
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded or transmitted to, into or from any jurisdiction where to do so might constitute a violation of the relevant local securities laws or regulations. Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both 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 their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC and you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

A copy of each of the Prospectus Documents, together with the other document(s) specified in the paragraph headed "15. Documents delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of the Prospectus Documents or any other document(s) referred to above. The securities described in this Prospectus have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. There is no intention to register any portion of the Rights Shares or any securities described in this Prospectus in the United States or to conduct a public offering of securities in the United States.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus comes should inform themselves of and observe any such restrictions. This Prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States. The provision of this Prospectus to Shareholders in the United States and any other jurisdiction where distribution is restricted is for information purposes only and shall not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Rights Shares or to take up any entitlements to the Rights Shares in the United States or any other jurisdiction in which such an offer or solicitation is unlawful. You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the section headed "Letter from the Board – Warning of the risks of dealing in the Shares and/or Rights Shares in nil-paid form" in this Prospectus.

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



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)

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

Capitalised terms used on this cover shall have the same meanings as those defined in this Prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents, the Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – Rights Issue – Conditions of the Rights Issue" in this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Tuesday, 19 October 2021).

If the conditions of the Rights Issue are not fulfilled on or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed. Dealings in the Shares have been on an ex-rights basis since Friday, 17 September 2021. Dealings in the Rights Shares in their nil-paid form will take place from Monday, 4 October 2021 to Monday, 11 October 2021 (both dates inclusive).

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the latest time when the conditions of the Rights Issue are fulfilled or (where applicable) waived (which is expected to be 4:00 p.m. on Tuesday, 19 October 2021) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is 4:00 p.m. on Friday, 15 October 2021. The procedures for acceptance and transfer of the Rights Shares are set out in the section headed "Letter from the Board – Rights Issue – Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares" in this Prospectus.

29 September 2021

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CHARACTERISTICS OF GEM

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.

DEFINITIONS

In this Prospectus, 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, Sunday, public holidays in Hong Kong and any day on which a tropical cyclone warning signal no.8 or above or “extreme conditions” caused by super typhoons is issued or remains issued between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon or on which a “black” rainstorm warning signal is issued 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”	the circular of the Company dated 24 August 2021 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
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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
“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

DEFINITIONS

“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 SFO, 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”	21 September 2021, being the latest practicable date prior to the printing of this Prospectus 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

DEFINITIONS

“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 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 Prospectus, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s), if any, for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)

DEFINITIONS

“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 held on 15 September 2021 at which, among other things, the Rights Issue and the Set-off Arrangement were duly approved by the Shareholders or the Independent Shareholders (as the case may be) by way of poll
“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 Share Option Scheme

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 31 August 2011
“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 Share Option Scheme
“%”	per cent

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

EXPECTED TIMETABLE

The expected timetable for Change in Board Lot Size and the Rights Issue and the associated trading arrangement is set out below. The expected timetable is indicative only and may be 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 Prospectus shall refer to Hong Kong local time and dates.

Events	(Hong Kong time)
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

EXPECTED TIMETABLE

Designated broker ceases to stand in the market to provide
matching services for the sale and purchase of odd lots of the
Shares Last day of free exchange of certificates for the
Existing Shares into new certificates 4:00 p.m. on
Tuesday, 16 November 2021

Dates stated in this Prospectus 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.

According to the abovementioned expected timetable, the acceptance period for the Rights Issue will commence from the date of this Prospectus 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 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.

LETTER FROM THE BOARD



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

Dr. Ip Wai Hung

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

29 September 2021

To the Shareholders

Dear Sir or Madam,

**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**

INTRODUCTION

Reference is made to the Announcement, the Supplemental Announcement and the Circular in relation to, among others, the Change in Board Lot Size, the Rights Issue and the Set-off Arrangement.

At the SGM held on Wednesday, 15 September 2021, the relevant resolutions for approving the Rights Issue and the Set-off Arrangement were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll.

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with further details of the Rights Issue, including information on dealings in and transfers of Rights Shares and the procedures for the acceptance of provisional allotments of Rights Shares and certain financial and other information of the Group.

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are 115,300,000 Outstanding Share Options granted under the 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 Share Option Scheme on or before the Record Date would be 54,300,000.

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 represent:

- (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;

LETTER FROM THE BOARD

- (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 38.1% to the theoretical ex-right price of approximately HK\$0.226 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 41.4% to the closing price of HK\$0.239 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 24.1%, represented by the theoretical diluted price of approximately HK\$0.226 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” in this Prospectus. According to the relevant Bermuda laws, the Company shall not issue shares at a price below its par value.

LETTER FROM THE BOARD

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 Prospectus.

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

LETTER FROM THE BOARD

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.

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 24.1%, being the theoretical diluted price of approximately HK\$0.226 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.

LETTER FROM THE BOARD

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 for approving, among other things, (i) the Rights Issue including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); and (ii) the Set-off Arrangement and the transactions respectively contemplated thereunder by no later than the Posting Date;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) 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.

As at the Latest Practicable Date, the condition as set out in paragraph (a) above had been satisfied.

LETTER FROM THE BOARD

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 Prospectus, 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.

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.

LETTER FROM THE BOARD

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.

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).

LETTER FROM THE BOARD

The Prospectus (without the PAL and 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 has been despatched to the Excluded Shareholders (if any) for their information only. No part of the Prospectus Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the written consent of the Company.

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

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, Sun International Securities Limited has been 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 during the period from Wednesday, 27 October 2021 to Tuesday, 16 November 2021. Holders of odd lots of the Shares who wish to take advantage of this service should contact Mr. Wai Kin Ho of Sun International Securities Limited at Room 2603A, 26/F, One Harbour Square, 181 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong or at 3585 8991 during office hours of such period. Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

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 before Tuesday, 26 October 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Right Shares. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or before Tuesday, 26 October 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

LETTER FROM THE BOARD

Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 15 October 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "SUN ENTERTAINMENT GROUP LIMITED – PROVISIONAL ALLOTMENT ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Share Registrar by no later than 4:00 p.m. on Friday, 15 October 2021, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Wednesday, 6 October 2021 to the Share Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" above is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Share Registrar on or before Tuesday, 26 October 2021.

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 renouces or transferees of nil-paid Rights Shares. (i) to (iii) are collectively referred to as "Untaken Rights".

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

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

LETTER FROM THE BOARD

- (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.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his, or her, or its provisional allotment, he, or she, or it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Friday, 15 October 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**SUN ENTERTAINMENT GROUP LIMITED – EXCESS APPLICATION ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**". The Share Registrar will notify the relevant Qualifying Shareholders of any allotment of excess Rights Shares made to them.

LETTER FROM THE BOARD

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on or about Monday, 25 October 2021. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that the amount tendered on application will be refunded without interest to such Qualifying Shareholders by means of a cheque despatched by ordinary post to their registered addresses at their own risk on or before Tuesday, 26 October 2021. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded without interest to them by means of a cheque despatched by ordinary post to their registered addresses at their own risk on or before Tuesday, 26 October 2021.

All cheques and cashier's orders accompanying completed EAFs will be presented for payment upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or cashier's order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it, have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

No receipt will be given in respect of any application monies received.

LETTER FROM THE BOARD

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.

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 in the new board lots of 10,000 Rights Shares and 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.

LETTER FROM THE BOARD

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 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.

LETTER FROM THE BOARD

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 and the Circular, 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):

	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	%
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

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.

LETTER FROM THE BOARD

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.

(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 nonfungible 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.

LETTER FROM THE BOARD

- (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.

- (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.

LETTER FROM THE BOARD

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.

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 nonexecutive 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.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

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;
- 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

LETTER FROM THE BOARD

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 "Rights Issue" in this Prospectus. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the 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.

LETTER FROM THE BOARD

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 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 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.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this Prospectus.

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

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 31 July 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the details of the Group's indebtedness are as follows:

	<i>HK\$'000</i>
Unsecured other borrowing ⁽¹⁾	35,000
Lease liabilities	<u>110</u>
	<u><u>35,110</u></u>

Note:

- (1) The Group had outstanding borrowing from a shareholder of the Company of HK\$35,000,000 as at 31 July 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 31 July 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Prospectus, 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 31 July 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 Prospectus 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

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. 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 results 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 immediately after the completion of the Rights Issue <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>
34,768	144,671	179,439	0.03	0.08

Based on 1,044,078,404 Rights
Shares to be issued at the
Subscription Price of HK\$0.14
per Rights Share

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 results 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 prospectus, in respect of the Group's unaudited pro forma financial information.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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香港鰂魚涌英皇道979號
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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 prospectus dated 29 September 2021 (the “Prospectus”) 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 Prospectus.

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 results 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 Prospectus 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
29 September 2021

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading. The Directors jointly and severally accept full responsibility for accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Prospectus have been arrived at after due and careful consideration and there are no other facts not contained in this Prospectus, the omission of which would make any statement in this Prospectus 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
<u>1,000,638,404</u>	Rights Shares to be allotted and issued under the Rights Issue <u>25,015,960</u>
<u>2,251,436,411</u>	Rights Shares in issue immediately upon the completion of the Rights Issue <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
<u>1,044,078,404</u>	Rights Shares to be allotted and issued under the Rights Issue <u>26,101,960</u>
<u>2,349,176,411</u>	Rights Shares in issue immediately upon the completion of the Rights Issue <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 (Note 1)	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 (Note 2)	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%
			718,896,505	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%
			718,896,505	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%
			149,474,298	12.3%
Mr. Chan Ping Che	Beneficial owner	Long	97,390,000	11.8%

Notes:

- 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 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 Prospectus:

Name	Qualification
Ernst & Young	certified public accountants

The above expert has given and has not withdrawn its written consent to the issue of this Prospectus 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.

The above expert confirmed that as at the Latest Practicable Date, it did not have any shareholding, directly or indirectly, in any member of the Group nor 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

Registered Office of the Company	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and Principal Place of Business in Hong Kong of the Company	17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong
Authorised Representatives of the Company	Mr. Dong Choi Chi, Alex 17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong Mr. Jip Ki Chi 17th Floor, Fun Tower 35 Hung To Road Kwun Tong, Kowloon Hong Kong

Company Secretary of the Company	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>)
Auditor/Reporting Accountants of the Company	Ernst & Young Certified Public Accountants Registered Public Interest Entity Auditor 27/F One Taikoo Place 979 King’s Road Quarry Bay Hong Kong
Compliance officer	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>)
Principal Bankers of the Company	Bank of Communications (Hong Kong) Limited 20 Pedder Street Central Hong Kong
Principal Share Registrar and Transfer Office of the Company	MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
Hong Kong Branch Share Registrar and Transfer Office of the Company	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen’s Road East Hong Kong
Financial Advisor to the Company in relation to the Rights Issue	Red Sun Capital Limited Unit 3303, 33/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Legal Advisers to the Company	<i>As to Hong Kong laws</i> Michael Li & Co. 19th Floor, Prosperity Tower 39 Queen’s Road Central Central, Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Messis Capital Limited Room 1606, 16/F, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong
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14. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address

Name	Address
Executive Directors	
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
Dr. Ip Wai Hung	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 was the Convenor of Committee of Cultural Industries of the Government of the Macao Special Administrative Region (“**SAR**”) and a member of Commission on Youth of the Government of the Macao SAR. Mr. Chong is a 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 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 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 67, 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.

Dr. Ip Wai Hung (“**Dr. Ip**”), aged 64, joined the Group on 1 September 2021, is the Emeritus Professor in the Faculty of Graduate and Postdoctoral Studies, Department of Mechanical Engineering at the University of Saskatchewan since March 2018, and is now senior research fellow in the Department of Industrial and Systems Engineering of the Hong Kong Polytechnic University and also a Distinguished Professor in the City University of Macau. Dr. Ip received his Doctor of Philosophy degree from Loughborough University of Technology (U.K.), a Master degree in Business Administration from Brunel University (U.K.), a Master of Science degree in Industrial Engineering from Cranfield Institute of Technology, and a Bachelor degree in Laws from the University of Wolverhampton (U.K.). Since June 2018, he has been appointed as an independent non-executive director of Tong Kee (Holding) Limited (stock code: 8305), the shares of which are listed on GEM of the Stock Exchange of Hong Kong Limited. Prior to that, Dr. Ip was an independent non-executive Director of Grand Peace Group Holdings Limited (stock code: 8108) from June 2000 to August 2001 and Hang Tai Yue Group Holdings Limited (formerly known as “Interactive Entertainment China Cultural Technology Investment Limited”) (stock code: 8081) from January 2011 to December 2011. Dr. Ip is the chairman of the nomination committee, the chairman of the risk management committee, a member of the audit committee and a member of the remuneration 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 nonexecutive director of China Meidong Auto Holdings Limited (Stock code: 1268) and Hebei Yichen Industrial Group Corporation Limited (Stock code: 1596).

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed “12. Experts and Consents” in this appendix, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

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 for a period of 14 days from the date of this Prospectus:

- (i) the bye-laws of the Company;
- (ii) 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;
- (iii) 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 Prospectus; and the written consent referred to in the paragraph headed "12. Experts and Consents" in this appendix;
- (iv) the Undertakings;
- (v) the Circular; and
- (vi) this Prospectus.

17. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

18. 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 Prospectus and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.