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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Sun Entertainment Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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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**

Financial adviser to the Company



紅日資本有限公司  
RED SUN CAPITAL LIMITED

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

MESSIS  大有融資

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Terms used in this cover shall have the same meanings as defined in this circular. It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 17 September 2021. Any Shareholder or other person dealing in the Shares from the Latest Practicable Date up to the date on which all conditions of the Rights Issue are fulfilled (which is expected to be at 4:00p.m. on Tuesday, 19 October 2021), and any dealings in the Rights Shares in their nil-paid form from Monday, 4 October 2021 to Monday, 11 October 2021 (both days inclusive), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers. A letter from the Board is set out on pages 10 to 35 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 36 to 37 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-35 of this circular. A notice dated 24 August 2021 convening the SGM to be held at 28th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 15 September 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act 1981 of Bermuda, there are no requirements for minimum levels of subscription. The Rights Issue is conditional upon the fulfillment of the conditions as set out in the section headed "Conditions of the Rights Issue" under the "Letter from the Board" in this circular.

24 August 2021



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## PRECAUTIONARY MEASURES FOR THE SGM

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In light of the coronavirus pandemic (“COVID-19”), and to better protect the safety and health of the Shareholders and other participants attending the SGM, the Company will implement the following precautionary measures at the venue of the SGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the SGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree Celsius, or who has any flulike symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the SGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the SGM; and (ii) within 14 days immediately before the SGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the SGM. The Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the SGM to avoid close contact of attendees and there will be no corporate gifts; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Shareholders are reminded that attendance at the SGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the SGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolutions at the SGM as instructed in accordance with the relevant proxy form instead of attending the SGM in person. For details, please refer to the proxy form of the SGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the SGM.



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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.



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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 13 July 2021 in relation to the Rights Issue
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than Saturday and any day on which a tropical cyclone warning signal no.8 or above or “extreme conditions” caused by super typhoons 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 signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon 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”	this 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
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules



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## DEFINITIONS

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“COVID-19”	an infectious disease caused by a newly discovered coronavirus since December 2019, namely, severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) which has spread globally and resulted in a pandemic
“Director(s)”	the director(s) 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 and Mr. Siu Hi Lam, Alick established for the purpose of advising the Independent Shareholders on the Rights Issue and the Set-off Arrangement



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## DEFINITIONS

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“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
“Latest Practicable Date”	18 August 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Last Trading Day”	13 July 2021
“Latest Time for Acceptance”	4:00 p.m. on Friday, 15 October 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 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 Latest Practicable Date
“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 Latest Practicable Date



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## DEFINITIONS

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“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 Latest Practicable Date
“Optionholders’ Undertakings”	the undertakings executed by Mr. Chong and two directors of the subsidiaries of the Company, 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 Latest Practicable Date, 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”	Wednesday, 29 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 circular, excluding Hong Kong, the Macao 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)



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## DEFINITIONS

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“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 original 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 original arrangement to set-off the amount required to be paid by Mr. Chau under the Rights Issue against the Loan Amount
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“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



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## DEFINITIONS

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“Share Registrar”	Tricor Tengis Limited 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)”	the registered holder(s) of issued Share(s) from time to time
“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
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Supplemental Announcement”	the supplemental announcement of the Company dated 11 August 2021 in relation to the Set-off Arrangement and the updated use of proceeds of 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, the irrevocable undertaking given by Mr. Dong in favour of the Company and the Optionholders’ Undertakings, and an “Undertaking” shall mean any of them
“Vested Option(s)”	outstanding and vested options to subscribe for 64,800,000 Shares granted pursuant to the Existing Share Option Scheme
“%”	per cent

*Certain English translation of Chinese names or words in this circular are included for information only, and are not official English translations of such Chinese names or words.*



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## EXPECTED TIMETABLE

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*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.*

**All time and date references contained in this circular shall refer to Hong Kong local time and dates.**

### Events

**(Hong Kong time)**

Latest time for lodging Shares transfer documents to qualify for attendance and voting at SGM . . . . .	4:30 p.m. on Wednesday, 8 September 2021
Closure of register of members of the Company for attending the SGM (both days inclusive) . . . . .	Thursday, 9 September 2021 to Wednesday, 15 September 2021
Latest date and time for lodging forms of proxy for the purpose of the SGM . . . . .	11:00 a.m. on Monday, 13 September 2021
Record date for attendance and voting at the SGM . . . . .	Wednesday, 15 September 2021
Expected date and time of the SGM . . . . .	11:00 a.m. on Wednesday, 15 September 2021
Release of the SGM results announcement . . . . .	Wednesday, 15 September 2021
Last day of dealings in Shares on a cum-rights basis . . . . .	Thursday, 16 September 2021
First day of dealings in Shares on an ex-rights basis . . . . .	Friday, 17 September 2021
Latest time for the Shareholders to lodge Shares transfer documents in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Monday, 20 September 2021
Closure of register of members of the Company for the Rights Issue (both days inclusive) . . . . .	Tuesday, 21 September 2021 to Tuesday, 28 September 2021
Record Date for determining entitlements to the Rights Issue . . . . .	Tuesday, 28 September 2021
Register of members of the Company re-opens . . . . .	Wednesday, 29 September 2021



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## EXPECTED TIMETABLE

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Despatch of Prospectus Documents . . . . .	Wednesday, 29 September 2021
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Monday, 4 October 2021
Latest time for splitting of PALs . . . . .	4:30 p.m. on Wednesday, 6 October 2021
Last day of dealings in nil-paid Rights Shares . . . . .	Monday, 11 October 2021
Latest time for acceptance of, and payment for, the Rights Shares . . . . .	4:00 p.m. on Friday, 15 October 2021
Latest time for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Tuesday, 19 October 2021
Announcement of results of the Rights Issue . . . . .	Monday, 25 October 2021
Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares . . .	Tuesday, 26 October 2021
Despatch of share certificates for fully paid Rights Shares . . . . .	Tuesday, 26 October 2021
Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 27 October 2021
Effective date of change in board lot size from 5,000 Shares to 10,000 Shares . . . . .	9:00 a.m. on Wednesday, 27 October 2021
Designated broker starts to stand in the market to provide matching services for odd lots of Shares . . . . .	9:00 a.m. on Wednesday, 27 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 Tuesday, 16 November 2021

Dates stated in this circular for event mentioned in the timetable are indicative only and may be extended or varied. Any changes to the above expected timetable will be announced as and when appropriate in accordance with the GEM Listing Rules.



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## EXPECTED TIMETABLE

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According to the abovementioned expected timetable, the acceptance period for the Rights Issue will commence from Wednesday, 29 September 2021 to 4:00 p.m. on Friday, 15 October 2021. Given that the Company's blackout period for the quarterly results for the nine months ended 30 September 2021 is expected to commence on 12 October 2021, the Directors are only allowed to apply for the excess Rights Shares on or before 11 October 2021 according to GEM Listing Rules 5.52(4)(a). As at the Latest Practicable Date, none of the Directors have expressed any intention to apply for excess Rights Shares.

### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take effect if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning: or "extreme conditions" caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region.

- (1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 15 October 2021. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 15 October 2021. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Friday, 15 October 2021, the dates mentioned in the timetable above may be affected. Announcement(s) will be made by the Company on any change to the expected timetable as and when appropriate.



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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Dong Choi Chi, Alex (*Chairman*)

Mr. Chong Cho Lam (*Chief Executive Officer*)

*Independent non-executive Directors:*

Mr. Chan Wai Man

Mr. Siu Hi Lam, Alick

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place  
of business in Hong Kong:*

17th Floor, Fun Tower

35 Hung To Road

Kwun Tong, Kowloon

Hong Kong

24 August 2021

*To the Shareholders*

Dear Sir or Madam,

**(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**

#### INTRODUCTION

Reference is made to the Announcement in relation to the Change in Board Lot Size, the Rights Issue and the Set-off Arrangement and the Supplemental Announcement. The purpose of this circular is to provide you with (i) further information on the Change in Board Lot Size, the Rights Issue and the Set-off Arrangement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue and the Set-off Arrangement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Set-off Arrangement; (iv) other information required pursuant to the GEM Listing Rules; and (v) a notice of the SGM.



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## LETTER FROM THE BOARD

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### PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, 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 Wednesday, 27 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 were continued to be trading 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 the 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.



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## LETTER FROM THE BOARD

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### 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 Latest Practicable Date	:	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 Latest Practicable Date 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 expenses and the Set-off Arrangement

As at the Latest Practicable Date, 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.



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## LETTER FROM THE BOARD

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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 Latest Practicable Date.

Assuming there is no change in the number of issued Shares on or before the Record Date, 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 Latest Practicable Date); 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 Latest Practicable Date 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 Latest Practicable Date, 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;



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## LETTER FROM THE BOARD

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- (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 discount of approximately 53.3% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) 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
- (g) 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 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 the Undertakings).

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 date of the Undertakings; (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 which is not uncommon to have a subscription price at a discount to the market price of the shares; 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.



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## LETTER FROM THE BOARD

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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 are set out in the section headed “Odd lots arrangements and matching services” in this 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 0.5 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 thirteen industry peers principally engaged in media and entertainment business with over 50% of its revenue generated from such business segment and listed and not suspended 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. To the Directors’ best knowledge, information and beliefs, the thirteen industry peers in their analysis is an exhaustive list of comparable companies, the industry peers were identified on a best effort basis which the Directors consider that the comparable companies are sizeable institutions with revenue as extracted from their latest annual reports between HK\$25 million and HK\$500 million, the principal business of which are similar to that of the Group with over 50% of their revenue generated from such business segment and in similar geographic areas. Therefore, the Directors are of the view that the selected comparable companies are able to serve as representative samples for comparison purpose and consider as fair and representative comparables in comparing the PB ratios and PS ratios.



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## LETTER FROM THE BOARD

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The Board (including the independent non-executive Directors who have expressed their views after taking into account the advice of 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;



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## LETTER FROM THE BOARD

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- (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 GEM 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 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.

The Company, after considering other funding alternatives in this circular, initially intended to finance the funding needs of the Company by way of contemplating the Rights Issue on a fully underwritten basis. However, the Company had consulted brokerage companies for underwriting the Rights Issue. All of them rejected the Company's invitation mainly due to volatile market and the low trade volume of the Shares.



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## LETTER FROM THE BOARD

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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.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company as at the Record Date. Accordingly, the investors should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to individual beneficial owners whose Shares are held by any such nominee company. Investors whose Shares are held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar by 4:30 p.m. on Monday, 20 September 2021.

### **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.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

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, 20 September 2021.



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## LETTER FROM THE BOARD

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### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 21 September 2021 to Tuesday, 28 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 Friday, 15 October 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. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) 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 that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s).

The Prospectus (without the PAL) and a letter to the Excluded Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue has been despatched to the Non-Qualifying Shareholders (if any) for their information only.

Based on the register of members of the Company as at the Latest Practicable Date, there was no Overseas Shareholder.



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## LETTER FROM THE BOARD

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### **Status of the Rights Shares**

The Rights Shares, when allotted, 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 Prospectus.

### **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 Tuesday, 26 October 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 Tuesday, 26 October 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**”.



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## LETTER FROM THE BOARD

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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.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date must lodge all necessary documents with the Share Registrar for registration by no later than 4:30 p.m. on Monday, 20 September 2021. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

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.



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## LETTER FROM THE BOARD

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### **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 Latest Practicable Date, 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 Latest Practicable Date. 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 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 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.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, 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 Latest Practicable Date. 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 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 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 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 Latest Practicable Date, 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 Latest Practicable Date. 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 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 Latest Practicable Date, 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 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, Mr. Chong and two directors of the subsidiaries of the Company have 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.



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## LETTER FROM THE BOARD

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Save for the Undertakings and Optionholders' Undertakings, the Company has not received, as at the Latest Practicable Date, 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 Company 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 Company 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 up to HK\$13,310,844 in cash for the subscription of 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.

However, as disclosed in the Supplemental Announcement, due to the foreseeable technical difficulties for implementing the Set-off Arrangement through the CCASS system where the CCASS system can only carry out a rights issue application by a shareholder in a normal manner (i.e. the shareholder paying the required amount of cash for the number of rights shares applied) and is not able to process a rights issue application by a shareholder if the cash amount for the number of Rights Shares is not paid upon application. As initially agreed under the Set-off Arrangement, Mr. Chau will only be required to pay the remaining balance of up to HK\$13,310,844 for the Rights Shares provisionally allotted to him, which cannot be processed by CCASS. As such, it has been agreed between the Company and Mr. Chau that Mr. Chau would first settle the aggregate Subscription Price of HK\$48,310,844 in cash, and subsequently a sum of HK\$35,000,000 (which is equivalent to the Loan Amount) would be paid out of the net proceeds of the Rights Issue to Mr. Chau for repayment of the shareholders' loan.



# LETTER FROM THE BOARD

## Effects on the shareholding structure of the Company

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

	Immediately after completion of the Rights Issue									
	As at the Latest Practicable Date		Assuming all Qualifying Shareholders have taken up the Rights Shares		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)		Assuming only one Qualifying Shareholder (in addition to the Concert Group and Mr. Chong pursuant to the Undertakings) applies for all Rights Shares under the excess application (Note 4)	
	No. of Shares	%	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	776,424,279	34.5
Mr. Dong (Note 1)	287,549,682	23.0	517,589,426	23.0	517,589,426	28.4	395,254,290	26.0	517,589,426	23.0
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	1,294,013,705	57.5
Mr. Chui Bing Sun (Note 2)	149,474,298	12.0	269,053,734	12.0	149,474,298	8.2	149,474,298	9.8	149,474,298	6.6
Mr. Chong	2,000,000	0.2	3,600,000	0.2	3,600,000	0.2	3,600,000	0.2	3,600,000	0.2
Public Shareholders	380,427,204	30.3	684,768,972	30.3	380,427,204	20.8	380,427,204	25.0	804,348,408	35.7
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	2,251,436,411	100.0

### Notes:

- 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.
- 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.
- 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 Latest Practicable Date.
- If only one Qualifying Shareholder (in addition to the Concert Group and Mr. Chong pursuant to the Undertakings) applies for all Rights Shares under the excess application, the Qualifying Shareholder may, after the completion of the Rights Issue, hold 10% or more of the shareholdings of the Company. In such hypothetical situation, this Qualifying Shareholder will no longer be regarded as a member of the public and 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, will not be satisfied. The Company will apply adjustments to the number of Rights Shares 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.



## LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; 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 all Qualifying Shareholders have taken up the Rights Shares		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)		Assuming only one Qualifying Shareholder (in addition to the Concert Group and Mr. Chong pursuant to the Undertakings) applies for all Rights Shares under the excess application (Note 4)	
	No. of Shares	%	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	776,424,279	33.1
Mr. Dong (Note 1)	287,549,682	22.0	517,589,426	22.0	517,589,426	27.5	460,424,550	26.5	517,589,426	22.0
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	1,294,013,705	55.1
Mr. Chui (Note 2)	149,474,298	11.4	269,053,734	11.4	149,474,298	7.9	149,474,298	8.6	149,474,298	6.4
Mr. Chong	2,000,000	0.2	3,600,000	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	54,300,000	2.3
Other public Shareholders	380,427,204	29.1	684,768,972	29.1	380,427,204	20.2	380,427,204	21.9	847,788,408	36.0
Public Shareholders	434,727,204	33.3	782,508,972	33.3	434,727,204	23.1	434,727,204	25.0	902,088,408	38.3
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	2,349,176,411	100.0



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## LETTER FROM THE BOARD

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### 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 deducting the related expenses will be approximately HK\$144.7 million. The Company intends to use the net proceeds from the Rights Issue for the following:

- (a) ***approximately 28.9%, 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 income 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 24.2%, or HK\$35.0 million will be used for repayment of amount owed to Mr. Chau;***

The Company intends to apply the net proceeds for the repayment of the amount owed to Mr. Chau. For further details, please refer to the paragraph headed “Reasons for the Rights Issue and the initial Set-off Arrangement and repayment of the Loan Amount” below.



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## LETTER FROM THE BOARD

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***(c) approximately 13.8%, 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.

***(d) approximately 13.1%, 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.

***(e) approximately 6.9%, 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.



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## LETTER FROM THE BOARD

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- (f) approximately 6.2%, 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.

- (g) approximately 6.9%, 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\$13.5 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 addition 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 Issue and the initial Set-off Arrangement and repayment of the Loan Amount” 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 of Rights Shares offered to the Concert Group, the net proceeds of the Rights Issue after deducting the related expenses will be reduced to approximately HK\$138.6 million and HK\$36.4 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.



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## LETTER FROM THE BOARD

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### **Reasons for the Rights Issue and the initial Set-off Arrangement and repayment of the Loan Amount**

Assuming full exercise of all Vested Options other than those Share Options subject to the Optionholders' Undertakings, full subscription under the Rights Issue, the net proceeds from the Rights Issue after deducting the related expenses, are estimated to be approximately HK\$144.7 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 (including the independent non-executive Directors who have expressed their views after taking into account the advice of 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 (including the independent non-executive Directors who have expressed their views after taking into account the advice of 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. The Company attempted to procure debt financing from certain banks. However, those banks indicated that it was unlikely to obtain debt financing through bank loans due to the loss making track records of the Group in the past three financial years. As such, the Directors consider that it will not be feasible for the Company to obtain the required fund raising amount from debt financing at favourable terms.

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 number 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 number 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 (including the independent non-executive Directors who have expressed their views after taking into account the advice of 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 entitlement under the Rights Issue in full.



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## LETTER FROM THE BOARD

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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 repayment 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 (including the independent non-executive Directors who have expressed their views after taking into account the advice of 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.

In estimating the fund-raising size required by the Company for its business needs and development, the Directors took into account the number and size of the projects the Group will participate in for the next 12 months. The Directors have estimated that, based on the current information available, the Company will need to utilise approximately HK\$130.2 million for it to participate in all the projects it intends to and finance its working capital, including administrative and salary expenses. In estimating the funding needs for the next 12 months, the Directors made the following key assumptions:

- the Group will be able to maintain the business relationships and existing terms with its existing customers and suppliers;
- general expenses and costs by the Group will experience a modest 5% increase in 2022;
- the staffing levels will be sufficient for the operations of the Group during the forecast period;
- as vaccines continue to be rolled out, the economies in which the projects the Group intends to undertake are located will continue to recover and relevant lockdown measures being lifted;
- the accounting policies adopted by the Group would be consistent with those used in the preparation of its annual report for the year ended 31 December 2020 in all material aspects;



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## LETTER FROM THE BOARD

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- the Group will have sufficient financial resources to meet its business development requirements during the next 12 months with the proceeds from the Rights Issue and the revolving loan facility from Mr. Chau;
- the key senior management will continue to involve in the operations of the Group and the Group will be able to retain its key management and personnel;
- the macro-economic policies, i.e. fiscal policies, monetary policies and exchange rate policies, and the taxation policy in countries in which the Group operate will remain more or less the same;
- there will be no uncontrollable external events such as war, military dispute, plague or natural disaster that affect the operations of the Group; and
- there will be no abnormal or extraordinary items, such as losses/one-off gains suffered/earned by the Group due to unforeseen events such as natural disasters or government grants, which will worsen or improve the Group's financial results, respectively, during the next 12 months.

In the event of under-subscription and the net proceeds from the Rights Issue is insufficient to fund the Company's use of proceeds as intended, the Company will consider other fund-raising alternatives available to the Group, including utilising revolving loan facility agreement entered into with Mr. Chau to meet its funding needs.

Taking into account the financial resources of the Group, including its cash and cash equivalents balance of approximately HK\$13.5 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 Latest Practicable Date.

### **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 circular. 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.**



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## LETTER FROM THE BOARD

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**Any dealings in the Shares from the Latest Practicable Date 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 Latest Practicable Date, 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 notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the share option scheme of the Company and such adjustment will be certified by the independent financial adviser of the Company.

### **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 Latest Practicable Date. Mr. Dong held 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the Latest Practicable Date. 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.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Concert Group, where Mr. Dong abstained from voting on the board resolution, as none of the Shareholders, Directors or their associates would have material interest in the Rights Issue and the Set-off Arrangement, no other Shareholder or Directors is required or indicated his intention to abstain from voting in the board resolution in relation to the approval of 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 and Mr. Siu Hi Lam, Alick 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 and the repayment of the Loan Amount.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount and the voting recommendation on the resolution relating to the Rights Issue and the Set-off Arrangement.

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 and the repayment of the Loan Amount, each in accordance with the GEM Listing Rules.



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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue and the Set-off Arrangement. Messis Capital Limited has been appointed with the Independent Board Committee's approval as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on pages 36 to 37 and pages IFA-1 to IFA-35 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that, although the Set-off Arrangement is not in the ordinary and usual course of business of the Company, the terms of the Rights Issue and the Set-off Arrangement are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the Set-off Arrangement are 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 proposed resolutions approving the Rights Issue and the Set-off Arrangement at the SGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
By order of the Board  
**Sun Entertainment Group Limited**  
**Dong Choi Chi, Alex**  
*Chairman and executive Director*



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue and the Set-off Arrangement.*



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)**

24 August 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**(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**

We refer to this circular dated 24 August 2021 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in this circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue and the Set-off Arrangement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Rights Issue and the Set-off Arrangement are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the special general meeting of the Company (the “**SGM**”).



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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Messis Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-35 of this circular. Your attention is also drawn to the letter from the Board set out on pages 10 to 35 of this circular and the additional information set out in the appendices to this circular.

Having considered the terms of the Rights Issue, the Set-off Arrangement and the letter from the Independent Financial Adviser, we consider that, although the Set-off Arrangement is not in the ordinary and usual course of business of the Company, the terms of the Rights Issue and the Set-off Arrangement are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the Set-off Arrangement are 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 resolutions to be proposed to approve the Rights Issue and the Set-off Arrangement at the SGM respectively.

Yours faithfully,

For and on behalf of the

**Independent Board Committee**

**Mr. Chan Wai Man**

**Mr. Siu Hi Lam, Alick**

*Independent non-executive Directors*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



24 August 2021

*To: The Independent Board Committee and the Independent Shareholders  
of Sun Entertainment Group Limited*

Dear Sir/Madam,

**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  
CONNECTED TRANSACTION – REPAYMENT OF  
SHAREHOLDER INDEBTEDNESS**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue and the Set-off Arrangement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 24 August 2021 (the “**Circular**”), 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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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 Latest Practicable Date 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 related expenses for the Rights Issue), will be not more than approximately HK\$144.7 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).

On 13 July 2021, Mr. Chau has given an irrevocable undertaking in favour of the Company, that, among others, (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; and (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.

On 13 July 2021, Mr. Dong has given an irrevocable undertaking in favour of the Company, that. Among others, (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; and (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.

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.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, 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.

### **Initial Set-off Arrangement**

On 21 December 2020, the Company 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 Company 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.

However, due to the foreseeable technical difficulties for implementing the Set-off Arrangement through the CCASS system where the CCASS system can only carry out a rights issue application by a shareholder in a normal manner (i.e. the shareholder paying the required amount of cash for the number of rights shares applied) and is not able to process a rights issue application by a shareholder if the cash amount for the number of Rights Shares is not paid upon application. As initially agreed under the Set-off Arrangement, Mr. Chau will only be required to pay the remaining balance of up to HK\$13,310,844 for the Rights Shares provisionally allotted to him, which cannot be processed by CCASS. As such, it has been agreed between the Company and Mr. Chau that Mr. Chau would first settle the aggregate Subscription Price of HK\$48,310,844 in cash, and subsequently a sum of HK\$35,000,000 (which is equivalent to the Loan Amount) would be paid out of the net proceeds of the Rights Issue to Mr. Chau for repayment of the shareholder's loan.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **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 Latest Practicable Date. Mr. Dong held 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the Latest Practicable Date. 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 Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Set-off Arrangement and the repayment of Loan Amount 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 and the repayment of the Loan Amount. We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years from the date of our appointment, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or any other parties. Accordingly, we consider that we are eligible to give independent advice pursuant to Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the date of the SGM, and the Shareholders will be informed of any material change of information. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

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

Our review and analyses were based upon, among other things, the information provided by the Company including the announcements and the Circular and certain published information from the public domain including trading performances of the Shares on the Stock Exchange, information set out in the Circular and the annual report of the Company for the year ended 31 December 2020 (the “**Annual Report 2020**”) and the interim report of the Company for the six months ended 30 June 2021 (the “**Interim Report 2021**”). We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.



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Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### A. Reasons for the Rights Issue and the initial Set-off Arrangement

##### A.1 Background information of the Group

###### (a) Principal business of the Group

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.

###### (b) Historical financial performance of the Group

Set out below is a summary of the key financial information of the Group as extracted from the Annual Report 2020 for the years ended 31 December 2019 and 2020 (“FY19” and “FY20”) and the Interim Report 2021 for the six months ended 30 June 2020 and 2021 (“HY20” and “HY21”):

	Year ended 31 December		Six months ended 30 June	
	2019	2020	2020	2021
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	126,247	29,095	6,080	24,267
Cost of sales	(109,525)	(20,119)	(3,147)	(18,604)
Gross profit	16,722	8,976	2,933	5,663
Loss before taxation	(50,803)	(30,479)	(13,279)	(24,327)
Loss for the year/period	(51,552)	(30,675)	(13,302)	(24,707)



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) Comparison between FY20 and FY19

Revenue decreased significantly from approximately HK\$126.2 million for FY19 to approximately HK\$29.1 million for FY20, representing a decrease of approximately HK\$97.1 million or 77.0%. According to the Annual Report 2020, the substantial decrease in revenue was mainly due to the media and entertainment businesses was affected by the outbreak of COVID-19 since January 2020. For FY20, total revenue from the media and entertainment business was approximately HK\$17.7 million, which was 84.62% lower than that of the corresponding period of approximately HK\$115.4 million. Net loss for FY20 was approximately HK\$30.7 million, which decreased by approximately 40.5% from approximately HK\$51.6 million for FY19. According to the Annual Report 2020, the decrease in net loss for FY20 was mainly due to (i) decrease in share-based payment expense and impairment loss on investment in drama and film production recognised in general, administrative and other expenses; and (ii) decrease in selling, marketing and distribution expenses, which is in line with the decrease in number of entertainment events organised by the Group during FY20.

(ii) Comparison between HY21 and HY20

The Group record revenue of approximately HK\$24.3 million for HY21, which increased significantly by approximately HK\$18.2 million or 299.1% from approximately HK\$6.1 million for HY20. As stated in the Interim Report 2021, such increase was mainly due to the Group organised a concert, pop up stores and exhibitions during HY21 but nil in HY20. Net loss for HY21 increased by approximately HK\$11.4 million or 85.7% from approximately HK\$13.3 million for HY20 to approximately HK\$24.7 million, mainly due to the increase in general, administrative and other expenses for HY21.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Financial position of the Group*

Set out below is a summary of the financial position of the Group as at 31 December 2019 and 2020 and 30 June 2021 as extracted from the Annual Report 2020 and the Interim Report 2021:

	As at 31 December		As at
	2019	2020	30 June
	(audited)	(audited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000
Total assets	149,088	118,935	123,297
Total liabilities	57,376	55,944	74,263
Net current assets	51,876	48,166	47,080
Net assets	91,712	62,991	49,034
Gearing ratio ( <i>Note</i> )	63.70%	91.18%	162%

*Note:* Gearing ratio is calculated as total liabilities over equity attributable to owners of the Company.

Total assets of the Group decreased from approximately HK\$149.1 million as at 31 December 2019 to approximately HK\$118.9 million as at 31 December 2020, representing a decrease of approximately HK\$30.2 million or 20.2%. The decrease in total assets as at 31 December 2020 was mainly due to the decrease in (i) investments in concert, other entertainment event, film and TV drama production projects; and (ii) trade receivables, which decreased by approximately HK\$12.8 million and HK\$15.9 million, respectively. Total assets of the Group increased slightly by approximately 3.7% to approximately HK\$123.3 million as at 30 June 2021 from approximately HK\$118.9 million as at 31 December 2020.

The Group's total liabilities slightly decreased by approximately HK\$1.5 million or 2.5% from approximately HK\$57.4 million as at 31 December 2019 to approximately HK\$55.9 million as at 31 December 2020. The slight decrease was mainly due to the combined effect of (i) a decrease in trade payables, other payables, accruals and other financial liabilities of approximately HK\$16.4 million as at 31 December 2020; and (ii) an increase in other borrowings advanced by Mr. Chau of HK\$20 million as at 31 December 2020. Total liabilities of the Group increased by approximately HK\$18.4 million or 32.7% to approximately HK\$74.3 million as at 30 June 2021 from approximately HK\$55.9 million as at 31 December 2020. The increase in total liabilities was mainly due to the increase of approximately HK\$15 million in other borrowings advanced by Mr. Chau.



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Net assets decreased significantly from approximately HK\$91.7 million as at 31 December 2019 to approximately HK\$63.0 million as at 31 December 2020, representing a decrease of approximately HK\$28.7 million. Such decrease was mainly due to the loss for the year of approximately HK\$30.7 million for FY20. Net assets as at 30 June 2021 further decreased to approximately HK\$49.0 million, mainly due to the net loss of approximately HK\$24.7 million for HY21.

The Group's gearing ratio was approximately 63.70%, and 91.18% as at 31 December 2019 and 31 December 2020, respectively. The significant increase in gearing ratio was mainly due to the decrease in equity attributable to owners of the Company as at 31 December 2020. Gearing ratio further increased to 162% as at 30 June 2021, mainly due to the increase in total liabilities and the decrease in equity attributable to owners of the Company as at 30 June 2021.

### ***A.2 Reasons for the Rights Issue, the initial Set-off Arrangement and the use of proceeds***

#### ***(a) Background of the initial Set-off Arrangement***

On 21 December 2020, the Company 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 Company of HK\$35,000,000 pursuant to the said revolving loan facility agreement, which is unsecured and bears interest at 3.5% per annum.

On 13 July 2021, Mr. Chau has given an irrevocable undertaking in favour of the Company, that, among others, (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; and (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.

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.



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However, due to the foreseeable technical difficulties for implementing the Set-off Arrangement through the CCASS system where the CCASS system can only carry out a rights issue application by a shareholder in a normal manner (i.e. the shareholder paying the required amount of cash for the number of rights shares applied) and is not able to process a rights issue application by a shareholder if the cash amount for the number of Rights Shares is not paid upon application. As initially agreed under the Set-off Arrangement, Mr. Chau will only be required to pay the remaining balance of up to HK\$13,310,844 for the Rights Shares provisionally allotted to him, which cannot be processed by CCASS. As such, it has been agreed between the Company and Mr. Chau that Mr. Chau would first settle the aggregate Subscription Price of HK\$48,310,844 in cash, and subsequently a sum of HK\$35,000,000 (which is equivalent to the Loan Amount) would be paid out of the net proceeds of the Rights Issue to Mr. Chau for repayment of the shareholder's loan.

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 Latest Practicable Date. Mr. Dong held 287,549,682 Shares, representing approximately 23.0% of the issued share capital of the Company as at the Latest Practicable Date. 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.

*(b) Intended 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 deducting the related expenses will be approximately HK\$144.7 million. The Company intends to use the net proceeds from the Rights Issue for the following:

- (a) approximately 28.9%, or HK\$41.8 million will be used for investment in the media and entertainment business of the Group;
- (b) approximately 24.2%, or HK\$35.0 million will be used for repayment of amount owed to Mr. Chau;
- (c) approximately 13.8%, or HK\$20.0 million will be used for development of integrated entertainment platform and non-fungible tokens business;
- (d) approximately 13.1%, or HK\$19.0 million will be used for day-to-day salary and administrative expenses;
- (e) approximately 6.9%, or HK\$10.0 million will be used for investment in the funeral business of the Group;



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- (f) approximately 6.2%, 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
- (g) approximately 6.9%, or HK\$9.9 million will be used as the general working capital of the Group.

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 deducting the related expenses will be reduced to approximately HK\$138.6 million and HK\$36.4 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.

*(c) Reasons for the Rights Issue, the initial Set-off Arrangement and repayment of the Loan Amount*

The Group is 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.

As set-out in the Letter from the Board, approximately 48.9% or HK\$70.8 million of the proceeds is intended to be used for the development of the Group's media and entertainment business, approximately 6.9% or HK\$10.0 million for the cremation and funeral services business, approximately 24.2% or HK\$35.0 million for repay of amount owed to Mr. Chau, and approximately 20.0% or HK\$28.9 million for the Group's day-to-day salary and administrative expenses and general working capital. The major use of proceeds are as follows:

Approximately 28.9%, or HK\$41.8 million will be used for investment in the media and entertainment business of the Group

As stated in the Letter from the Board, 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.



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Approximately 13.8%, or HK\$20.0 million will be used for development of integrated entertainment platform and non-fungible tokens business

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 optimise online ticketing experience, improve customer services and perform in-depth analysis on sales and ticketing data. 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.

Approximately 6.2%, 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

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.

Approximately 6.9%, 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.



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Approximately 13.1%, 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.

As disclosed in the Annual Report 2020, revenues from the media and entertainment business during FY20 were mainly derived from organisation of concert and other entertainment events, sponsorship income, gain on investments in concert, other entertainment event, film and TV drama production projects. The outbreak and wide spreading of COVID-19 had affected the Group's entertainment businesses in Hong Kong and Macau, causing closure of leisure and entertainment venues or facilities. For FY20, the Group had organised and invested in a total of 3 concerts while the Group organised and invested 35 concerts for FY19.

As stated in the Letter from the Board, 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 discussed with the Company, the Group will continue to develop the media and entertainment business, which include investment into not less than 10 entertainment investments such as concerts, films and television programme, which we note are the major revenue streams of the Group. As disclosed in the Interim Report 2021, it is the Group's strategy to respond to forthcoming market challenges and capture business opportunities by focusing on high quality entertainment related projects with proven track records and commercial viability. In addition, the Group will further explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income streams. Therefore, as discussed with the Company, it is also intended to apply the proceeds from the Rights Issue for (i) the development of an integrated online entertainment platform; (ii) a new platform for non-fungible tokens business; and (iii) provision of audio, lighting and stage equipment and ancillary stage technical and engineering services business. Besides, the Group will also allocate proceeds to develop the funeral business, which is also one of the principal businesses of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We note from the Annual Report 2020 and the Interim Report 2021 that the media and entertainment business is the Group's major revenue contributing segment, with over 90% of the total revenue was derived from the media and entertainment segment for FY19, and over 60% of the total revenue was derived from the media and entertainment segment for both FY20 and HY21. Approximately 8.6% of total revenue was from the cremation and funeral services segment for FY19, and around 29% to 39% was from the cremation and funeral services segment for FY20 and HY21. The allocation of proceeds, with majority of approximately 48.9% to be used for the development of the Group's media and entertainment business, and approximately 6.9% for the cremation and funeral services business is consistent with the revenue contribution from these business segments to the Group's total revenue. In view of the significant decrease in the Group's revenue, which decreased from approximately HK\$126.2 million for FY19 to approximately HK\$29.1 million for FY20, we consider it is justifiable for the Group to apply the majority of the proceeds for its business development.

The Group intends to utilise HK\$8 million for development of a NFT platform. As discussed with the management of the Company, a NFT is a digital asset which can represent items such as music audio, video etc and can be used by musicians or artists or other creators of collectible products to monetise their work or collectibles. As the Group is principally engaged in the media and entertainment business and invests in concerts, films, TV drama production projects etc, the Group can utilise its network in forming strategic partnership with various artists and industry players to monetise their work through the NFT platform to complement its existing media and entertainment business.



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We have discussed with the Company and were given to understand that in making the estimation of the funding needs for the next 12 months, the Group had taken into account of the projects it intends to invest or participate in and the general overheads such as salaries, rents, utilities etc and expects the total funding needs for the next 12 months would amount to approximately HK\$130.2 million. Assuming full exercise of all Vested Options other than those Share Options subject to the Optionholders' Undertakings, full subscription under the Rights Issue, the net proceeds from the Rights Issue after deducting the related expenses, are estimated to be approximately HK\$144.7 million. As discussed with the Company, in the event of under-subscription and the net proceeds from the Rights Issue is insufficient to fund the Company's use of proceeds as intended, the Company will consider other fund-raising alternatives available to the Group, including utilising the revolving loan facility of principal amount of HK\$100,000,000 provided by Mr. Chau to meet the Group's funding needs. As such, taking into account the financial resources of the Group, including its cash and cash equivalents balance of approximately HK\$13.5 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, and we concur that the Group has sufficient working capital for at least the next 12 months after the completion of the Rights Issue.

In respect of the initial Set-off Arrangement, we have discussed with the Company and were given to understand that though the loan provided by Mr. Chau to the Group is only repayable on the fifth anniversary of the first drawdown date, it is the Group's objective to maintain a balance between continuity of funding and flexibility through debt financing and equity financing. We note that the Group had cash balances of approximately HK\$13.5 million, loan provided by Mr. Chau to the Group of HK\$35 million as at 30 June 2021 and negative cash flows from operating activities for FY19, FY20 and HY21. The Group had also been loss making for the recent years, and any interest expenses will further reduce the Group's profitability. In addition, the gearing ratio, calculated as total liabilities over equity attributable to owners of the Company was approximately 162% as at 30 June 2021 and the Loan Amount bears interest at 3.5% per annum. We consider that the Set-off Arrangement and the repayment of the Loan Amount will allow the Company to strengthen its capital base and liquidity, reduce interest costs, and to reduce the Group's gearing ratio and reliance on loans provided by the controlling shareholder.



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As discussed with the Company, in considering methods of settlement of the amount owed to Mr. Chau, 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.

### ***A.3 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 Latest Practicable Date.

### ***A.4 Financing alternatives***

As discussed with the Company, the Directors have considered other financing alternatives to the Rights Issue including the followings:

#### ***(i) Additional debt financing***

As discussed with the management of the Company, the Group had verbally discussed with two or more banks in Hong Kong of the possibility of obtaining banking facilities. Due to the Group's loss making position for the recent financial years, the Group was not able to obtain banking facilities from any of the banks. As such, the Directors consider that it will not be feasible for the Company to obtain the required fund raising amount from debt financing at favourable terms. As stated in the Letter from the Board, the Directors are of the view that 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. From the Annual Report 2020 and Interim Report 2021, we note that the gearing ratio had increased significantly from approximately 63.70% as at 31 December 2019 to approximately 91.18% as at 31 December 2020, and further increased to 162% as at 30 June 2021. The Company had also record loss attributable to owners of the Company for the recent five consecutive years from 2016 to 2020. Given the increasing gearing ratio and the loss making position of the Group, obtaining additional debts may further increase the Group's liquidity risk. Therefore, the Rights Issue as compared to debt financing would allow the Company to strengthen its capital base and liquidity without incurring interest costs.



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### *(ii) Equity financing*

Other equity fund-raising methods, 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. Moreover, placing of Shares would not allow the existing Shareholders to participate in the fund-raising exercise and they would be diluted without being offered an opportunity to maintain their shareholding interests in the Company. As for open offer, though it also offers qualifying shareholders to participate in, unlike a rights issue it does not allow the trading of rights entitlements in the open market.

In view of the above, we concur with the Company that the Rights Issue is more attractive and feasible in the current market condition as (a) if the Company raises funds in the form of debt rather than equity, the Company would incur interest expenses, which would further worsen the Group's loss making position; (b) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution and participate as fully as they wish in the growth opportunity of the Company by way of applying for excess Rights Shares; (c) the Rights Issue allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits; (d) the Rights Issue removes a certain degree of uncertainty as compared to best-efforts placing; and (e) the Rights Issue allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio.

### ***Our view***

Based on all of the above and having considered in particular that:

- (i) as mentioned in the sub-section headed "A.1 Background information of the Group – (b) Historical financial performance of the Group" in this letter, the Group has been suffering net losses for FY19, FY20 and HY21;
- (ii) the Group recorded an increasing gearing ratio, which increased from approximately 63.70% as at 31 December 2019 to approximately 91.18% as at 31 December 2020, and further increased to 162% as at 30 June 2021, whereby the Set-off Arrangement and the repayment of the Loan Amount will allow the Group to reduce its liabilities and improve gearing ratio;



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(iii) the Set-off Arrangement and the repayment of the Loan Amount would enable the Group to reduce its reliance on the financial support provided by Mr. Chau without net cash outflow; and

(iv) the Rights Issue enables the Group to raise additional capital for developing its principal businesses and working capital use,

we concur with the Directors' view that the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount are in the interest of the Company and the Shareholders as a whole.

### **B. Principal terms of the Rights Issue**

#### ***B.1 Terms and Subscription Price***

Basis of the Rights 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 Latest Practicable Date	:	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 Latest Practicable Date 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)



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Number of Rights Shares being undertaken : Up to 576,717,200 Rights Shares (The  
by the Concert Group and Mr. Chong 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 : Up to approximately HK\$146.2 million  
Rights Issue before expenses and the Set-off  
Arrangement

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 Latest Practicable Date); 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 Latest Practicable Date 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).



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### *Comparison with prevailing market price*

We note that 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 discount of approximately 53.3% to the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) 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
- (g) 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 the Undertakings).



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### ***B.2 Analysis of the Subscription Price***

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the historical price performance of the Shares; (b) liquidity of the Shares; and (c) comparison with recent rights issue transactions, as follows:

#### *(a) Historical Share price performance*

Set out below is a chart showing the movement of the daily closing price per Share based on the closing price per Share as quoted on the Stock Exchange during the 12 months period from 14 July 2020 to 13 July 2021 (i.e. the Last Trading Day) (the “**Review Period**”), which is commonly used for analysis purpose to illustrate the general trend of the daily closing prices and the level of movement of the Shares; and compare with the Subscription Price. We consider the Review Period is representative and adequate to illustrate the price movements of the Shares to conduct a reasonable comparison between the daily closing prices of the Shares and the Subscription Price:



Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the lowest closing price per Share was HK\$0.265 recorded on 19 April 2021 while the highest closing price per Share was HK\$0.450 recorded on 17 July 2020 to 22 July 2020. The average daily closing price per Share was approximately HK\$0.343.



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We note from the graph above that the closing price per Share had been demonstrating a decreasing trend. The closing Share price gradually decreased from the highest price of HK\$0.450 at around the beginning of the Review Period to the lowest closing Share price of HK\$0.265 on 19 April 2021. The closing Share price then remains stable at around the closing Share price on the Last Trading Day of HK\$0.295 during June 2021 and up to the Last Trading Day.

The Subscription Price represents (i) a discount of approximately 68.9% to the highest closing price; (ii) a discount of approximately 47.2% to the lowest closing price; and (iii) a discount of approximately 59.2% from the average daily closing price during the Review Period.

### *(b) Liquidity of the Shares*

The table below sets out the average daily trading volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month  (Note 1)	Percentage of average daily trading volume to total number of Shares (Approximate %) (Note 2)	Percentage of the average daily turnover of the overall market to the total market capitalisation of listed securities (Main Board and GEM) (Approximate %) (Note 3)
<b>2020</b>					
July (from the beginning of the Review Period)	260,300	14	18,593	0.001	0.41
August	646,000	21	30,762	0.002	0.32
September	448,000	22	20,364	0.002	0.29
October	46,000	18	2,556	0.0002	0.27
November	6,976,150	21	332,198	0.027	0.35
December	245,200	22	11,145	0.001	0.30
<b>2021</b>					
January	1,903,200	20	95,160	0.008	0.48
February	1,952,000	18	108,444	0.009	0.44
March	420,500	23	18,283	0.001	0.38
April	6,261,000	19	329,526	0.026	0.29
May	29,339,000	20	1,466,950	0.117	0.29
June	35,610,000	21	1,695,714	0.136	0.28
July (up to the Last Trading Day)	4,365,000	8	545,625	0.044	0.40
Average				0.029	0.35

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)



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*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculation is based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each respective month or as at the Last Trading Day.
3. Calculated by dividing the average daily turnover of the securities market (Main Board and GEM) for the month over the total market capitalisation of listed securities (Main Board and GEM) at the end of the respective month.

As illustrated in the table above, the average daily trading volume of Shares during the Review Period was generally low with a range of 2,556 Shares to 1,695,714 Shares, representing approximately 0.0002% to approximately 0.136% of the total number of issued Shares as at the end of each respective month/period. Comparing to the trading liquidity of the overall market, the percentage of the average daily turnover of the market to the total market capitalisation of listed securities (Main Board and GEM) is a lot higher, which ranged from approximately 0.27% to approximately 0.48%. In addition, the average daily trading volume of Shares to the total number of issued Shares during the Review Period was approximately 0.029%, which was also significantly lower than the average of approximately 0.35% of the overall market. As such, we consider that the trading volume of the Shares indicates a relatively thin trading liquidity as compared with the overall market during the Review Period. Given the relatively thin trading volume during the Review Period, it is uncertain as to whether Shareholders could acquire or dispose a substantial block of Shares in the open market without exerting impact on the Share price. As such, we consider a discount of the Subscription Price might be required in order to attract the Qualifying Shareholders to participate in the Rights Issue.



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*(c) Comparison with recent rights issue transactions*

We have conducted a search of rights issue transactions announced by companies listed on the Stock Exchange, excluding H-Share companies, during the six-month period from 14 Jan 2021 up to the Last Trading Day and have identified, based on such search criteria, 29 rights issues (the “**Rights Issue Comparable(s)**”) for comparison purpose. We have excluded H-Share companies from the Rights Issue Comparables as the rights issue transactions of H-Share companies might also be affected by the A-Share market, which we consider is less relevant to the Company. To the best of our endeavour, we believe that the list of Rights Issue Comparables is an exhaustive list of rights issues meeting the aforesaid search criteria and is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues.

Although the Rights Issue Comparables may be different from the Group in terms of business nature, financial performance, financial position and funding requirements, the Rights Issue Comparables can serve as a market reference for recent market practice in relation to the subscription prices under other rights issues as compared to the relevant prevailing market share prices and provide an insight to the reasonableness of the Subscription Price in respect of the Rights Issue.



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We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/(Discount) of subscription price over/to the closing price on the Last Trading Day		Theoretical ex-rights price	Theoretical dilution effect	Underwriting Commission	Underwritten (Yes/No)	Maximum dilution (Note 1)	Excess application
			(%)	(%)	(%)	(%)	(%)	(%)	(Yes/No)	(Yes/No)
20 Jan 2021	Roma Group Limited (8072)	3 for 1	(31.32)	(10.07)	(23.63)	2.5	Yes	75.00	Yes	Yes
25 Jan 2021	Beaver Group (Holding) Company Limited (8275)	3 for 2	(34.38)	(17.32)	(20.63)	N/A	No	60.00	No	No
27 Jan 2021	Cornerstone Financial Holdings Limited (8112)	4 for 1	(21.11)	(5.33)	(22.57)	N/A	Yes	80.00	Yes	Yes
27 Jan 2021	Esprit Holdings Limited (330)	1 for 2	(25.00)	(18.21)	(8.68)	1.625	Yes	33.33	Yes	Yes
5 Feb 2021	Bossini International Holdings Limited (592)	1 for 2	(23.40)	(16.86)	(8.47)	N/A	No	33.33	Yes	Yes
16 Feb 2021	China LotSynergy Holdings Limited (1371)	2 for 1	(30.07)	(15.97)	(23.93)	N/A	No	66.67	Yes	Yes
19 Feb 2021	Enterprise Development Holdings Limited (1808)	1 for 2	(49.15)	(39.09)	(16.38)	1.0	No	33.33	Yes	Yes
17 Mar 2021	Qingdai Holdings International Limited (499)	1 for 1	(18.80)	(10.30)	(9.40)	4.5	No	50.00	Yes	Yes
24 Mar 2021	Noble Engineering Group Holdings Limited (8445)	1 for 2	(33.80)	(25.30)	(11.90)	N/A	No	33.33	No	No
26 Mar 2021	Kaisa Group Holdings Limited (1638)	1 for 7	(25.13)	(22.70)	(3.44)	2.5	Yes	12.50	Yes	Yes
29 Mar 2021	China Demeter Financial Investments Limited (8120)	3 for 1	(17.36)	(4.99)	(15.29)	0.0	Yes	75.00	No	No
8 Apr 2021	State Energy Group International Assets Holdings Limited (918)	3 for 1	(22.20)	(7.40)	(19.00)	1.0	Yes	75.00	No	No
9 Apr 2021	Golden Power Group Holdings Limited (3919)	1 for 2	(21.40)	(15.40)	(7.10)	7.07	Yes	33.33	Yes	Yes
12 Apr 2021	Merdeka Financial Group Limited (8163)	5 for 2	(21.05)	(6.83)	(8.54)	2.0	Yes	71.43	Yes	Yes
23 Apr 2021	PFC Device Inc. (8231)	1 for 2	(20.00)	(14.29)	(7.79)	N/A	No	33.33	Yes	Yes
28 Apr 2021	Sandmartin International Holdings Limited (482)	1 for 2	(16.00)	(11.21)	(5.33)	N/A	No	33.33	No	No
4 May 2021	China Investment Development Limited (204)	1 for 2	(10.31)	(6.98)	(3.56)	2.5	No	33.33	Yes	Yes
4 May 2021	Coolpad Group Limited (2369)	1 for 2	(41.10)	(31.70)	(14.50)	2.5	Yes	33.33	Yes	Yes
11 May 2021	Great Wall Belt & Road Holdings Limited (524)	1 for 4	(18.90)	(15.70)	(4.90)	N/A	No	20.00	Yes	Yes
11 May 2021	China Best Group Holding Limited (370)	1 for 2	(45.21)	(37.89)	(15.93)	N/A	No	33.33	No	No
13 May 2021	Ta Yang Group Holdings Limited (1991)	1 for 2	(22.22)	(16.02)	(7.39)	N/A	No	33.33	Yes	Yes
18 May 2021	Champion Technology Holdings Limited (92)	3 for 1	8.70	2.04	0.00	2.5	Yes	75.00	Yes	Yes
20 May 2021	China Internet Investment Finance Holdings Limited (810)	1 for 2	(51.22)	(41.18)	(18.11)	2.5	Yes	33.33	Yes	Yes
1 Jun 2021	Vision Fame International Holding Limited (1315)	1 for 4	(60.78)	(55.36)	(11.81)	N/A	No	20.00	No	No
7 Jun 2021	AL Group Limited (8360)	3 for 1	(27.03)	(8.47)	(20.27)	1.5	Yes	75.00	Yes	Yes
11 Jun 2021	Cool Link (Holdings) Limited (8491)	1 for 2	(39.30)	(30.90)	(13.20)	2.5	Yes	33.33	Yes	Yes
11 Jun 2021	Lai Sun Garment (International) Limited (191)	1 for 2	(65.00)	(55.40)	(21.70)	1.0	Yes	33.33	Yes	Yes
16 Jun 2021	China Environmental Energy Investment Limited (986)	1 for 1	(5.66)	(2.91)	(2.83)	2.5	No	50.00	No	No
23 Jun 2021	CBK Holdings Limited (8428)	3 for 2	(22.73)	(10.53)	(13.64)	3.0	No	60.00	No	No
	<b>Maximum</b>		8.70	2.04	0.00	7.07	80.00			
	<b>Minimum</b>		(65.00)	(55.40)	(23.93)	0.0	12.50			
	<b>Average</b>		(27.96)	(19.04)	(12.41)	2.35	46.39			
	<b>Median</b>		(23.40)	(15.70)	(11.90)	2.50	33.33			
	<b>The Company</b>	4 for 5	(52.50)	(38.60)	(23.60)	N/A	No	44.44	Yes	Yes

Source: the website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

- Maximum dilution effect of each rights issue is calculated as: (number of rights shares and bonus shares (if any) to be issued under the basis of entitlement)/(number of shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares and bonus shares (if any) to be issued under the basis of entitlement) x 100%. Taking the Company's case as an example, for a rights issue with basis of 4 Rights Shares for every 5 Shares taken up, the maximum dilution effect is calculated as  $(4/(4+5)) \times 100 = 44.44\%$ .



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As set out in the table above, the subscription prices of the Rights Issue Comparables ranged from (i) a discount of approximately 65.00% to a premium of approximately 8.70% to their respective closing price per share on the last trading day, with an average discount of approximately 27.96%; (ii) a discount of approximately 55.40% to a premium of approximately 2.04% to their respective theoretical ex-rights price, with an average discount of approximately 19.04%; and (iii) a discount of approximately 23.93% to no discount nor premium to their respective benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules), with an average discount and median discount of approximately 12.41% and 11.90%, respectively.

The Subscription Price represented (i) a discount of approximately 52.50% to the closing price per Share on the Last Trading Day; and (ii) a discount of approximately 38.60% to the theoretical ex-rights price; and (iii) a discount of approximately 23.60% to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules), which falls within the range of the Rights Issue Comparables. We note that the aforementioned discounts fall within the upper end of the Rights Issue Comparables, and the theoretical dilution effect of the Rights Issue of approximately 23.60% is higher than the average and median of the Rights Issue Comparables of approximately 12.41% and 11.90%, respectively. Despite the foregoing, there were 3 out of 29 Rights Issue Comparables with a discount of over 50% to their respective closing price per share on the last trading day, and 6 out of 29 Rights Issue Comparables with theoretical dilution effect of over 20%, demonstrating that it is not uncommon for relatively higher discounted subscription prices. Moreover, the Company has been loss making for the recent past five financial years, with revenue decreased significantly by approximately 77.0% to HK\$29.1 million for FY20. The Directors therefore consider that such discounts of the subscription price to the current market price of the Shares would enhance the attractiveness of the Rights Issue, and in turn encourage the Qualifying Shareholders to participate in the Rights Issue, allowing them to maintain their shareholdings and to raise the required funds for the business development of the Group to increase future revenues. As such we concur with the Directors that the discount to the closing price per Share on the Last Trading Day and the theoretical dilution effect of the Rights Issue is justifiable.



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We further noted that the maximum dilution effect of approximately 44.44% in respect of the Rights Issue falls within the range of the Rights Issue Comparables, and is slightly below the average maximum dilution effect of approximately 46.39% represented by the Rights Issue Comparables. The median maximum dilution effect of the Rights Issue Comparables is approximately 33.33%, which is lower than the Rights Issue of approximately 44.44%. However, given the loss making position and decreased revenue for FY20 of the Company as mentioned above, and the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoid dilution, we consider the maximum dilution effect of the Rights Issue is justifiable.

*(d) PB ratios and PS ratios of industry peers*

Referring to the Letter from the Board, given that the Group recorded net loss for FY20, the Directors had also considered the PB ratios and PS ratios analysis, which are not uncommon methods to assess loss making companies in determining the Subscription Price. The Directors had considered the PB ratios and PS ratios of industry peers listed on the Stock Exchange which ranged from approximately 0.2 times to 10.5 times and 0.5 times to 12.5 times, respectively. The indicative PB ratio based on the Subscription Price and the equity attributable to owners of the Company as at 31 December 2020 was approximately 2.9 times and the indicative PS ratio based on the Subscription Price and the latest published revenue of the Group for FY20 was approximately 6.0 times, which both fall within the range of the industry peers.



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As discussed with the Company, the Directors have made reference to thirteen industry peers which are (i) principally engaged in media and entertainment business with over 50% of revenue generated from such business segment and in similar geographic areas; (ii) with revenue as extracted from their latest annual reports of between HK\$25 million and HK\$500 million; and (iii) listed on the Stock Exchange with trading not suspended. We have obtained the list of the thirteen industry peers and noted from their respective latest published annual report that they are mainly engaged in the media and entertainment business and over 50% of their respective revenue for the latest financial year was generated from such business segment. We also note from the respective latest annual report that the revenue of the industry peers had revenue in the range of approximately HK\$25 million to HK\$500 million. As discussed with the Company, to the best knowledge, information and belief of the Directors, the thirteen industry peers identified is an exhaustive list based on the aforementioned criteria. We note that the Company generated a decreased revenue of approximately HK\$29.1 million for FY20 was mainly due to the outbreak of COVID-19, and had generated revenue of approximately HK\$126.2 million for FY19. As such we consider that the industry peers which are all principally engaged in the media and entertainment business and with revenue of HK\$25 million to HK\$500 million are of comparable sizes and could provide a market reference to the Company. We also note that the PB ratio and PS ratio of the Company based on the Subscription Price both fall within the range of the industry peers. As such we concur with the Directors that the industry peers identified are representative comparables in comparing the PB ratios and PS ratios.

### ***Our view***

Notwithstanding the discount represented by the Subscription Price to the prevailing market price of the Shares and the closing prices per Share during the Review Period, we have taken into account that:

- (i) the setting of the Subscription Price at a discount to the market price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interest in the Company and participate in the future growth of the Company;
- (ii) the discounts represented by the Subscription Price to (i) the closing price per Share on the Last Trading Day; (ii) the theoretical ex-rights price; and (iii) the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) are within the corresponding ranges of discounts represented by the Rights Issue Comparables;



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- (iii) the daily closing price per Share during the Review Period demonstrated a general declining trend;
- (iv) the low liquidity of the Shares during the Review Period as discussed in the above sub-section headed “(b) Liquidity of the Shares”;
- (v) the Rights Issue offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional entitlement of the Rights Shares and hence avoids dilution; and
- (vi) the Subscription Price was determined with reference to the financial conditions of the Company, current market conditions and the reasons and benefits of the Rights Issue as discussed in the above sub-section headed “A.2 Reasons for the Rights Issue, the initial Set-off Arrangement and the use of proceeds” in this letter,

we are of the view that the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### ***B.3 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.



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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.

The Company, after considering other funding alternatives in the Circular, initially intended to finance the funding needs of the Company by way of contemplating the Rights Issue on a fully underwritten basis. However, the Company had consulted brokerage companies for underwriting the Rights Issue and all of them rejected the Company's invitation mainly due to volatile market and the low trade volume of the Shares.

Despite the foregoing, among the Rights Issue Comparables, it is noted that 15 out of 29 of the Rights Issue Comparables were conducted on a non-underwritten basis, and therefore it is not uncommon for rights issue to be proceed on a non-underwritten basis. We therefore consider that such non-underwritten basis is consistent with normal market practice.

### ***B.4 Excess application***

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.

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



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- (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.

Based on our review of the basis of allocation, we are not aware of any unusual arrangement as compared to the Rights Issue Comparables. We therefore consider that such allocation basis is consistent with normal market practice.

### ***B.5 Potential dilution effect of the Rights Issue***

For the effects of the Rights Issue on the shareholding structure of the Company, please refer to the section headed "Effects on the shareholding structure of the Company" to the Circular.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements, subject to the then prevailing market conditions, can consider selling their nil-paid Rights Shares in the market. However, public Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 5.4% (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date).

We are aware of the cumulative potential dilution effect as a result of the Rights Issues. However, we consider that the foregoing should be balanced against, among others, the following factors:

- (i) the Rights Issue enables the Company to set off the amounts owed to Mr. Chau and hence reduce the reliance on the controlling shareholder of the Company;



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- (ii) the positive financial effect as a result of the Rights Issue as detailed in the section “C. Possible financial effects of the Rights Issue, the Set-off Arrangement and the repayment of the Loan Amount” below;
- (iii) the Rights Issue enables the Company to strengthen its capital base, thus enhancing its financial position without the ongoing burden of interest expenses. Particularly, the gearing ratio of the Company had increased from approximately 63.70% as at 31 December 2019 to approximately 91.18% as at 31 December 2020, and further increased to 162% as at 30 June 2021 and operating cash flows were in negative amounts for FY19, FY20 and HY21. The Rights Issue, the Set-off Arrangement and the repayment of the Loan Amount would reduce the liquidity risk of the Group;
- (iv) the Company has been loss making in recent financial years, with revenue decreased significantly from approximately HK\$126.2 million for FY19 to approximately HK\$29.1 million for FY20. The Rights Issue would allow the Company to raise the required funds for its business development to increase future revenue;
- (v) the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned as detailed in the section headed “B.2 Analysis of the Subscription Price” above;
- (vi) though the theoretical dilution effect of the Rights Issue of approximately 23.60% fall within the upper end of the Rights Issue Comparables, it is not uncommon for a relatively higher theoretical dilution effect as demonstrated by 6 out of 29 Rights Issue Comparables had a theoretical dilution effect of over 20%. Also given the financial position of the Company, the discount of the Subscription Price would increase the attractiveness and encourage the Qualifying Shareholders to participate in the Rights Issue for the Company to raise the required funds;
- (vii) the Qualifying Shareholders who do not wish to take up the Rights Shares have the opportunities to sell their nil-paid rights to subscribe for the Rights Shares in the market for economic benefits;
- (viii) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their Rights Shares for the purpose of maintaining their respective pro-rata shareholding interests in the Company at a discount as compared to the historical and prevailing market price of the Shares; and



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ix) those Qualifying Shareholders who take up their assured entitlements in full under the Rights Issue will be able to maintain their respective pro-rata shareholding interests in the Company after completion of the Rights Issue,

we consider that the Rights Issue is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

### **C. Possible financial effects of the Rights Issue, the Set-off Arrangement and the repayment of the Loan Amount**

As stated in the Letter from the Board, 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 deducting the related expenses will be approximately HK\$144.7 million. The Company intends to utilise the net proceeds from the Rights Issue as to approximately HK\$80.8 million for the Group's business development, HK\$35.0 million for repayment of amount owed to Mr. Chau and approximately HK\$28.9 million as payment of day-to-day salary and administrative expenses and general working capital of the Group.

#### ***Effect on net tangible assets***

With reference to the unaudited pro forma financial information of the Group as set out in "Appendix II – Unaudited Pro Forma Financial Information of the Group" to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 amounted to approximately HK\$34.8 million. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 30 June 2021, will be approximately HK\$179.4 million. Therefore the net tangible assets of the Group attributable to the owners of the Company would improve following the completion of the Rights Issue.

#### ***Effect on working capital***

Immediately following the completion of the Rights Issue, the Group's cash balance is expected to be increased by the net proceeds raise, which would improve the liquidity of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Effect on gearing ratio***

The gearing ratio, calculated as total liabilities over equity attributable to owners of the Company was approximately 162% as at 30 June 2021. The Set-off Arrangement and the repayment of the Loan Amount is, in effect, capitalisation of the Loan Amount of HK\$35,000,000 into equity. Therefore, immediately following the Set-off Arrangement and the repayment of the Loan Amount, gearing ratio is expected to improve as total liabilities will be reduced and equity attributable to owners of the Company will increase. The Rights Issue will also improve the equity base, hence improving the gearing ratio.

### ***Effect on earnings***

Upon completion of the Set-off Arrangement and the repayment of the Loan Amount, the Loan Amount which bears interest at 3.5% per annum will be repaid, which will reduce the interest expense of the Company.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon the completion of the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount.

In view of the above, the Directors consider, and we concur that the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount can provide additional liquidity and enhance the overall financial position, as well as working capital of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, though the Set-off Arrangement is not in the ordinary and usual course of business of the Company, we are of the opinion that the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Rights Issue and the Set-off Arrangement and the repayment of the Loan Amount.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Erica Law**  
*Director*

*Ms. Erica Law is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Mesis Capital Limited to carry out type 6 (advising on corporate finance) regulatory activity under the SFO and has over 12 years of experience in corporate finance industry.*



**I. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for the three months ended 31 March 2021, six months ended 30 June 2021 and each of the financial years ended 31 December 2018, 2019 and 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.8082.hk/tc/>):

- Interim report of the Company for the six months ended 30 June 2021  
(pages 3 to 19) <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0813/2021081301833.pdf>
- First quarterly report of the Company for the three months ended 31 March 2021  
(pages 3 to 10) <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0514/2021051401418.pdf>
- Annual report of the Company for the financial year ended 31 December 2020  
(pages 62 to 159) <https://www1.hkexnews.hk/listedco/listconews/gem/2021/0331/2021033102600.pdf>
- Annual report of the Company for the financial year ended 31 December 2019  
(pages 56 to 157) <https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000075.pdf>
- Annual report of the Company for the financial year ended 31 December 2018  
(pages 56 to 159) <https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329541.pdf>

**II. INDEBTEDNESS**

As at the close of business on 30 June 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness were as follows:

	<i>HK\$'000</i>
Unsecured other borrowing <sup>(1)</sup>	35,000
Lease liabilities	<u>122</u>
	<u><u>35,122</u></u>

*Note:*

- (1) The Group had outstanding borrowing from a shareholder of the Company of HK\$35,000,000 as at 30 June 2021, which was unsecured.



Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities in the ordinary course of business, as at 30 June 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 30 June 2021; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

### **III. WORKING CAPITAL**

The Directors are of the opinion that, and the Company has obtained confirmation from its financial adviser, stating that the Directors have, after due and careful enquiry, taking into account the present available resources and the estimated net proceeds from the Rights Issue taking into account the Set-off Arrangement, the Group would have sufficient working capital for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

### **IV. MATERIAL ADVERSE CHANGE**

The Directors confirm that there had been no material adverse changes in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

### **V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Upon the Completion having become effective, the Group will continue to be 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 Group has started to develop an integrated entertainment platform and non-fungible tokens business, which the Directors believe will continue to grow steadily.



**Media and entertainment business**

The year 2020 was a challenging year for most of the business sectors across the world including Mainland China, Hong Kong and Macau. The outbreak and wide spreading of COVID-19 has affected the Group's entertainment businesses in Hong Kong and Macau, causing closure of leisure and entertainment venues or facilities. The Group's entertainment businesses will remain under enormous pressure until travel restriction and social distancing measures are lifted.

However, the recent launch of various COVID-19 vaccines may provide protection and should have a positive effect. Having said that, the global pandemic is expected to ease in 2021 after the mass production of vaccines. The Group has been making continuous efforts in identifying future strategic alliances and cooperation opportunities. In January 2021, the Group expanded its service offerings in the area of organization of concerts and other entertainment events in Macau through the formation of a joint venture company and the acquisition of certain audio, lighting and stage equipment for the business of stage production and provision of ancillary engineering services for live performance events.

The Group plans to develop an integrated entertainment platform incorporating an all-in-one lifestyle platform, combining online streaming contents, ticketing system, consumer products and a membership system. At the same time, it cooperates with industry players, entertainment platforms and merchandising network to provide both online and offline entertainment experiences, including live shows, concerts and events/exhibitions booking, movie and drama streaming, live broadcasts, shopping mall and franchised events to the customers. The goal is to create a one-stop service platform for members to enjoy a handy entertainment, consumption, and information platform.

Recently, the Group has started a new NFT production studio. NFT refers to unique, non-transferable digital assets stored in blockchain which is a proper way to use the blockchain technology. Owning an NFT is like owning a one-of-a kind work of art or a collectible antique. According to Statista 2021, the market capitalization of NFT shows a fast growth rate of nearly ten-fold between 2018 and 2020. NFTs are going to be something that media and celebrities such as musicians or artists or other creators of collectible products, will use to monetize. "Sunny Side Up" is the Group's flagship studio to promote the NFT business which mainly focuses on two major areas, namely (1) producing art works for various artists and (2) investing in NFT related market place and social media platforms. The Group will utilize its network in forming strategic partnership with various artists and industry players to capture the ever-growing NFT market.



**Cremation and funeral services business**

Cremation and related business operations in Huaiji were performing steadily during the year ended 31 December 2020. The Group will also develop pet funeral service to enrich its funeral business profile. The Company has conducted market research on the pet market in Hong Kong and noted an emerging population of discerning and affluent pet owners, which has the financial means and the willingness to treat their pets with prosperous lifestyles including, among many others, a ceremonious and dignified funeral that holds similar level of regard as a human funerals.

As set out in the section headed “*Keeping of dogs and cats*” in page 63 to 80 in the Thematic Household Survey Report No. 66 issued in June 2019 by the Census and Statistics Department of the Hong Kong Government, the median monthly household income of the pet dogs and cats owner were approximately HK\$36,000 and HK\$37,000, respectively, with both dogs and cats owners displaying positive correlations between their household income and number of dogs/cats owned. The percentage of pet dogs and cats older than 7 years of age kept by the surveyed dogs and cats owners were approximately 45.3% and 36.4%, respectively. Since the average lifespan of dogs and cats are estimated at approximately 10 years and 13 years, respectively, a steady rate of mortality in pet dogs and cats is likely to take place in Hong Kong in the foreseeable future, which implied an opening to an emerging market.

As such, the Directors believe that there are business opportunities to be exploited and are eager to capture the aforesaid opportunities through the establishment of a subsidiary called Pet It Go Limited which is principally engaged in the provision of pet funeral services in Hong Kong. In order to set a foothold in the pet funeral market in Hong Kong, the Company is developing comprehensive market plans and campaigns, in which the Directors intend to utilise the Group’s resources and network accumulated in its media entertainment business segment including, among others (i) brand identity through partnership with pet-related businesses, communities and non-government organisations; (ii) presence in social media through online marketing; and (iii) affiliations with various artists, to promote Pet It Go Limited and achieve synergy effect.

The Group will respond to forthcoming market challenges and capture business opportunities by focusing on high quality entertainment related projects with proven track records and commercial viability. In addition, the Group will further explore strategic alliances as well as investment opportunities to enrich its portfolio and broaden its income streams. The Group will continue to access its existing financial resources, and will seek new sources of funding where necessary, to maintain and grow the Group’s business in a cost-effective basis.



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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021, as derived from the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 included in the published interim report of the Group for the six months ended 30 June 2021, after incorporating the unaudited pro forma adjustments described in the accompanying notes, as if the Rights Issue had taken place on 30 June 2021.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2021 or any future dates.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 immediately after the completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 30 June 2021 <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after the completion of the Rights Issue <i>HK\$'000</i> <i>(Note 4)</i>
Based on 1,044,078,404 Rights Shares to be issued at the Subscription Price of HK\$0.14 per Rights Share				
34,768	144,671	179,439	0.03	0.08



*Notes:*

- (1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$45,856,000 after deducting intangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$11,088,000 (calculated based on the intangible assets of the Group as at 30 June 2021 of approximately HK\$13,990,000 after excluding the amount attributable to non-controlling interests of approximately HK\$2,902,000), as extracted/derived from the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 included in the published interim report of the Group for the six months ended 30 June 2021.
- (2) The estimated net proceeds from the Rights Issue are based on 1,044,078,404 Rights Shares to be issued on the basis of four (4) Right Shares for every five (5) Shares held on the Record Date at the Subscription Price of HK\$0.14 per Rights Share, after the deduction of the estimated related expenses of approximately HK\$1,500,000.
- (3) The unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company as at 30 June 2021 is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$34,768,000 divided by 1,250,798,007 Shares in issue as at 30 June 2021.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 immediately after the completion of the Rights Issue of approximately HK\$179,439,000 divided by 2,294,876,411 Shares, which comprise of 1,250,798,007 Shares in issue as at 30 June 2021 and 1,044,078,404 Rights Shares to be issued under the Rights Issue, as if the Rights Issue had been completed on 30 June 2021.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.



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

*The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular, in respect of the Group's unaudited pro forma financial information.*



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

To the Directors of Sun Entertainment Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sun Entertainment Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2021 and related notes as set out on pages II-1 to II-2 of Appendix II to the circular dated 24 August 2021 (the “Circular”) issued by the Company (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of the Company (the “Proposed Rights Issue”) on the Group's financial position as at 30 June 2021 as if the Proposed Rights Issue had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 included in the published interim report of the Group for the six months ended 30 June 2021, on which no audit or review report has been published.



**Directors' responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

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

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

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.



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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Rights Issue on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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



**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Ernst & Young  
*Certified Public Accountants*  
Hong Kong  
24 August 2021



## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming (a) there is no change in the number of Shares in issue from the Latest Practicable Date and up to the Record Date; and (b) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled); and (iii) immediately after completion of the Rights Issue (assuming (a) 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; and (b) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled) were/will be as follows:

**(i) as the Latest Practicable Date:**

<i>Authorised:</i>		<i>HK\$</i>
3,200,000,000	Shares of HK\$0.025 each	80,000,000
<i>Issued and fully paid up:</i>		
1,250,798,007	Shares of HK\$0.025 each	31,269,950



- (ii) immediately after completion of the Rights Issue (assuming (a) there is no change in the number of Shares in issue from the Latest Practicable Date and up to the Record Date; and (b) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
3,200,000,000	Shares of HK\$0.025 each	80,000,000
 <i>Issued and fully paid up:</i>		
1,250,798,007	Shares of HK\$0.025 each	31,269,950
	Rights Shares to be allotted and issued	
<u>1,000,638,404</u>	<u>under the Rights Issue</u>	<u>25,015,960</u>
 Rights Shares in issue immediately upon		
<u>2,251,436,411</u>	<u>the completion of the Rights Issue</u>	<u>56,285,910</u>

- (iii) immediately after completion of the Rights Issue (assuming (a) 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; and (b) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled) will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
3,200,000,000	Shares of HK\$0.025 each	80,000,000
 <i>Issued and fully paid up:</i>		
1,305,098,007	Shares of HK\$0.025 each	32,627,450
	Rights Shares to be allotted and issued	
<u>1,044,078,404</u>	<u>under the Rights Issue</u>	<u>26,101,960</u>
 Rights Shares in issue immediately upon		
<u>2,349,176,411</u>	<u>the completion of the Rights Issue</u>	<u>58,729,410</u>

All Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

Since 31 December 2020 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no Shares had been issued. 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.



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

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

### 3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the following Director had 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 (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2, 3, 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name	Nature of interest	Number of Shares held	Number of underlying Shares held	Total number of Shares and underlying shares held	Approximate percentage of the total issued share capital of the Company
Mr. Chong	Beneficial owner ( <i>Note 1</i> )	2,000,000	10,000,000	12,000,000	0.96%
Mr. Dong	Beneficial owner	287,549,682	–	287,549,682	23.0%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO ( <i>Note 2</i> )	431,346,823	–	431,346,823	34.5%

*Notes:*

- The underlying shares represent (i) 1,000,000 awarded Shares, which shall be vested within 1 business day after an audited consolidated net profit after tax of the Group of not less than HK\$5 million is recorded in any annual report of the Company published within 3 years from the grant date (i.e. 13 December 2019); and (ii) 9,000,000 share options granted by the Company to Mr. Chong to subscribe for 9,000,000 Shares at an exercise price of HK\$0.296 per share.
- 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.



## 4. SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Long/short Position	Number of Shares held	Approximate percentage of the total issued share capital of the Company
Mr. Dong	Beneficial owner	Long	287,549,682	23.0%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO ( <i>Note 1</i> )	Long	431,346,823	34.5%
			<hr/> 718,896,505	<hr/> 57.5%
Mr. Chau	Beneficial owner	Long	431,346,823	34.5%
	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO ( <i>Note 1</i> )	Long	287,549,682	23.0%
			<hr/> 718,896,505	<hr/> 57.5%
Mr. Cheng Ting Kong (“Mr. Cheng”)	A concert party to an agreement to buy shares described in S.317 (1)(a) of the SFO ( <i>Note 1</i> )	Long	718,896,505	57.5%
New Brilliant Investments Limited	Beneficial owner ( <i>Note 2</i> )	Long	98,472,498	8.1%
Mr. Chui Bing Sun (“Mr. Chui”)	Beneficial owner ( <i>Note 4</i> )	Long	1,800	0.0%
	Interest of controlled corporation ( <i>Note 2 and 3</i> )	Long	149,472,498	12.0%
			<hr/> 149,474,298	<hr/> 12.3%
Mr. Chan Ping Che	Beneficial owner	Long	97,390,000	11.8%

*Notes:*

1. Mr. Dong, Mr. Cheng 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. New Brilliant Investments Limited is incorporated in the British Virgin Islands. It is wholly and beneficially owned by Mr. Chui.
3. Checkmate Capital Limited and Grand Sea Limited are holding 36,000,000 and 15,000,000 shares respectively. They are incorporated in Hong Kong. They are wholly and beneficially owned by Mr. Chui.
4. Mr. Chui is also holding 1,800 shares as beneficial owner. Mr. Chui was a former executive Director, the former chairman and the former chief executive officer of the Company who resigned with effect from 19 March 2018.



Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 10% or more of the issued share capital of the Company as at the Latest Practicable Date.

#### **5. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Mr. Dong, an executive Director of the Company, is the sole owner and director of Sun Entertainment Holdings Limited, which together with its subsidiaries, including Sun Entertainment Culture Limited, are principally engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. He is also an ultimate beneficial owner and a director of Sun Motion (Hong Kong) Limited, which is also engaged in investment holding, artiste and model management, entertainment, sports, publishing and film and concert production and coordination. Mr. Dong is also one of the ultimate beneficial owners and a director of Sun Asia Group Limited, which together with its subsidiaries are principally engaged in the media and entertainment related investment and production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

Mr. Chong, an executive Director of the Company, is a substantial shareholder and the managing director of Chessman Entertainment Production Company Limited, which is principally engaged in concert co-ordination and production, advertising design and market planning, original music, record production and distribution, public relations and artiste management in Macau. He is a substantial shareholder and director of Chessman Entertainment Production (HK) Limited, which is engaged in advertising production, project planning consultation, design, publishing, entertainment production and promotion. He is also a substantial shareholder and director of Chessman Management and Investment Company Limited, which is engaged in entertainment related investments and management in Macau. He is also a substantial shareholder of Good Media Production Company Limited which is engaged in film production and filming, music production, advertising production, original music, web design, publication publishing and media in Macau. He is also a substantial shareholder of Easy Music Production Company Limited which is engaged in record distribution, artiste management, music producer management, band management, musician management, concert production and music production in Macau. Therefore, he is considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group in the media and entertainment industry (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).



Save as disclosed above, the Directors are not aware of any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group as at the Latest Practicable Date.

#### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, (i) each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of two years from the date of appointment and is renewable every two years thereafter, until terminated by not less than two months' notice in writing served by either party; and (ii) each of the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and is renewable each year thereafter, until terminated by not less than one month's notice in writing served by either party.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

#### **7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors had any interest directly or indirectly, in any assets which had been, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, save for the Undertakings, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.



**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. MATERIAL CONTRACTS**

No material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 13 July 2019 (being the date falling two years immediately preceding 13 July 2021 (being the date of the Announcement)) up to and including the Latest Practicable Date.

**10. MATERIAL ADVERSE CHANGE**

The Directors were not aware of any material adverse change in the financial or trading position since 31 December 2020 (being the date to which the latest published audited financial statements of the Group were made up) up to and including the Latest Practicable Date.

**11. EXPENSES**

The expenses in connection with the Change in Board Lot Size, the Rights Issue and the Set-off Arrangement, including but not limited to the financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$1.5 million and are payable by the Company.

**12. EXPERTS AND CONSENTS**

The following is the expert, and its qualification, who has given opinion contained in this circular:

<b>Name</b>	<b>Qualification</b>
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 SFO
Ernst & Young	certified public accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.



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

### 13. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered Office of the Company</b>	Clarendon House 2 Church Street Hamilton HM11 Bermuda
<b>Head Office and Principal Place of Business in Hong Kong of the Company</b>	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong
<b>Authorised Representatives of the Company</b>	Mr. Dong Choi Chi, Alex Mr. Jip Ki Chi
<b>Company Secretary of the Company</b>	Mr. Jip Ki Chi ( <i>fellow member of The Hong Kong Institute of Certified Public Accountant (“HKICPA”) and Certified Practising Accountant of CPA Australia</i> )
<b>Auditor/Reporting Accountants of the Company</b>	Ernst & Young Certified Public Accountants Registered Public Interest Entity Auditor 27/F One Taikoo Place 979 King’s Road Quarry Bay Hong Kong
<b>Compliance officer</b>	Mr. Dong Choi Chi, Alex ( <i>Sir of Malta Knights of St. John, Charter President of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors</i> )
<b>Principal Bankers of the Company</b>	Bank of Communications (Hong Kong) Limited 20 Pedder Street Central Hong Kong



<b>Principal Share Registrar and Transfer Office of the Company</b>	MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
<b>Hong Kong Branch Share Registrar and Transfer Office of the Company</b>	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Legal Advisers to the Company</b>	Michael Li & Co. 19th Floor, Prosperity Tower 39 Queen's Road Central Central, Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Messis Capital Limited Room 1606, 16/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong

#### 14. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

##### (a) Name and address

Name	Address
<b>Executive Directors</b>	
Mr. Dong Choi Chi, Alex ( <i>Chairman</i> )	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong
Mr. Chong Cho Lam ( <i>Chief Executive Officer</i> )	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong



**Independent Non-executive Directors**

Mr. Chan Wai Man	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong
Mr. Siu Hi Lam, Alick	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong

**(b) Qualification and position held*****Executive Directors***

**Mr. Chong Cho Lam** (“**Mr. Chong**”), aged 42, joined the Group on 16 May 2018. Mr. Chong has worked in the media and entertainment field over 15 years. He founded Chessman Entertainment and Production Limited in Macau (“**Chessman Macau**”) in 2001 which is specializing in stage production and entertainment related projects. In 2014, he also founded Chessman Entertainment Production (HK) Ltd (“**Chessman HK**”), a company working in brand management, advertising, event planning and artiste management for clients. Mr. Chong is currently a managing director of both Chessman Macau and Chessman HK.

Mr. Chong is a Convenor of Committee of Cultural Industries of the Government of the Macao Special Administrative Region (“**SAR**”), a member of Commission on Youth of the Government of the Macao SAR, Chairman of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors (“**HKIoD**”). Mr. Chong holds his Bachelor Degree in Chinese Language and Literature from the University of Macau in 2003. In 2019, Mr. Chong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership (“**CISL**”) and HKIoD and the Prince of Wales’s Business of Sustainability Programme organised by CISL.



**Mr. Dong Choi Chi, Alex (“Mr. Dong”)**, aged 40, joined the Group on 4 May 2015. Mr. Dong has extensive experience in business development and marketing. In 2009, he founded Nextra Marketing and Business Consulting Limited (“**Nextra Marketing**”) in Macau which is specializing in event management and formulating strategic plans for clients. In 2011, he founded Nextra (HK) Limited (“**Nextra HK**”), a company provides creative marketing solutions to the Hong Kong market. In the same year, he also founded Sun Entertainment Culture Limited, a company produces and distributes films and organises live concert. Currently, Mr. Dong is the Chief Executive Officer of both Nextra Marketing and Nextra HK and as well as a director of Sun Entertainment Culture Limited.

Mr. Dong is Sir of Malta Knights of St. John, Charter President of Macau Artistes Association and a fellow of Hong Kong Institutes of Directors (“**HKIoD**”). Mr. Dong holds his Master of Business Administration in Chinese Business Studies at St Clements University in 2011 and a Master of Business Administration at the Business University of Costa Rica in 2012. In 2018, Mr. Dong completed the Professional Program in Producing at the School of Theater, Film and Television, the University of California, Los Angeles, one of the top elite entertainment and performing arts institutions in the world. In 2019, Mr. Dong completed the Global Directorship Programme jointly organised by University of Cambridge Institute for Sustainability Leadership (“**CISL**”) and HKIoD and the Prince of Wales’s Business of Sustainability Programme organised by CISL.

#### ***Independent Non-executive Directors***

**Mr. Chan Wai Man (“Mr. Chan”)**, aged 56, joined the Group on 23 November 2007 and is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chan has experiences in auditing, taxation and finance. Mr. Chan is an independent and non-executive director of Luxking Group Holdings Limited which is listed in Singapore. Mr. Chan is the chairman of the audit committee, which was established with written terms of reference adopted in compliance with the GEM Listing Rules to (i) recommend to the Board on the appointment, reappointment and removal of the external auditors; (ii) approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; (iii) review the quarterly, interim and annual reports and accounts of the Group; and (iv) oversee the Company’s financial reporting, risk management and internal control procedures. Mr. Chan is also a member of the nomination committee and the remuneration committee.



**Mr. Siu Hi Lam, Alick** (“**Mr. Siu**”), aged 66, joined the Group on 2 February 2010, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu was the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America and responsible for business development and credit risk management. Mr. Siu holds a Master degree in Business Administration from the University of Hull in the U.K. Mr. Siu is currently an independent non-executive director of Get Nice Holdings Limited (stock code: 64). Mr. Siu was an independent non-executive director of New Provenance Everlasting Holdings Limited (stock code: 2326) from June 2009 to January 2020. Mr. Siu is the chairman of the remuneration committee and a member of the nomination committee and the audit committee.

#### ***Senior Management***

**Mr. Jip Ki Chi** (“**Mr. Jip**”), aged 51, joined the Group on 16 June 2014 and was appointed as the CFO and Company Secretary in September 2014. Mr. Jip is a fellow member of HKICPA and is a Certified Practising Accountant of CPA Australia (“**CPA (Aust.)**”). Mr. Jip graduated from Queensland University of Technology, Australia with a bachelor’s degree of business in accountancy in March 1994. Mr. Jip then graduated from University of Adelaide, Australia with a master degree in business administration in August 2008. Mr. Jip has a wealth of experience in account, finance, management and company secretarial field and is currently an independent non-executive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

### **15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong. The Group will have sufficient foreign exchange, generated from the operation of its subsidiaries to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due.
- (b) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.



**16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's head office in Hong Kong at 17th Floor, Fun Tower 35 Hung To Road, Kwun Tong, Kowloon Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and the bye-laws of the Company;
- (ii) the letter from the Board, the text of which is set out on pages 10 to 35 of this circular;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 36 to 37 of this circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-35 of this circular;
- (v) the annual reports of the Company for each of the three years ended 31 December 2020, the first quarterly report of the Company for the three months ended 31 March 2021 and the interim report of the Company for the six months ended 30 June 2021;
- (vi) the report from Ernst & Young on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular; the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;
- (vii) the Undertakings; and
- (viii) this circular.



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## NOTICE OF THE SGM

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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)**

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of Sun Entertainment Group Limited (the “**Company**”) will be held at 28th Floor, Fun Tower, 35 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 15 September 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); and (ii) satisfaction of all conditions as set out in the paragraph headed “Conditions of the Rights Issue” in the letter from the board of the circular of the Company dated 24 August 2021 (the “**Circular**”):
  - (i) the issue by way of rights issue (the “**Rights Issue**”) of up to 1,044,078,404 Shares (the “**Rights Shares**”) at a subscription price of HK\$0.14 per Rights Share to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register of members of the Company at the close of business on Monday, 20 September 2021 (the “**Qualifying Shareholders**”), or such other date as may be determined by the Company as the record date for the determination of the provisional entitlements of the Shareholders under the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Excluded Shareholders**”) whose addresses, as shown on the register of members of the Company, are outside Hong Kong whom the Directors, after making relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of four (4) Rights Shares for every five (5) Shares then held on the Record Date be and is hereby approved;



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## NOTICE OF THE SGM

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- (ii) any Director be and is hereby authorised to allot and issue the Rights Shares (in both their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue in particular, (a) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; (b) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares; and
- (iii) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Rights Issue and the transactions contemplated thereunder.”

### 2. “**THAT**

- (i) the Set-off arrangement (the “**Set-off Arrangement**”) whereby (i) the HK\$48,310,844 required to be paid by Mr. Chau Cheok Wa (“**Mr. Chau**”) for the subscription of 345,077,456 Rights Shares (as defined in resolution numbered 1 above) to be provisionally allotted to him pursuant to the Rights Issue (as defined in resolution numbered 1 above) would be set-off against the loan amount of HK\$35,000,000 indebted by the Company to Mr. Chau (the “**Loan**”), and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; (ii) in the event that the Directors consider it is impractical or burdensome to implement the Set-off Arrangement as set out in (i) above, any Director be and is hereby authorised to apply the proceeds from the Rights Issue to repay the Loan, and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and



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## NOTICE OF THE SGM

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- (ii) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the terms of, or the transactions contemplated by, the Set-off Arrangement and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board  
**Sun Entertainment Group Limited**  
**Dong Choi Chi, Alex**  
*Chairman and executive Director*

Hong Kong, 24 August 2021

*Notes:*

1. All resolutions will be put to vote at the Meeting by way of poll.
2. The register of members of the Company will be closed from Thursday, 9 September 2021 to Wednesday, 15 September 2021 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the attendance of the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 8 September 2021.
3. A proxy form for use at the Meeting is enclosed with this circular issued by the Company dated 24 August 2021.
4. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
5. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, shall be deposited at Tricor Tengis Limited at the address set out in Note 2 above not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
7. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.



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## NOTICE OF THE SGM

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As at the date of this notice, the Directors are as follows:

*Executive Directors:*

Mr. Dong Choi Chi, Alex (*Chairman*)

Mr. Chong Cho Lam (*Chief Executive Officer*)

*Independent non-executive Directors:*

Mr. Chan Wai Man

Mr. Siu Hi Lam, Alick