company immediately following completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date other than the allotment and issue of new Shares upon the exercise in full of the subscription rights attached to all Vested Options (other than those under the Optionholders' Undertakings) on or before the Record Date and all Qualifying Shareholders shall take up their respective entitlements under the Rights Issue in full).

As at the date of this announcement, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

Subscription Price

The Subscription Price is HK\$0.14 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, upon application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 52.5% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 52.9% to the average closing price of approximately HK\$0.297 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 52.7% to the average closing price of approximately HK\$0.296 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

- (d) a discount of approximately 38.6% to the theoretical ex-right price of approximately HK\$0.228 per Share based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a premium of approximately 185.7% over audited consolidated net asset value per Share of approximately HK\$0.049 (based on the latest published equity of the Group attributable to owners of the Company of approximately HK\$61,355,000 as at 31 December 2020 as disclosed in the annual report of the Company for the year ended 31 December 2020 and 1,250,798,007 Shares in issue on the Last Trading Day); and
- (f) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 23.6%, represented by the theoretical diluted price of approximately HK\$0.228 per Share to the benchmarked price of approximately HK\$0.298 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.295 per Share and the average closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement).

The Subscription Price and the subscription ratio were determined by the Directors with reference to (i) the average closing price of HK\$0.297 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day; (ii) the market price of the Shares prior to and including the Last Trading Day; (iii) the net asset value per Share as at 31 December 2020 of the Company; (iv) the prevailing market conditions; and (v) the fund-raising size intended by the Company after taking into consideration the business needs and development as disclosed in the section headed “Use of Proceeds”. According to the relevant Bermuda laws, the Company shall not issue shares at a price below its par value.

In regards to the subscription ratio, the Directors considered (i) although the ratio may create odd lots for some Shareholders, the Directors have reviewed recent rights issues conducted in the market and noted that it is not uncommon for subscription ratios to create odd lots; and (ii) as the subscription ratio may create odd lots, the Company will appoint a designated broker to stand in the market and provide matching services on a best effort basis for holders of odd lots of Shares. Details of the matching service will be provided in the Circular.

In regards to the Subscription Price, the Directors considered (i) the price-to-book ratios (“**PB ratios**”) of industry peers listed on the Stock Exchange ranged from approximately 0.2 times to 10.5 times, where the indicative PB ratios based on the Subscription Price and the latest published equity of the Group attributable to owners of the Company as at 31 December 2020 was approximately 2.9 times and within the range of the industry peers; (ii) the price-to-sales ratios (“**PS ratios**”) of industry peers listed on the Stock Exchange ranged from approximately 0.8 times to 12.5 times, where the indicative PS ratios based on the Subscription Price and the latest published revenue of the Group for the year ended 31 December 2020 was approximately 6.0 times and within the range of the industry peers; (iii) the discussion with the Concert Group in or around early April 2021 where the Concert Group indicated that it would be likely to accept a discount of 50% on the then market price of HK\$0.28 of the Company as the subscription price for a proposed rights issue; (iv) the rights issue exercises performed by other companies listed on the Stock Exchange recently in which the Directors noted that it is not uncommon to have the subscription prices of a rights issue exercise set at a discount to their respective benchmarked price; (v) the Subscription Price has been set at a discount to the closing prices per Share as quoted on the Stock Exchange which could lower the further investment costs of the existing Shareholders and encourage them to take up their entitlements under the Rights Issue and to participate in the potential growth of the Company; and (vi) the Rights Issue gives all Qualifying Shareholders an equal opportunity to subscribe and participate in this fund raising exercise.

Given that the Group recorded net loss for the year ended 31 December 2020, the Directors considered the PB ratios and PS ratios analysis, which are not uncommon methods to assess loss making companies, in determining the Subscription Price with reference to its industry peers. As such, the Directors have made reference to the PB ratios and PS ratios of not less than five industry peers principally engaged in media and entertainment business with over 50% of its revenue generated from such business segment and listed on the Stock Exchange and noted that the PB ratios and PS ratios represented by the Subscription Price was both within the range of industry peers.

The Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Dilution effect

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

The Rights Issue will result in a theoretical dilution effect at a discount of approximately 23.6%, being the theoretical diluted price of approximately HK\$0.228 per Share to the benchmarked price of approximately HK\$0.298 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the average closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day). Therefore, the Directors consider that the Rights Issue is in the interests of the Qualifying Shareholders. In addition, the Directors would like to draw the attention of the Shareholders that:

- (a) the Rights Issue which is to raise funds for the Group's financing needs and provides the Qualifying Shareholders the opportunity to subscribe for their pro-rata Rights Shares which will enable them to maintain their shareholding interests in the Company (save for fractional entitlements) at a discount to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; and
- (b) the Qualifying Shareholders who do not take up their entitlements in the Rights Issue are able to sell the nil-paid Rights Shares in the market, while the Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue are able to make excess applications for additional Rights Shares and/or acquire additional nil-paid Rights Shares in the market.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of necessary resolutions by the Independent Shareholders at the SGM approving, among other things, (i) the Rights Issue including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); and (ii) the Set-off Arrangement and the transactions respectively contemplated thereunder by no later than the Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on the Posting Date;

- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the Business Day prior to the first day of their dealings; and
- (e) there being no breach of the obligations of the Concert Group under the Deed of Set-Off and the Undertakings prior to the Latest Time for Acceptance.

All conditions set out above cannot be waived by any party. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares and the level of subscription of the excess Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act 1981 of Bermuda regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code.

Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Share Registrar no later than 4:30 p.m. on Monday, 30 August 2021.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 31 August 2021 to Monday, 6 September 2021 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every five (5) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Share Registrar by 4:00 p.m. on Tuesday, 21 September 2021.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If, based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send the PAL or EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Excluded Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders under the EAF(s).

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and sold by the Company in the open market if a premium (net of expenses) can be obtained, and the Company will keep the net proceeds for its own benefit. Any unsold fractions of the Rights Shares will be aggregated and made available for excess application by the Qualifying Shareholders.

Odd lots arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue and the Change in Board Lot Size, a designated broker will be appointed by the Company to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares. Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers. Details of the matching service will be provided in the Circular.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be sent on or about Thursday, 30 September 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Thursday, 30 September 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any); (ii) any unsold Rights Shares created by aggregating fractions of the Rights Shares; and (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounces or transferees of nil-paid Rights Shares. (i) to (iii) are collectively referred to as “**Untaken Rights**”.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis. Subject to the requirements of Rule 10.31(3)(b) of the GEM Listing Rules, the Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on the following principles:

- (i) as far as practicable, in proportion to the number of excess Rights Shares being applied for under each application;
- (ii) no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications made for topping up odd lot holdings to whole board lot holdings.

The Company shall disregard the controlling shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the controlling shareholders’ under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares underlying the Untaken Rights is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Application for listing

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

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

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

THE UNDERTAKINGS AND OPTIONHOLDERS' UNDERTAKINGS

The Undertakings

As at the date of this announcement, Mr. Chau is beneficially interested in an aggregate of 431,346,823 Shares, representing approximately 34.5% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Chau has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 431,346,823 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 345,077,456 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to himself such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

As at the date of this announcement, Mr. Dong is beneficially interested in an aggregate of 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Dong has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 287,549,682 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 230,039,744 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents; and (iii) he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to himself such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

The Company will apply adjustments to the number of Rights Shares to be offered to the Concert Group such that the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

As at the date of this announcement, Mr. Chong is beneficially interested in an aggregate of 2,000,000 Shares, representing approximately 0.2% of the issued share capital of the Company as at the date of this announcement. On 13 July 2021, Mr. Chong has given an irrevocable undertaking in favour of the Company, that (i) he will not dispose of any of the 2,000,000 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; and (ii) he will lodge his acceptance of the 1,600,000 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents.

The Optionholders' Undertakings

As at the date of this announcement, there are Outstanding Share Options which entitle the holders thereof to subscribe for a total of 115,300,000 Shares under the Existing Share Option Scheme. Mr. Chong and two directors of the subsidiaries of the Company hold Share Options which entitle them to subscribe for an aggregate of 10,500,000 new Shares, while certain employees and consultants of the Company hold Share Options which entitle them to subscribe for 104,800,000 new Shares in aggregate. On 13 July 2021, each of Mr. Chong and two directors of the subsidiaries of the Company signed the Optionholders' Undertakings pursuant to which Mr. Chong and two directors of the subsidiaries of the Company have irrevocably undertaken in favour of the Company not to exercise any of the outstanding Share Options granted to them up to and including the close of business on the Record Date.

Save for the Undertakings and Optionholders' Undertakings, the Company has not received, as at the date of this announcement, any information or irrevocable undertaking from any other Shareholder of any intention to take up the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

SET-OFF ARRANGEMENT

On 21 December 2020, the Group entered into a revolving loan facility agreement with Mr. Chau and obtained revolving loan facilities up to a principal amount of HK\$100,000,000, of which a loan with a principal amount of HK\$35,000,000 was subsequently drawn down, which is repayable on the fifth anniversary of the first drawdown date (or such later date as may be agreed by the lender and the borrower). As at 30 June 2021, Mr. Chau has made total advances to the Group of HK\$35,000,000, which is unsecured and bears interest at 3.5% per annum.

Pursuant to the irrevocable undertaking given by Mr. Chau in favour of the Company, Mr. Chau conditionally agrees to the Set-off whereby HK\$48,310,844 required to be paid by Mr. Chau for the subscription of 345,077,456 Rights Shares provisionally allotted to him pursuant to the Rights Issue would be set-off against the Loan Amount of HK\$35,000,000. After the Set-off, Mr. Chau is required to pay the remaining balance of up to HK\$13,310,844 in cash for the subscription of the remaining 95,077,456 Rights Shares provisionally allotted to him (assuming there is no adjustment to the number of Rights Shares to be offered to the Concert Group) pursuant to the Rights Issue.

Effects on the shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the date of this announcement up to the Record Date):

	As at the date of this announcement		Assuming all Qualifying Shareholders have taken up the Rights Shares		Immediately after completion of the Rights Issue			
					Assuming no Qualifying Shareholders, (except the Concert Group and Mr. Chong pursuant to the Undertakings) had taken up their Rights Shares entitlement but before adjustments to number of Rights Shares offered to the Concert Group (for illustration purpose)		Assuming no Qualifying Shareholders (except the Concert Group and Mr. Chong pursuant to the Undertakings) had taken up their Rights Shares entitlement after adjustments to number of Rights Shares offered to the Concert Group (Note 3)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Chau (Note 1)	431,346,823	34.5	776,424,279	34.5	776,424,279	42.4	592,912,087	39.0
Mr. Dong (Note 1)	287,549,682	23.0	517,589,426	23.0	517,589,426	28.4	395,254,290	26.0
The Concert Group	718,896,505	57.5	1,294,013,705	57.5	1,294,013,705	70.8	988,166,377	65.0
Mr. Chui Bing Sun (Note 2)	149,474,298	11.9	269,053,734	11.9	149,474,298	8.2	149,474,298	9.8
Mr. Chong	2,000,000	0.2	3,600,000	0.2	3,600,000	0.2	3,600,000	0.2
Public Shareholders	380,427,204	30.4	684,768,972	30.4	380,427,204	20.8	380,427,204	25.0
Total	1,250,798,007	100.0	2,251,436,411	100.0	1,827,515,207	100.0	1,521,667,879	100.0

Notes:

1. Mr. Dong, Mr. Cheng Ting Kong and Mr. Chau are parties acting in concert in respect of the Company pursuant to a deed in relation to parties acting in concert dated 23 January 2018.
2. 98,472,498 Shares out of 149,474,298 Shares are held by New Brilliant Investments Limited, which is a company incorporated under the laws of the British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Chui Bing Sun (“**Mr. Chui**”). 36,000,000 and 15,000,000 Shares out of 149,474,298 are held by Checkmate Capital Limited and Grand Sea Limited, respectively, which are both companies incorporated in Hong Kong, the entire issued share capital of which are both wholly and beneficially owned by Mr. Chui. The remaining 1,800 Shares out of the 149,474,298 Shares are held by Mr. Chui in personal interests.
3. The adjustments to number of Rights Shares offered to the Concert Group would be on a pro rata basis based on the shareholding of each member of the Concert Group as at the date of this announcement.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue (assuming new Shares are issued on or before the Record Date pursuant to the full exercise of all Vested Options other than those under the Optionholders' Undertakings but otherwise no other shares (other than the Rights Shares) have been allotted and issued on or before the Record Date):

	Immediately after completion of the Rights Issue							
	Assuming all Vested Options (other than those Share Options owned by Mr. Chong) are exercised on or before the Record Date				Assuming no Qualifying Shareholders, (except the Concert Group and Mr. Chong pursuant to the Undertakings) had taken up their Rights Shares entitlement but before adjustments to number of Rights Shares offered to the Concert Group (for illustration purpose)			
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Chau (Note 1)	431,346,823	33.1	776,424,279	33.1	776,424,279	41.3	690,672,531	39.7
Mr. Dong (Note 1)	287,549,682	22.0	517,589,426	22.0	517,589,426	27.5	460,424,550	26.5
The Concert Group	718,896,505	55.1	1,294,013,705	55.1	1,294,013,705	68.8	1,151,097,081	66.2
Mr. Chui (Note 2)	149,474,298	11.4	269,053,734	11.4	149,474,298	7.9	149,474,298	8.6
Mr. Chong	2,000,000	0.2	3,600,000	0.2	3,600,000	0.2	3,600,000	0.2
Public Share Option holders	54,300,000	4.2	97,740,000	4.2	54,300,000	2.9	54,300,000	3.1
Other public Shareholders	380,427,204	29.1	684,768,972	29.1	380,427,204	20.2	380,427,204	21.9
Public Shareholders	434,727,204	33.3	782,508,972	33.3	434,727,204	23.1	434,727,204	25.0
Total	1,305,098,007	100.0	2,349,176,411	100.0	1,881,815,207	100.0	1,738,898,583	100.0

Use of Proceeds

Assuming full exercise of all Vested Options other than those Share Options under the Optionholders' Undertakings and full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$146.2 million and the estimated net proceeds of the Rights Issue after the Set-off Arrangement and deducting the related expenses will be approximately HK\$109.7 million. The Company intends to use the net proceeds from the Rights Issue for the following:

(a) approximately 38.1%, or HK\$41.8 million will be used for investment in the media and entertainment business of the Group;

As disclosed in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), the Group engages in different entertainment investment and production, including film, concert, exhibition and other entertainment events as well as providing cremation and funeral services. During the year ended 31 December 2019 and 2020, the revenue generated from concert and other entertainment event and sale of related goods remained to be the major revenue stream of the Group and accounted for approximately 88.6% and 59.0% of the total revenue of the Group, respectively. Although the media and entertainment business was adversely affected by the outbreak of COVID-19 during 2020, the Directors are of the view that the market may experience a recovery in light of the relaxing in certain social-distancing measures as well as the effective implementation of public vaccination.

As such, the Group intends to invest into not less than 10 entertainment investments for the next 12 months with an aggregate investment amount of over HK\$50 million. These entertainment events include various concerts to be held in Hong Kong, Macau and Taiwan, exhibitions to be held in Hong Kong and Taiwan and certain films and TV programs. Other than the aforesaid entertainment events, the Group will continue to identify other investment opportunities and make relevant investments as and when considered appropriate.

(b) approximately 18.2%, or HK\$20.0 million will be used for development of integrated entertainment platform and non-fungible tokens business;

As disclosed in the 2020 Annual Report, the Group plans to develop an integrated entertainment platform incorporating an all-in-one lifestyle platform. Accordingly, the Company intends to apply approximately (i) HK\$12 million for development of an integrated online entertainment platform; and (ii) HK\$8 million for development of a new platform for non-fungible tokens (“**NFT**”) business.

The integrated online entertainment platform is a cloud base ticketing system for various entertainment events including concerts, films and exhibition events. The Group intends to engage external information technology specialists to develop a new online platform with an aim to optimize online ticketing experience, improve customer services and perform in-depth analysis on sales and ticketing data. The Directors considered that the development of online platform will benefit the Group by enabling new business opportunities and more flexibility to react to the market. These projects are targeted to commence from the fourth quarter of 2021 and will continue in phases.

The Group also intends to develop NFT platform to allow customers to collect, share and monetise digital assets they create, own, promote, share or like. The NFT platform focuses on the concept of collections of digital assets that users can create and share. By this platform, all the assets can be sold, royalties paid upon resale, usage, and shared between multiple recipients. These projects are also expected to commence from the fourth quarter of 2021 and continue until first half of 2022.

- (c) approximately 17.3%, or HK\$19.0 million will be used for day-to-day salary and administrative expenses;***

The Company intends to apply the net proceeds to day-to-day salary and administrative expenses for the next 12 months, which based on the Group's estimation, the related expenses would be approximately HK\$1.6 million per month.

- (d) approximately 9.1%, or HK\$10.0 million will be used for investment in the funeral business of the Group;***

The Company intends to apply approximately HK\$10.0 million to acquire and upgrade certain equipment and facilities in Huaiji in order to extend its funeral business profile and cover pet funeral service in 2021. Besides, additional staff specialising in pet funeral services will also be recruited for facilitation the commencement of pet funeral service and provide other valued added services to the customers.

- (e) approximately 8.2%, or HK\$9.0 million will be used for the provision of audio, lighting and stage equipment and ancillary stage technical and engineering services of the Group; and***

As disclosed in the 2020 Annual Report, a joint venture company was formed in January 2021 for expansion of the services in concerts and other entertainment events by provision of ancillary stage technical and engineering services for live performance events. As such, the Group intended to apply approximately HK\$9.0 million in acquiring for relevant audio, lighting and stage equipment and recruiting relevant personnel in provision of ancillary stage technical and engineering services including leasing of equipment, set up of equipment and professional advice on stage engineering for live performance events in 2021.

- (f) approximately 9.1%, or HK\$9.9 million will be used as the general working capital of the Group.***

The Company intends to apply the net proceeds of approximately HK\$9.9 million to general working capital purpose which allows buffer for its continuous development and urgent financial needs.

As disclosed in the 2020 Annual Report, the Group recorded a net loss attributable to owners of the Company of approximately HK\$30.5 million and a net operation cash outflow of approximately HK\$2.9 million for the year ended 31 December 2020. As at 31 December 2020 and 30 June 2021, the Group had cash and cash balances of approximately HK\$34.0 million and HK\$12.7 million, respectively, of which majority of the cash outflow has been utilised for organising and investing in certain concerts and other entertainment events and day-to-day operations such as salaries and other staff benefits. As such, taking into account (i) the current financial position of the Group; and (ii) the intended use of proceeds for the future development of the Group set out above, the Directors considered that the Group has an urgent funding need in raising additional cash and strengthen the financial position as well as liquidity of the Group through the Rights Issue. For other factors considered by the Directors in other fund raising alternatives, please refer to the “Reasons for the Rights and the Set-off Arrangement” below.

In the event that (i) no Vested Options were exercised and the Rights Issue was fully subscribed; and (ii) there is an under-subscription of the Rights Issue other than those under the Undertakings and after adjustments to number to Rights Shares offered to the Concerts Group, the net proceeds of the Rights Issue after the Set-off Arrangement and deducting the related expenses will be reduced to approximately HK\$103.5 million and HK\$13.8 million, respectively. The Group intends to reduce the net proceeds to the above proposed usage items on a pro-rata basis and utilise its own financial resources (including the loan facility available from a shareholder) to continue its development plan.

Reasons for the Rights Issue and the Set-off Arrangement

Assuming full exercise of all Vested Options other than those Share Options under the Optionholders’ Undertakings, full subscription under the Rights Issue and the implementation of Set-off Arrangement, the net proceeds from the Rights Issue after the Set-off Arrangement and deducting the related expenses, are estimated to be approximately HK\$109.7 million.

The Company is an investment holding company and its subsidiaries are principally engaged in (i) organisation/production of and investments in concert, other entertainment event, film and TV drama production projects, and other media and entertainment related businesses; and (ii) provision of cremation and funeral services and deathcare related business.

The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that while additional debt financing will increase the Group’s gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company.

As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. In addition, to raise fund from placing, substantial amount of securities must be issued and usually the subscriber(s) may ask for a relatively deeper discount to the trading price of the Shares in view of the substantial amount of securities involved. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market.

The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its financial position without any ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlements under the Rights Issue in full.

In considering methods of settlement of the amount owed to Mr. Chau by the Company, the Company also considered loan capitalisation by issuing Shares to Mr. Chau as a form of repayment to Mr. Chau. However, such loan capitalisation would cause an immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, a loan capitalisation would not raise any proceeds for the Group for its business and working capital use while the Rights Issue would enable the Company to raise additional capital. Besides, the Set-off Arrangement would reduce the interest obligation and burden caused on the financial performance and daily cash outflow of the Group in the long run. Nonetheless, the loan facility granted by Mr. Chau will remain valid before and after the Rights Issue and the Group may consider to utilise the loan facility for its own business needs as well as developments as and when appropriate.

Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

Taking into account the financial resources of the Group, including its cash and cash equivalents balance of approximately HK\$12.7 million as at 30 June 2021, the existing facilities available to the Group and the estimated net proceeds of the Rights Issue, the Directors are of the opinion that the Group has sufficient working capital for at least the next 12 months after the completion of the Rights Issue.

Previous fundraising exercise involving issue of securities in the prior 12-month period

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of this announcement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

ADJUSTMENTS IN RELATION TO THE OUTSTANDING SHARE OPTIONS

As at the date of this announcement, there are 115,300,000 Outstanding Share Options, including (a) 16,300,000 Outstanding Share Options which are exercisable from 12 July 2019 to 11 July 2029; (b) 48,500,000 Outstanding Share Options which are exercisable from 12 April 2021 to 11 April 2024; and (c) 50,500,000 Outstanding Share Options which are exercisable from 12 April 2022 to 11 April 2025. Pursuant to the terms and conditions of the Existing Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Outstanding Share Options may be adjusted in accordance with the terms and conditions of the Existing Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will make further announcement in respect of such adjustments as and when appropriate.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders by way of poll at the SGM by a resolution on which any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting of the Rights Issue.

Mr. Chau is a controlling Shareholder, holding 431,346,823 Shares, representing approximately 34.5% of the issued share capital of the Company as at the date of this announcement. The Set-off Arrangement would therefore constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the SGM under the GEM Listing Rules. The Concert Group, comprising Mr. Chau and Mr. Dong, will abstain from voting of the Rights Issue and the Set-off Arrangement at the SGM. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Concert Group, no other Shareholder is required or indicated his intention to abstain from voting on the Rights Issue and the Set-off Arrangement at the SGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Set-off Arrangement are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Set-off Arrangement.

In this connection, the Independent Financial Adviser will be appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in these regards. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and the Set-off Arrangement and the voting recommendation on the resolution relating to the Rights Issue and the Set-off Arrangement.

The Circular containing, among other things, (i) further details of the Change in Board Lot Size; (ii) further details of the Rights Issue; (iii) further details of the Set-off Arrangement; (iv) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement; (vi) the notice convening the SGM; and (vii) other disclosure requirements under the GEM Listing Rules is expected to be despatched by the Company to the Shareholders on or before Tuesday, 3 August 2021.

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on the Posting Date. The Prospectus (without the PAL and the EAF) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Excluded Shareholders (if any) for their information only also on the Posting Date.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve (i) the Rights Issue; and (ii) the Set-off Arrangement, each in accordance with the GEM Listing Rules.

EXPECTED TIMETABLE

The expected timetable for the (i) Change in Board Lot Size; and (ii) Rights Issue is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

(Hong Kong time)

Announcement of the (i) Change in Board Lot Size;
(ii) Rights Issue; and (iii) Set-off Arrangement Tuesday, 13 July 2021

Expected despatch date of the Circular in relation to the
(i) Change in Board Lot Size; (ii) Rights Issue; and
(iii) Set-off Arrangement with notice and form of proxy for the SGM Tuesday, 3 August 2021

Latest time for lodging Shares transfer documents to
qualify for attendance and voting at SGM 4:30 p.m. on
Wednesday, 18 August 2021

Closure of register of members of the Company for attending the SGM (both days inclusive)	Thursday, 19 August 2021 to Wednesday, 25 August 2021
Latest date and time for lodging forms of proxy for the purpose of the SGM.	11:00 a.m. on Monday, 23 August 2021
Record date for attendance and voting at the SGM	Wednesday, 25 August 2021
Expected date and time of the SGM.	11:00 a.m. on Wednesday, 25 August 2021
Release of the SGM results announcement	Wednesday, 25 August 2021
Last day of dealings in Shares on a cum-rights basis	Thursday, 26 August 2021
First day of dealings in Shares on an ex-rights basis.	Friday, 27 August 2021
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 30 August 2021
Closure of register of members of the Company for the Rights Issue (both days inclusive).	Tuesday, 31 August 2021 to Monday, 6 September 2021
Record Date for determining entitlements to the Rights Issue.	Monday, 6 September 2021
Register of members of the Company re-opens	Tuesday, 7 September 2021

Despatch of Prospectus Documents	Tuesday, 7 September 2021
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 9 September 2021
Latest time for splitting of PALs	4:30 p.m. on Monday, 13 September 2021
Last day of dealings in nil-paid Rights Shares	Thursday, 16 September 2021
Latest time for acceptance of, and payment for, the Rights Shares.	4:00 p.m. on Tuesday, 21 September 2021
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Thursday, 23 September 2021
Announcement of results of the Rights Issue	Wednesday, 29 September 2021
Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 30 September 2021
Despatch of share certificates for fully paid Rights Shares	Thursday, 30 September 2021
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 4 October 2021
Effective date of change in board lot size from 5,000 Shares to 10,000 Shares.	9:00 a.m. on Monday, 4 October 2021
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Monday, 4 October 2021
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Shares	4:00 p.m. on Monday, 25 October 2021

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 10,000 Shares
“Circular”	the circular to be issued by the Company in relation to (among other things) the Rights Issue and the Set-off Arrangement
“Company”	Sun Entertainment Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Concert Group”	Mr. Chau and Mr. Dong and parties acting in concert (as defined in the Takeovers Code) with any of them
“controlling shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Deed of Set-Off”	the deed of set-off to be entered between the Company and Mr. Chau in relation to the proposed Rights Issue
“Directors”	directors of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares

“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, considers it necessary or expedient not to offer the Rights Shares to them
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 31 August 2011
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun, established for the purpose of advising the Independent Shareholders on the Rights Issue and the Set-off Arrangement
“Independent Financial Adviser”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement

“Independent Shareholders”	Shareholder(s), other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associate, and (ii) members of the Concert Group and their respective associates and Shareholders who are involved in, or interested in, the Rights issue and/or the Set-off Arrangement
“Last Trading Day”	13 July 2021
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 21 September 2021 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
“Loan Amount”	the total principal of the loan amount owed by the Company to Mr. Chau of approximately HK\$35,000,000 as at 30 June 2021
“Mr. Chau”	Mr. Chau Cheok Wa, the shareholder of 431,346,823 Shares, representing approximately 34.5% of the issued share capital of the Company as at the date of this announcement
“Mr. Chong”	Mr. Chong Cho Lam, an executive Director, the shareholder of 2,000,000 Shares, representing approximately 0.2% of the issued share capital of the Company and the holder of 9,000,000 Share Options as at the date of this announcement
“Mr. Dong”	Mr. Dong Choi Chi, Alex, an executive Director and the shareholder of 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the date of this announcement
“Optionholders’ Undertakings”	the undertakings executed by Mr. Chong and two directors of the subsidiaries of the Company respectively, whereby Mr. Chong and two directors of the subsidiaries of the Company unconditionally and irrevocably undertake to the Company, among other things, that they will not exercise such Share Options (or any part thereof) granted to them from the date of such undertakings to the close of business on the Record Date (both dates inclusive)
“Outstanding Share Options”	as at the date of this announcement, there are 115,300,000 outstanding share options granted by the Company under the Existing Share Option Scheme

“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Tuesday, 7 September 2021 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and the Prospectus (for information only) to the Excluded Shareholders (as the case may be)
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	the record date to determine the provisional entitlements to the Rights Issue
“Rights Issue”	the proposed issue by way of rights on the basis of four (4) Rights Shares for every five (5) Shares in issue
“Rights Share(s)”	1,044,078,404 Shares proposed to be allotted and issued under the Rights Issue
“Set-off”	the arrangement to set-off HK\$48,310,844, being the amount required to be paid by Mr. Chau for the subscription of 345,077,456 Rights Shares provisionally allotted to him pursuant to the Rights Issue (assuming there is no adjustment to the number of Rights Shares to be offered to Mr. Chau), against the Loan Amount of HK\$35,000,000

“Set-off Arrangement”	the arrangement to set-off the amount required to be paid by Mr. Chau under the Rights Issue against the Loan Amount pursuant to the Deed of Set-Off
“SFC”	the Securities and Futures Commission
“SGM”	a special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue and the Set-off Arrangement
“Share(s)”	means share(s) of par value of HK\$0.025 each in the share capital of the Company
“Share Option(s)”	the share options granted by the Company under the Existing Share Option Scheme
“Share Registrar”	Tricor Tengis Ltd. at Level 54, Hopewell Centre 183 Queen’s Road East Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.14 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertakings”	the irrevocable undertaking given by Mr. Chau in favour of the Company in relation to the proposed Rights Issue, the irrevocable undertaking given by Mr. Dong in favour of the Company in relation to the proposed Rights Issue, the irrevocable undertaking given by Mr. Chong in favour of the Company and the Optionholders’ Undertakings, and an “Undertaking” shall mean any of them
“Vested Option(s)”	outstanding and vested Share Options to subscribe for 64,800,000 Shares granted pursuant to the Existing Share Option Scheme

“%”

per cent

On behalf of the board of
Sun Entertainment Group Limited
Dong Choi Chi, Alex
Chairman and executive Director

Hong Kong, 13 July 2021

As at the date of this announcement, the board comprises two executive directors, namely Mr. Dong Choi Chi, Alex (the chairman) and Mr. Chong Cho Lam (chief executive officer), and three independent non-executive directors, namely Mr. Chan Wai Man, Mr. Siu Hi Lam, Alick and Mr. Ting Kit Lun.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the website of the Company at www.8082.com.hk.