THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares or other securities in the Company.

太陽城集團
SUNCITY GROUP

SUNCITY GROUP HOLDINGS LIMITED
太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OWED BY STAR ADMIRAL LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Financial adviser to the Company

OPTIMA CAPITAL
Optima Capital Limited

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

ASTRUM

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter of advice from Astrum to the Independent Board Committee and the Independent Shareholders is set out on pages 43 to 97 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 42 of this circular.

A notice convening the EGM to be held at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:30 p.m. on 21 November 2017 is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be) Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

1 November 2017

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

"Acquisition"	the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the Acquisition Agreement dated 27 July 2017 entered into among the Purchaser, the Vendor and the Guarantor in respect of the Acquisition
"Alpha Era"	Alpha Era Investments Limited, a company incorporated in the BVI and wholly owned by an Independent Third Party with limited liability
"Announcement"	the announcement of the Company dated 27 July 2017 in relation to among other things, the Acquisition Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Astrum" or "Independent Financial Adviser"	Astrum Capital Management Limited, a corporation licensed by the SFC to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"Casino"	the casino to be established under the Project

"Company"	Suncity Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1383)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Company for the Acquisition pursuant to the Acquisition Agreement
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Conversion Price"	HK$0.90 per Conversion Share for the Convertible Bonds (subject to adjustments)
"Conversion Shares"	a maximum of 330,000,000 new Shares which may fall to be allotted and issued upon conversion of the Convertible Bonds at the initial Conversion Price
"Convertible Bonds"	the convertible bonds to be issued by the Company to the Vendor (or as it may direct in writing) for settlement of the Consideration
"Director(s)"	the director(s) of the Company
''Enlarged Group''	the Group as enlarged by the Acquisition
"EGM"	the extraordinary general meeting of the Company to be held and convened for the Independent Shareholders to consider, and if thought fit, to approve the ordinary resolution in respect of the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of Convertible Bonds and the allotment and issue of the Conversion Shares
"Fame Select"	Fame Select Limited, a company incorporated in the BVI with limited liability and the controlling shareholder of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries from time to time

"Grant Sherman" or "Independent Valuer"	Grant Sherman Appraisal Limited, an independent professional valuer
"GYE"	Gold Yield Enterprises Limited, a company incorporated in the BVI with limited liability and owned as to 50% by the Target and 50% by Alpha Era
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, which has been established to make recommendations to the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholder(s) other than Mr. Chau, Mr. Lo, Fame Select and their respective associates
"Independent Third Party(ies)"	third party(ies) independent of, and not connected with, the Company and its connected persons
"Investment Registration Certificate"	investment registration certificate dated 2 August 2016 granted by the Vietnam authority to the ProjectCo
"Latest Practicable Date"	26 October 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Last Trading Day"	26 July 2017, being the last trading day immediately prior to the publication of the Announcement
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"MOU"	the memorandum of understanding dated 22 June 2017 in respect of the proposed provision of consultancy and management services as disclosed in the MOU Announcement
"MOU Announcement"	the announcement of the Company dated 22 June 2017 in respect of, among other things, the MOU

"Macau"	the Macau Special Administrative Region of the PRC
"Mr. Chau" or "Guarantor"	Mr. Chau Cheok Wa, an executive Director and the Chairman of the Company
"Mr. Lo"	Mr. Lo Kai Bong, an executive Director
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Project" or "Hoi An South Project"	an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam
"ProjectCo"	Hoi An South Development Ltd, a company incorporated in Vietnam, being the owner of the Project
''Promissory Note''	the promissory note in the principal amount of HK$303,000,000 to be issued by the Company pursuant to the Acquisition Agreement
"Purchaser"	Goal Summit Limited, a company incorporated in the BVI with limited liability, being a direct wholly-owned subsidiary of the Company
"Sale Shares"	50,000 shares in the issued share capital of the Target to be sold by the Vendor and to be acquired by the Purchaser pursuant to the terms and conditions of the Acquisition Agreement, which represent the entire issued share capital of the Target
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target to the Vendor and its associates on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion
''SFC''	the Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Singapore HoldCo"	Hoi An South Investments Pte. Ltd., a company incorporated in Singapore with limited liability and owned as to approximately 68.09% by GYE and approximately 31.91% by VinaCapital
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Star Admiral Limited, a company incorporated in the BVI with limited liability
"Target Group"	together the Target, GYE, Singapore HoldCo, Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo
"Vendor"	Suncity International Holdings Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Chau
"Vietnam"	Socialist Republic of Vietnam
"VinaCapital"	VinaCapital Corporate Finance Ltd, a company incorporated in BVI with limited liability and is wholly owned by an Independent Third Party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
''VND''	Vietnamese Dong, the lawful currency of Vietnam
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

For ease of reference, sums in HK$, US$ and RMB in this circular are translated at the rates of US$1 = HK$7.8072 and RMB1 = HK$1.117. This does not mean that US$ and RMB could be converted into HK$ or vice versa based on such exchange rates.

SUNCITY GROUP HOLDINGS LIMITED
太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

Executive Directors:
Mr. Chau Cheok Wa *(Chairman)*
Mr. Lo Kai Bong
Mr. Au Chung On John
Mr. Manuel Assis Da Silva

Independent non-executive Directors:
Mr. Tou Kin Chuen
Dr. Wu Kam Fun, Roderick
Mr. Lo Wai Tung, John

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1201-1202, 12/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

1 November 2017

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OWED BY STAR ADMIRAL LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition Agreement entered into among the Purchaser, the Vendor and the Guarantor, pursuant to which, among other things, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, (i) the Sale Shares, which represent the entire equity interest of the Target; and (ii) the Sale Loan, which represents the shareholder's loan owed by the Target, at the aggregate Consideration of HK$600 million, which shall be satisfied by the issue of Promissory Note and Convertible Bonds by the Company in the principal amount of HK$303 million and HK$297 million, respectively, to the Vendor (or as it may direct in writing) at Completion.

The purpose of this circular is to provide the Shareholders with, among other things, (i) the details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) further information of the Group, the Target Group and the Project; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition Agreement and the transactions contemplated thereunder; (v) the valuation report of the ProjectCo prepared by Grant Sherman, an independent professional valuer; (vi) other information as required under the Listing Rules; and (vii) a notice of the EGM.

THE ACQUISITION AGREEMENT

Date

27 July 2017

Parties

Purchaser: Goal Summit Limited, a direct wholly-owned subsidiary of the Company;

Vendor: Suncity International Holdings Limited; and

Guarantor: Mr. Chau, who guarantees the performance of the Vendor's obligations under the Acquisition Agreement.

The Vendor is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

The Vendor is wholly owned by Mr. Chau, an executive Director and the Chairman of the Company. Fame Select is the controlling shareholder of the Company and is owned as to 50% by Mr. Chau. The Vendor is therefore regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

Subject matter

Pursuant to the Acquisition Agreement, the assets to be acquired by the Purchaser are (i) the Sale Shares, being the entire equity interest of the Target; and (ii) the Sale Loan, being all obligations, liabilities and debts owing or incurred by the Target to the Vendor and its associates on or at anytime prior to the date of Completion. As at the Latest Practicable Date, the Sale Loan amounted to approximately HK$303,519,000.

The Target is an investment holding company and its principal asset is the 50% equity interest in GYE, which in turn owns approximately 68% equity interest in ProjectCo. The principal asset of the ProjectCo is the Project and the Target indirectly owns approximately 34% effective interest in the ProjectCo.

As at the Latest Practicable Date, the Project was at development stage. Based on the Investment Registration Certificate, the investment commitment for phase 1 development of the Project to be taken up by the Group by virtue of its approximately 34% interest in the Project upon Completion is approximately US$26.22 million (equivalent to approximately HK$204.7 million). Details of the Target Group and the Project are set in the sections headed "Information on the Target Group" and "Information on the Project" below, respectively.

Undertaking by the Vendor

The Vendor irrevocably undertakes that in the event that the Purchaser and/or the Target cannot obtain financing from financial or credit institutions for investment commitment of the Target in the phase 1 development, it will provide such financial assistance of up to the investment commitment of approximately US$26.22 million (equivalent to approximately HK$204.7 million) to the Target for the sole purpose of settling the said investment commitment, on normal commercial terms and not secured by any assets of the Group.

Consideration

The aggregate Consideration for the Sale Shares and the Sale Loan amounts to HK$600 million, which shall be payable by the Purchaser as follows:

(i) as to HK$303 million shall be payable by the Purchaser procuring the Company to issue the Promissory Note in the principal amount of HK$303 million to the Vendor (or as it may direct in writing) upon Completion; and

(ii) as to HK$297 million shall be payable by the Purchaser procuring the Company to issue the Convertible Bonds in the principal amount of HK$297 million to the Vendor (or as it may direct in writing) upon Completion.

The Group intends to settle the Promissory Note by way of internal resources, debt or equity financing depending on the financial position of the Group before the maturity of the Promissory Note.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the valuation of the entire equity interest of the ProjectCo as at 30 June 2017 of approximately US$303,052,000 (equivalent to approximately HK$2,365,988,000) prepared by Grant Sherman, an independent professional valuer appointed by the Company; and (ii) the investment commitment for the phase 1 development of the Project to be taken up by the Group of approximately US$26,215,000 (equivalent to approximately HK$204,666,000). The Consideration represents the remainder of 34% of the valuation of the entire equity interest of the ProjectCo as at 30 June 2017 of approximately HK$804,666,000 minus the investment commitment of approximately HK$204,666,000 to be taken by the Vendor prior to the completion of phase 1 development of the Project. Details in respect of the investment commitment of the Target and the valuation of the ProjectCo are set out in the sections headed "Information on the Project" and "Valuation" below, respectively.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the original investment costs made by the Vendor in the Target Company included the acquisition cost of GYE and the required investment costs for the ProjectCo. The acquisition cost of GYE was arrived at after arm's length negotiations between the Vendor, Alpha Era, and the vendor of Singapore Holdco at the time of the acquisition. The Board is aware of the consideration premium when comparing the Consideration of HK$600,000,000 with the original investment costs made by the Vendor in the Target Company of approximately HK$303,519,000. However, the Board is of the view that the original investment costs made by the Vendor are irrelevant to the determination of the Consideration. The determination of the Consideration is the result of the arm's length negotiations among the Company and the Vendor having taken into account a number of factors including but not limited to the valuation of the ProjectCo, the aforesaid investment commitment for the phase 1 of the Project and the reasons for and benefits of the Acquisition, details of which are set out on page 36 to 39 of the Circular.

In addition, the Board acknowledges that there are changes in the circumstances of the Project as at the date of the Acquisition Agreement compared to the time when the Vendor acquired GYE through the Target. At the time the Vendor acquired GYE through the Target, no loan facility had been arranged to finance the required investment cost of US$650 million (equivalent to approximately HK$5,075 million) as stipulated in the Investment Registration Certificate. Prior to the date of the Acquisition Agreement, on 30 March 2017, the ProjectCo entered into a credit contract for a loan facility of US$484 million (equivalent to approximately HK$3,779 million), covering approximately 74.46% of the required investment cost for phase 1 of the Project. The Target is only required to bear US$56.5 million (equivalent to approximately HK$441 million) compared to approximately US$221.3 million (equivalent to approximately HK$1,728 million) when GYE was acquired by the Vendor. Furthermore, the groundbreaking of the Project has just commenced at the time when the Vendor acquired GYE through the Target. As at the date of the Acquisition Agreement, most of the piling of the foundation was completed and approximately 88% of the land for phase 1 of the Project has been cleared. The Board is of the view that the commencement of the groundbreaking work has reduced risk of the Project and that the loan facility has mitigated the financial burden of the Project.

Despite the Consideration represents a premium over the original investment costs by the Vendor, given (i) the Consideration is determined after arm's length negotiations among the Company and the Vendor with reference to the abovementioned factors; and (ii) there are changes in the circumstances of the Project as at the date of the Acquisition Agreement compared to the time when the Vendor acquired GYE through the Target, the Board considers the Consideration is fair and reasonable.

As disclosed in the MOU Announcement, Mr. Chau and Mr. Lo entered into an agreement (the "**Consultancy Agreement**") pursuant to which Mr. Chau agreed to procure the Vendor to pay Mr. Lo, an executive Director, a certain percentage of the realised profit of the Vendor upon realisation or disposal of his interests in the Project subject to a maximum amount of HK$120 million. It is the intention of Mr. Chau and the Vendor to direct the Company to issue the aggregate principal amount of HK$297 million as described below (i) Convertible Bonds in the principal amount of HK$120 million to Mr. Lo; and (ii) Convertible Bonds in the principal amount of HK$177 million to the Vendor (or as it may direct in writing) upon Completion.

The Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer	:	the Company
Principal amount	:	an aggregate principal amount of HK$297,000,000
Denomination	:	the Convertible Bonds shall be issued in authorised denomination of HK$3,000,000 each and integral multiples thereof
Interest rate	:	the Convertible Bonds shall not bear any interest
Maturity date	:	the date falling two (2) years from the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day (the "**Maturity Date**")

Redemption	:	any amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount the Company may at any time before the Maturity Date by serving at least ten (10) days' prior written notice to the holder(s) of the Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Convertible Bonds specified therein, redeem the Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Convertible Bonds any amount of the Convertible Bonds which is redeemed or converted will forthwith be cancelled certificate in respect of the Convertible Bonds cancelled will be forwarded to or to the order of the Company and such Convertible Bonds may not be reissued or resold
Conversion period	:	provided that any conversion of the Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company, the holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Convertible Bonds, have the right at any time during the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date to convert the whole or part (in authorised denominations) of the outstanding principal amount of Convertible Bonds registered in its name into Shares at the Conversion Price
Conversion Price	:	the initial Conversion Price is HK$0.90 per Conversion Share (subject to adjustments)
Adjustments to the Conversion Price	:	the initial Conversion Price is subject to customary anti-dilution adjustment(s) contained in the terms of the Convertible Bonds upon the occurrence of any of the following events:

(i) consolidation or subdivision of Shares; (ii) issue of Shares by way of capitalisation of profits or reserves other than an issue of Shares paid up out of profits or reserves and issued in lieu of the whole or part of a specifically declared cash dividend; (iii) distributions in cash or specie; (iv) rights issues or grant of options or warrants to subscribe for new Shares at a price which is less than 90% of the market price (being the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained) (the "**market price**") on the date of the announcement of the terms of the offer or grant; (v) issue wholly for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares at an initial total effective consideration per Share of less than 90% of the market price of the Shares on the date of the announcement of the terms of such securities; (vi) issue wholly for cash any Shares at an effective price per Share which is less than 90% of the market price of the Shares; (vii) issue Shares for the acquisition of asset at an effective consideration per Share which is less than 90% of the market price of the Shares at the date of announcement of the terms of such issue; or (viii) issue of Shares by way of capitalisation of profits or reserves other than an issue of shares paid up out of profits or reserves issued in lieu of the whole or part of a relevant cash dividend, being a scrip dividend scheme where the market value of such Shares is not more than 110% of the amount of dividend which Shareholders could select to or would otherwise receive in cash.

Ranking of the Conversion Shares	:	the Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall be entitled to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date
Voting	:	the holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any meeting of the Company by reason only it/them being the holder(s) of the Convertible Bonds

Transferability	:	the holder(s) of the Convertible Bonds may freely assign or transfer the Convertible Bonds to the transferee (who is not a restricted holder) subject to not less than five (5) Business Days' prior notification to the Company. The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company, save for (i) Mr. Chau and his associates; and (ii) Mr. Lo and his associates, without prior written consent of the Company. The Convertible Bonds may be assigned or transferred in whole or in part (in authorised denominations) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bonds, including making any necessary applications to the Stock Exchange for the said approval (if required)
		notwithstanding the above, the holder(s) of the Convertible Bonds shall be permitted at any time to transfer the Convertible Bonds to a transferee who is a wholly-owned subsidiary of such holder(s) of the Convertible Bonds or a holding company of such holder(s) of the Convertible Bonds who owns the entire issued share capital of such holder(s) of the Convertible Bonds provided that the Convertible Bonds will be re-transferred to such holder(s) of the Convertible Bonds immediately upon the transferee ceasing to be a wholly-owned subsidiary of such holder(s) of the Convertible Bonds or a holding company of the holder(s) of the Convertible Bonds who owns the entire issued share capital of such holder(s) of the Convertible Bonds
Listing	:	no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange
		application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares

Events of default	: if any of the events of default set out in the terms and conditions of the Convertible Bonds occurs, the Company shall within ten (10) days of such event occurring give notice to the holder(s) of the Convertible Bonds within ten (10) days after the Company despatches the notice, the holder(s) of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable

Comparison of initial Conversion Price:

The initial Conversion Price was determined with reference to the average of the closing prices of HK$0.784 per Share for the last five consecutive trading days up to 22 June 2017, being the date of the MOU. The initial Conversion Price of HK$0.90 per Conversion Share represents:

(i) a premium of approximately 93.5% over the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 57.9% over the closing price of HK$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 57.9% over the average closing price of HK$0.570 per Share as quoted on the Stock Exchange of the last five consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 58.2% over the average closing price of HK$0.569 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

Conversion Shares

Based on the initial Conversion Price of HK$0.90 per Conversion Share, the Convertible Bonds are convertible into a maximum of 330,000,000 Conversion Shares, which represent (i) approximately 5.5% of the existing issued share capital of the Company; and (ii) approximately 5.2% of the issued share capital of the Company as enlarged by allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds. The Conversion Shares will be allotted and issued under a specific mandate of the Company to be sought at the EGM.

The Promissory Note

The principal terms of the Promissory Note which will be issued upon Completion are as follows:

Issuer	:	the Company
Principal amount	:	HK$303,000,000
Maturity date	:	the date falling on the second anniversary of the issue date of the Promissory Note (the "**PN Maturity Date**")
Interest rate	:	the Promissory Note shall carry interest at the rate of 2% per annum, calculated on a 365-day year basis on the outstanding principal amount, payable annually in arrears with the first interest payment to be made on first anniversary of the issue date of the Promissory Note and thereafter up to the PN Maturity Date
Security	:	the Promissory Note is not secured
Transferability	:	provided that the holder of the Promissory Note has given to the Issuer of not less than five Business Days' prior notice in writing of its intention to transfer or assign the Promissory Note, the Promissory Note is freely transferable and assignable in whole to any person other than a connected person of the Company

Early redemption	:	the Company may in its sole discretion, with not less than ten (10) Business Days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note (which shall not be less than HK$3,000,000) together with interest accrued thereon at any time prior to the PN Maturity Date

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Purchaser being reasonably satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group which shall be conducted by the Purchaser's agents and advisers;

(ii) the Purchaser having received from a firm of professional valuers chosen by the Purchaser a valuation report on the ProjectCo in such form and substance to the satisfaction of the Purchaser showing the value of the ProjectCo to be not less than US$303 million (equivalent to approximately HK$2,365.6 million);

(iii) the Purchaser having received from a Vietnam law firm a legal opinion in such form and substance to the satisfaction of the Purchaser regarding the legality and validity of the Acquisition Agreement and the transactions contemplated thereunder and the Project (including the investment registration certificates dated 10 December 2010 and 23 March 2015 and the Investment Registration Certificate granted by the Vietnam authority to ProjectCo in respect of the Project) and at the discretion of the Purchaser, the Purchaser having received from a Singapore law firm a legal opinion in such form and substance to the satisfaction of the Purchaser regarding the legality and validity of Singapore Holdco;

(iv) all necessary consents and approvals required to be obtained on the part of the Purchaser, the Vendor and the Target in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(v) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at a general meeting of the Company to be convened and held of the necessary ordinary resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Note and the Convertible Bonds and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds), and all other consents and acts required to be obtained by the Purchaser under the Listing Rules and/or other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(vi) the Listing Committee having approved the listing of, and permission to deal in, the Conversion Shares;

(vii) the representations, warranties and undertakings provided by the Vendor under the Acquisition Agreement remaining true, complete and accurate in all material respects;

(viii) the Purchaser being reasonably satisfied that there has not been any material adverse change on the financial position, business or property, results of operations in respect of the Target, GYE, Singapore HoldCo, and the ProjectCo and/or their subsidiaries since the date of the Acquisition Agreement; and

(ix) the ProjectCo having obtained title of portion of the land of not less than 163 hectares in respect of phase 1 development of the Project in such manner to the reasonable satisfaction of the Purchaser.

The Purchaser may at any time at its absolute and sole discretion waive in writing the conditions (i), (ii), (iii), (vii) and/or (viii) (in whole or in part) set out above. Save for the aforementioned, none of the conditions set out above can be waived by any party under the Acquisition Agreement.

If the conditions above have not been fulfilled or waived (as the case may be) on or before 31 December 2017 (or such later date as the Vendor and the Purchaser may agree in writing), the Acquisition Agreement shall cease and terminate and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter, save for any antecedent breaches of the Acquisition Agreement.

As at the Latest Practicable Date, the Purchaser did not waive any of the above conditions and save for condition (ii), none of the above conditions had been fulfilled.

Completion

Completion shall take place on the fifth Business Day after fulfillment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement (or such other date as the Purchaser and the Vendor may agree in writing).

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company whereas GYE, Singapore HoldCo, Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo will become joint ventures of the Group. Accordingly, the financial results of the Target will be consolidated into, and the financial results of GYE, Singapore HoldCo, Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo will be accounted for using equity method in, the consolidated financial statements of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion and immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date); and (iii) upon Completion and immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date) and assuming full conversion of all outstanding convertible bonds:

	(i) As at the Latest Practicable Date		(ii) Upon Completion and immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)		(iii) Upon Completion and immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date) and assuming full conversion of all outstanding convertible bonds *(Note 5)*	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
Fame Select *(Note 1)*	4,345,489,489	72.17	4,345,489,489	68.42	6,537,797,181	76.53
The Vendor	–	–	196,666,667	3.10	196,666,667	2.30
Mr. Chau and his associates	4,345,489,489	72.17	4,542,156,156	71.52	6,734,463,848	78.83
Mr. Lo *(Note 2)*	–	–	133,333,333	2.10	133,333,333	1.56
Mr. Au Chung On John and his associate *(Note 3)*	400,000	0.01	400,000	0.01	400,000	0.01
Mr. Manuel Assis Da Silva and his associate *(Note 4)*	810,000	0.01	810,000	0.01	810,000	0.01
Public Shareholders	1,674,119,411	27.81	1,674,119,411	26.36	1,674,119,411	19.59
Total	**6,020,818,900**	**100.00**	**6,350,818,900**	**100.00**	**8,543,126,592**	**100.00**

Notes:

1. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. Fame Select is also the holder of a maximum of 2,192,307,692 new Shares upon full conversion of the convertible bonds previously issued by the Company to Fame Select at the initial conversion price of HK$0.26 (subject to adjustments). Mr. Chau is therefore deemed to be interested in the Shares held by Fame Select.

2. The Vendor confirmed that it will direct the Company to issue the Convertible Bonds in the aggregate principal amount of HK$120 million to Mr. Lo, an executive Director, as consideration for Mr. Lo's advisory and consultancy service to Mr. Chau in respect of the Project.

3. This represents 400,000 Shares held by the spouse of Mr. Au Chung On John, an executive Director, and Mr. Au Chung On John is therefore deemed to be interested in such shares.

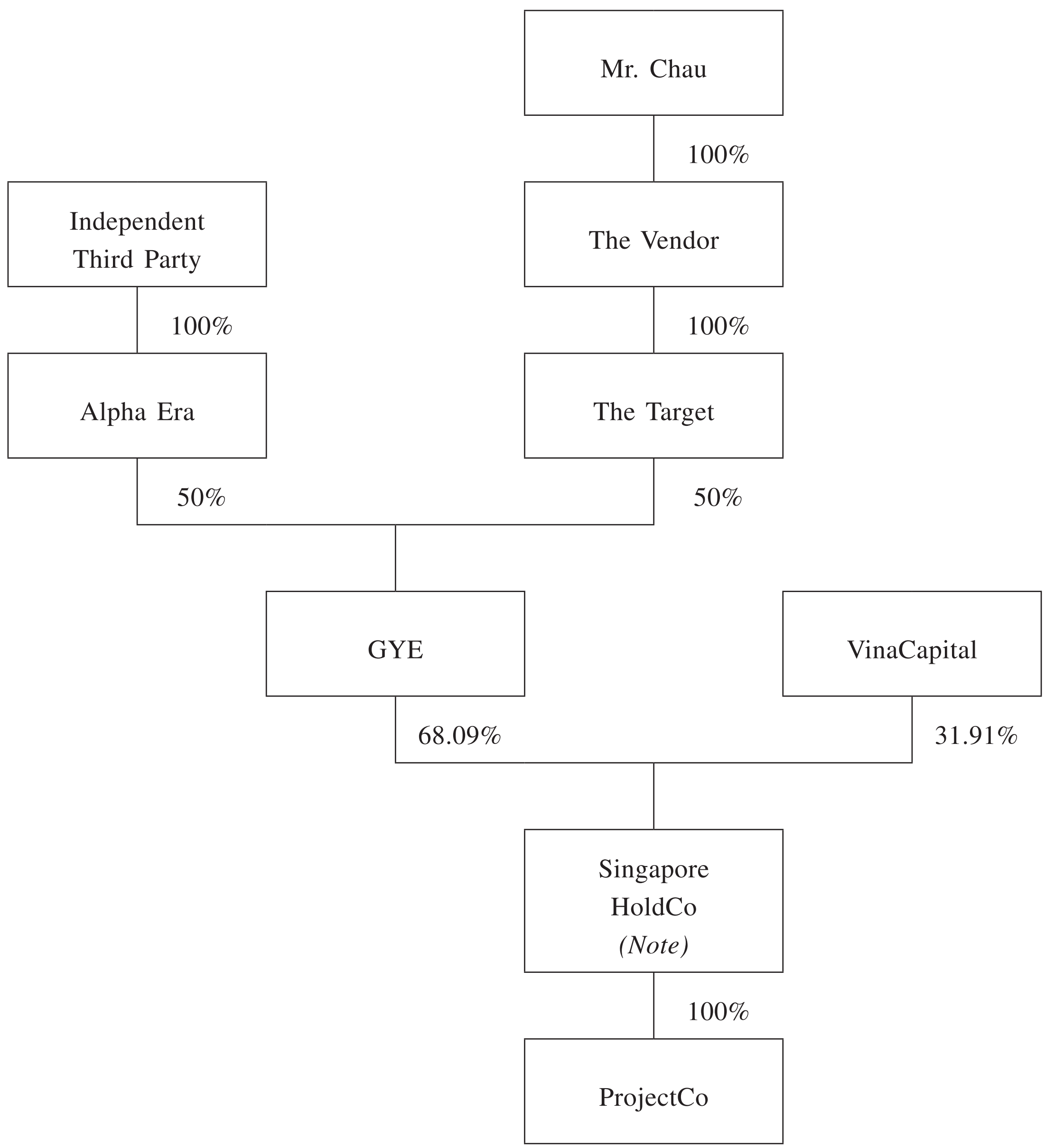
4. This represents 290,000 Shares held by Mr. Manuel Assis Da Silva, an executive Director, and 520,000 Shares held by the spouse of Mr. Manuel Assis Da Silva. Both Mr. Manuel Assis Da Silva and his spouse are therefore deemed to be interested in 810,000 Shares.

5. Such scenario is solely for illustration purpose only. It is under the terms and conditions of the Convertible Bonds that the holders of the Convertible Bonds may only convert the Convertible Bonds to the extent that the Company is able to meet the public float requirement under the Listing Rules.

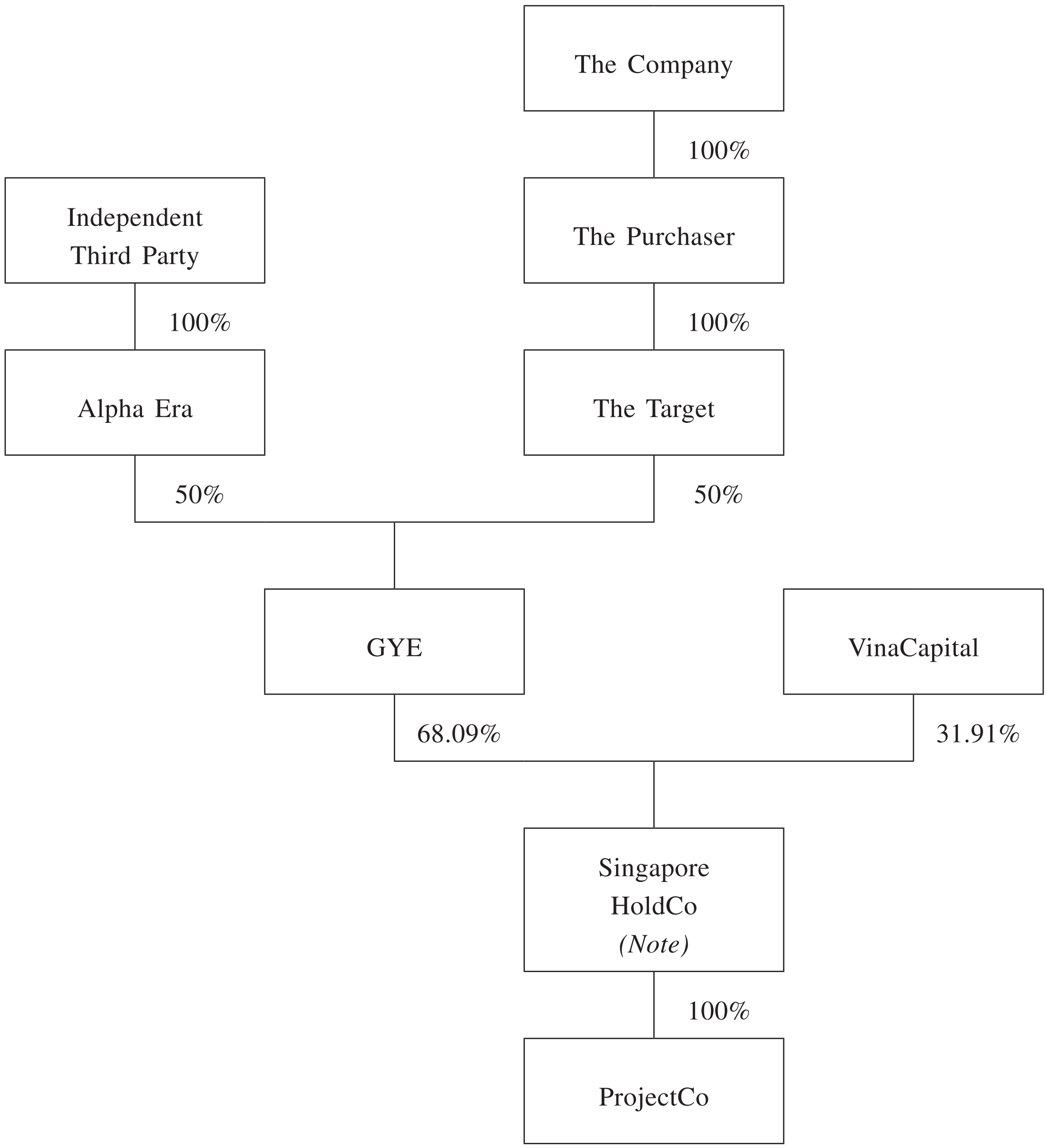
INFORMATION ON THE TARGET GROUP

Shareholding of the Target Group

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the shareholding structure of the Target Group immediately after Completion:



Note: *Singapore HoldCo has (i) two other wholly-owned subsidiaries which are principally engaged in the provision of consultancy and management services to the Target Group, namely Hoi An South Development (HK) Limited and Yield Gold Enterprises (Macao) Limited; and (ii) two other inactive subsidiaries, namely Sundance Asia Limited and Harkness Asia Limited.*

Information of the Target

The Target is an investment holding company incorporated in the BVI with limited liability. It is wholly owned by the Vendor, which is in turn wholly owned by Mr. Chau. The original investment cost by the Vendor in the Target Company is approximately HK$303,519,000. The Target owns 50% equity interest in GYE, an investment holding company incorporated in the BVI with limited liability. The remaining 50% equity interest in GYE is owned by Alpha Era, a company incorporated in the BVI with limited liability and wholly owned by an Independent Third Party.

Information of GYE

GYE is a company incorporated in the BVI with limited liability and its principal business is investment holding. The principal asset of GYE is approximately 68% equity interest in Singapore HoldCo. The remaining approximately 32% equity interest is held by VinaCapital, an Independent Third Party. Set out below are the principal terms of the shareholders' agreement entered into between the Target and Alpha Era.

Profit distribution

Save as otherwise agreed by all shareholders of GYE, the profits of GYE shall be distributed to shareholders of GYE by way of dividends according to their respective shareholding proportions within six months of the end of the financial year. The board of GYE may declare and distribute interim dividends from time to time, subject to satisfying the solvency test applicable to GYE.

Funding requirements

In the event that GYE requires further financing, the shareholders of GYE shall first use their best endeavours to seek external debt financing and the shareholders of GYE will provide additional funds by way of shareholders' loan or subscription of new shares according to their relevant shareholding percentage if no external debt financing can be obtained. If any shareholder of GYE fails to provide shareholder's loan to GYE, the other shareholder(s) of GYE may provide inter-shareholder's loan to the non-participating shareholder which the loan and interest shall be repaid in full by the non-participating shareholder of GYE within 6 months at a compound interest rate of 15% per annum.

Board composition

For so long as each of the Target and Alpha Era continues to hold 50% of the total issued share capital of GYE, and unless otherwise determined by the parties in writing otherwise, the board of GYE shall consist of four directors. Each of the Target and Alpha Era is entitled to appoint two directors by virtue of its shareholding in GYE. The resolutions of the board may be passed by a simple majority vote of the board of directors.

Information of Singapore HoldCo

Singapore HoldCo is a company incorporated in Singapore with limited liability and its principal business is investment holding. The principal asset of Singapore HoldCo is the entire equity interest in ProjectCo. Singapore HoldCo also has interests in (i) two subsidiaries which are principally engaged in the provision of consultancy and management services to the Target Group, namely Hoi An South Development (HK) Limited and Yield Gold Enterprises (Macao) Limited; and (ii) two inactive subsidiaries, namely Sundance Asia Limited and Harkness Asia Limited. Set out below are the principal terms of the shareholders' agreement entered into between GYE and VinaCapital.

Profit distribution

Save as otherwise agreed by all shareholders of Singapore HoldCo, Singapore HoldCo shall for each financial year distribute by way of dividend not less than 100% of its profits as determined by its board of directors. Singapore HoldCo shall also declare interim quarterly dividends, which shall be paid within one month from the decision of declaration.

Funding requirements

In the event Singapore HoldCo is unable or does not wish to obtain external debt financing from commercial lenders and/or construction contractors, the board of directors may request additional capital contributions and/or shareholders' loans from the shareholders of Singapore HoldCo in proportion to their respective shareholding proportion. No shareholder of Singapore HoldCo is obliged to provide additional funding, and any failure to do so will not constitute a breach of the shareholders' agreement. The other shareholder(s) of Singapore HoldCo may contribute further capital funding in the form of shareholder's loan which is effected through issuance of shares in Singapore HoldCo, the non-contributing shareholder's proportionate share interest shall be diluted accordingly. Such shareholder's loan shall be provided in amounts and on such terms and conditions as determined by the board of directors of Singapore HoldCo, and shall bear the interest at the three months US$ London Interbank Offered Rate (LIBOR) plus ten (10) %.

Board composition

The board of Singapore HoldCo shall consist of six directors, GYE is entitled to appoint four directors as long as its relevant shareholding percentage is at least 68%, whereas VinaCapital is entitled to appoint two directors as long as its relevant shareholding percentage is at least 20% shareholding of Singapore HoldCo. Save for certain reserved matters which shall require the approval of VinaCapital as long as its relevant shareholding percentage is at least 10%, all decisions shall be made by a simple majority vote of the directors.

Information of the ProjectCo

ProjectCo is a company incorporated in Vietnam with limited liability and its principal business is real estate, provision of short-term hotel services, tourism agency operation and conducting business activities in prize winning games. The principal asset of ProjectCo is the Project, details of which are set out in the section headed "Information on the Project" below in this circular.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2016 as prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December	
	2015	**2016**
	(Unaudited)	*(Unaudited)*
Loss before tax	US$131,714 (equivalent to approximately HK$1,028,318)	US$2,981,557 (equivalent to approximately HK$23,277,612)
Loss after tax	US$131,714 (equivalent to approximately HK$1,028,318)	US$2,981,557 (equivalent to approximately HK$23,277,612)

	As at 31 December 2016
	(Unaudited)
Net liabilities	US$4,018,352 (equivalent to approximately HK$31,372,078)

INFORMATION ON THE PROJECT

The Project is an integrated resort development project located in Hoi An South, Quang Nam Province, an emerging tourist destination in Vietnam. The Project will consist of tourism areas, an integrated resort complex and residential areas. As stipulated in the Investment Registration Certificate, the whole development of the Project is expected to comprise seven phases to be developed over a span of 13 years on a site of approximately 985.5 hectares with phase 1 land area of approximately 270 hectares. Based on the development plan as at the Latest Practicable Date, only phase 1 development with land area of approximately 163 hectares has been materialised. The phase 1 development includes the building of an integrated resort complex with entertainment and retail facilities which consists of the Casino with a total of 140 gaming tables and 1,000 slot machines, a golf course, a mass market hotel with 313 hotel rooms, an all-suite hotel with 136 suites (comprising 141 bedrooms), a hotel villa resort with 70 units (comprising 74 bedrooms), 30 villa units (comprising 68 bedrooms) for sale and timeshare rental, and a condo-hotel with 236 rooms (comprising 408 bedrooms) for sale and timeshare rental. The ProjectCo has commenced the construction of the phase 1 development in April 2016. In the other six phases of the Project, the ProjectCo will further develop the remaining site which may include but not limited to an additional 1,000 slot machines, a new golf course, residential dwellings, commercial and retail areas, opportunistic developments such as cultural villages and entertainment facilities and other public facilities.

As at the Latest Practicable Date, ProjectCo had invested a total of approximately US$89.0 million (equivalent to approximately HK$694.8 million) in relation to phase 1 development of the Project (including approximately US$30.3 million (equivalent to approximately HK$236.6 million) from the Vendor by virtue of its share of interest). In addition, a loan facility under the credit contract of up to US$484 million (equivalent to approximately HK$3,778.7 million) has been obtained for the phase 1 development. Based on the required planned investment cost of US$650 million (equivalent to approximately HK$5,074.7 million) stipulated in the Investment Registration Certificate, ProjectCo will need to deploy an addition of approximately US$77.0 million (equivalent to approximately HK$601.2 million), of which approximately US$26.22 million (equivalent to approximately HK$204.7 million) is to be invested by the Target by virtue of its share of interest in the Project. It is expected that after Completion, the Group will take up the investment commitment of the Target in the phase 1 development. As at the Latest Practicable Date, the Project was at development stage. Phase 1 development of the Project is expected to be completed on or before mid 2019.

Types of gaming activities involved

As set out above, the Casino shall be involved in gaming activities which will include the operation of 140 gaming tables and 1,000 electronic gaming machines. The types of gambling activities to be conducted by the Casino include but not limited to Baccarat, Cussec, Stud Poker, Roulette, Casino War and Black Jack. The types of games may be changed from time to time to comply with the relevant rules and regulations, if any. The Casino shall operate the aforesaid gaming activities in accordance with the Investment Registration Certificate and international best practices adopted by casinos of similar size and nature, and in a manner that is fair, trustworthy and free from criminal influence and fraudulent practices.

Applicable regulatory or licensing requirements in relation in Vietnam and Hong Kong

Pursuant to the Investment Registration Certificate, the ProjectCo is permitted to carry out the Project, which will include the Casino. The ProjectCo is allowed to conduct business in gaming-with-prizes for foreigners (the "**Gaming Business**") with 140 gaming tables and 1,000 slot machines for phase 1 development of the Project. Before conducting the Gaming Business, the ProjectCo must secure a Casino Business Eligibility Certificate and a foreign exchange counter registration license in Vietnam. The ProjectCo may obtain a Casino Business Eligibility Certificate when it satisfies the conditions required in its Investment Registration Certificate. The condition stipulated in the Investment Registration Certificate states that it is required to complete and put at least 1,000 lodging rooms into operation in order to operate the Gaming Business. The obtaining of a foreign exchange counter registration license is expected to be a standard administration procedure.

There is no particular regulatory or licensing requirement in Hong Kong as the relevant Gaming Business will be conducted outside Hong Kong.

The Company confirms that, based on Vietnam legal opinion obtained by the Company, the Project is lawful in Vietnam. The Company has also been advised that the Project and the transactions contemplated thereunder conducted in Vietnam do not contravene the Gambling Ordinance (Cap. 148 of the Laws of Hong Kong).

Risks relating to the business and operations of the ProjectCo

Set out below are certain specific risks in relation to the Gaming Business of the ProjectCo. Additional risks and uncertainties not presently known to the Directors, or not expressed or implied below, or that the Directors currently deem immaterial, may also adversely affect the ProjectCo's business, operating results and financial condition in a material aspect.

Casino business is based primarily on gaming, which inherently involves elements of chance that are beyond the control of the ProjectCo

The gaming industry is characterised by the elements of chance. In addition to the element of chance, theoretical expected win rates are also affected by other factors, including players' skills and experience, the financial resources of players, the volume of bets placed by the players of the Casino and the amount of time the players spent on gaming. These factors, alone or in combination, have the potential to negatively impact win rates. As a result, actual win rates may differ greatly over short time periods, including from quarter to quarter and could cause the results of operations of the Casino to be volatile.

Regulatory risks in relation to the Project

The regulatory regime of the gaming industry in Vietnam is still evolving and its development or changes might have material negative impact on the Project. Decree 03/2017/ND-CP ("**Decree 03**") on the casino business was issued in January 2017 as the first regulation on the casino business in Vietnam. Currently, there is no official guidance on implementation of Decree 03. It is expected that the legal frameworks for the casino business in Vietnam may be subject to further development and various interpretations and guidance in the future. In addition, interpretation of Decree 03 and future guidance thereof may also vary from provinces to provinces in Vietnam. In the event that the Vietnam authority imposes additional regulatory or licensing requirements on the ProjectCo, this may cause material and adverse impact on the ProjectCo in operating its business. There are no certainties as to whether there will be any future change in the regulatory regime in Vietnam.

The successful implementation of the Project in accordance with its development plan

The success of the ProjectCo relates to its start-up risks in the successful establishment and implementation of its development plan. The Project is still in the construction stage and is expected to commence operation in 2019. There are uncertainties resulting from execution risks in construction, the lack of historical data to support the forecasted revenue and being a start-up business, the ProjectCo may require considerable effort to control and manage the construction and formulate its operations and marketing strategies. In the event that the ProjectCo fails to implement the Project in accordance with its development plan, there could be material and adverse effect on the ProjectCo's business.

Dependence on junket operators and customers

As the Casino is mainly driven by the junket model, it is expected that major portion of the casino revenues will be generated by VIP patrons introduced by junket operators. The ability to maintain relationship with junket operators will influence the retention of VIP patrons and could adversely affect the results of operations of the Casino.

The proposed gaming business is subject to cheating and counterfeiting

Players in the proposed casino or gaming areas may attempt to commit fraud or cheat in order to increase winnings. This could involve the use of counterfeit currency, chips or other tactics, possibly in collusion with the Casino's employees. Internal acts of cheating are also a possibility and failure to discover such schemes in a timely manner could result in losses in the Casino's proposed gaming operations.

No direct operating history

The Project is currently in the construction and planning phase, and is expected to commence its operation in the second quarter of 2019. It may be difficult for the ProjectCo to prepare for and respond to the significant business, economic, regulatory and competitive uncertainties and contingencies frequently encountered by new businesses in competitive environments compared to a company with a longer operating history. If these risks are not managed successfully, it could have a material and adverse effect on the results of operations, financial performance and business of the Project.

The ProjectCo may face intense competition in Vietnam and elsewhere in Asia

The ProjectCo expects competition in Vietnam to increase in the near future as multiple hotel, casino and entertainment complex projects may be approved by the Vietnam authority and elsewhere in Asia, details of which is set out in the paragraph "Market position and potential competition" on page 32 of this circular. If more licenses are being granted, the ProjectCo would face additional competition from new market entrants as well.

Competitive pressures in Vietnam's gaming industry could have a material and adverse effect on the ProjectCo's business, financial condition and results of operations.

Emerging market in Vietnam

The Project operates in Vietnam and there are uncertainties in the development of the tourism of the country and the attractiveness of the Project to the visitors. The Project is in Vietnam which is an emerging tourist destination with a boom in number of visitors from overseas but the future number of foreign visitors depends on the overall tourism development of Vietnam. Furthermore, sizable resorts with casinos similar to the Project is rare in Vietnam and its success in attracting the customers from targeted market could be in doubt. If the Project could not attract the customers from the targeted market, this may affect the development of the Project.

Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending

Demand for luxury services, gaming-related services and leisure activities are sensitive to global economic downturn. Changes in discretionary consumer spending or consumer preferences could be driven by economic conditions. Any reduction in consumer demand for the gaming-related services could adversely affect ProjectCo's business.

Conducting business in Vietnam involves certain economic and political risks

Conducting business in Vietnam involves certain economic and political risks. Changes in Vietnam's political, economic and social conditions will affect the business operating environment in Vietnam's economy. Other factors which may affect business operation in Vietnam' include but not limited to governmental policies, changes in Vietnam laws or regulations, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, and travelling policies.

Social and economic conditions, travelling restrictions and currency exchange control in the PRC may be subject to uncertainties

As a large portion of our target patrons are expected to be PRC customers, changes in economic and social conditions and/or measures implemented by the PRC government, including but not limited to, additional travelling barriers or changes in currency exchange controls will impede the inflow of PRC tourists to Vietnam. It is unclear whether these and other measures will continue to be in effect, or become more restrictive, in the future. Any reduction in visitors from the PRC as a result of the aforementioned measures or otherwise, would have a material impact on our business.

The ability to attract and retain a sufficient number of qualified employees to run the operation

The Project will depend on its ability to attract and retain a sufficient number of qualified employees to run the operations of the Casino, the hotel, the golf course, and other facilities. The ability to maintain its competitiveness is, to a large extent, dependent on the efforts, skills and continued service of key management and operating personnel. The loss of key management and operating personnel may have an adverse impact on the Project's business.

Developing nature of the legal environment of Vietnam

The legal system in Vietnam is under development in many respects. The laws are often vague, are largely based on interpretations and are continuously evolving. In addition, there is no comprehensive public search system for case precedents. The legal system of Vietnam differs from most common law jurisdictions. The investment laws in Vietnam are undergoing most comprehensive changes since 2006 and the investment laws and political practices in interpretation of the laws will continue to be dynamic for certain period. For the time being, it is hard to predict, if not unpredictable, whether any development of legal frameworks would be more or less favourable than the current ones in respect of the business operations of the ProjectCo.

Foreign exchange regulations and requirements of Vietnam

Vietnam maintains a stringent foreign exchange control system. Foreign exchange regulations are relatively dynamic and are scattered in a number of different legislative instruments.

In principle, onshore transactions among residents in Vietnam must be denominated and paid in VND except in a number of specified exceptions. Companies and individuals are permitted to keep their available foreign currency funds in bank accounts. However, the conversion of VND into a foreign currency and the remittance of foreign currency out of Vietnam are permitted only when the remittance is justified with a valid cross-border current or capital transaction.

Further, the value of the VND has fluctuated in the past and is subject to Vietnam political and economic environment. There can be no assurance that there will be no change in foreign exchange regulations and requirements. The ProjectCo's results and operations may be adversely affected by changes in the exchange rate of VND and/or foreign exchange regulations.

Role of the Group in the Project

As set out in the section "Information of GYE" and "Information of Singapore HoldCo", upon Completion, the Group is entitled to appoint two out of six directors in ProjectCo by virtue of its shareholding. As disclosed in the MOU Announcement, if the provision of services contemplated under the MOU materialises, the Group will provide consultancy and management services to the Project (the ''**Services**'') in relation to the Casino and the food & beverage facilities in the Casino (the "**F&B Facilities**"), allowing the Group to assist the ProjectCo in running and managing the daily operation of the Casino and F&B Facilities. The Group will also through Sun Travel Ltd., an indirect wholly-owned subsidiary of the Company principally engaged in travel agency business, promotes the Project to its database of existing and potential clients.

The Group has obtained a Vietnam legal opinion and Hong Kong legal opinion and after reviewing the legal opinions, the Company is of the view that:

(a) the Project is lawful in Vietnam;

(b) the Company is not in breach of the Gambling Ordinance (Chapter 148, the Laws of Hong Kong) as a result of the Acquisition; and

(c) the proposed provision of the Services by the Group will not contravene with the Gambling Ordinance (Chapter 148, the Laws of Hong Kong).

The Group will closely monitor the operation of the Project and the proposed provision of the services by the Group under the MOU. Shareholders and potential investors of the Company should note that, pursuant to Guidance Letter HKEx-GL71-14 issued by the Stock Exchange, the Stock Exchange may direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the proposed Project fails to comply with applicable laws in Vietnam and/or contravenes the Gambling Ordinance (Chapter 148, the Laws of Hong Kong).

Upon completion of the Acquisition and throughout the holding of such investment in the Project, the Company will comply with the applicable laws where such gaming activities operate.

Business model of the Target

The Target will develop and operate the Project through the ProjectCo. The Project will consist of tourism areas, an integrated resort complex, residential areas and other amenities, details of which are set out in the first paragraph in this section. The revenue of ProjectCo is expected to be generated through four segments, namely (i) casino segment; (ii) hotel segment; (iii) real estate segment; and (iv) golf segment as set out below:

The casino segment

The casino revenue is expected to be driven by VIP tables, premium mass and mass tables, slot machines, and food and beverage provided by the F&B Facilities. The target customers are VIP patrons introduced by junket operators, PRC customers joining gaming package tours, expatriates or other tourists. The Casino shall be managed by the Group if the provision of services contemplated under the aforementioned MOU materialises. The Group will leverage on the expertise of the management of the Company (the "**Management**") and the Board lead by Mr. Chau, who has over 15 years of experience, especially in the operation and management of VIP clubs in Macau, in operating the Project.

The hotel segment

The hotel segment revenue will be generated from room rental revenue from both hotels and rental pool program and food and beverage. The villas and hotels will be managed by Rosewood Hotels & Resorts and New World Hotels, both of which are leading international luxury hotel chain operators. The target customers are casino players, the existing customer base of Rosewood Hotels & Resorts and New World Hotels, and referrals by Sun Travel Ltd..

The real estate segment

The real estate segment revenue will be generated from the sales of the timeshare villa and timeshare condo-hotel. After the properties are sold, they will be placed back into to a rental pool, and leased out to potential tenants, the profit will be split as to 60% to the owners and 40% to ProjectCo. The target customers are wealthy locals and foreigners who purchase the units for investment purposes or for vacation.

The golf segment

The golf segment revenue will be generated from green fees, membership fees, food and beverage and retail. Under the phase 1 development, a golf course clubhouse with an 18-hole golf course will be built. The target customers are Vietnamese, expatriates, casino players and golf tourists.

Market position and potential competition

The Group intends to develop the Project into a luxury integrated resort icon in Asia and leading travelers' destination for Central Vietnam.

The gaming industry in Vietnam has a sizeable market with around 30 gaming facilities ranging from the scale of small slot parlors to integrated resorts. The largest facility is an integrated resort with an operating casino located in the Grand Ho Tram Strip featuring 500 slot machines and 90 gaming tables in the south of Vietnam, approximately two and a half hours away from Ho Chi Minh City. In the near future, two integrated resorts will be developed in Phu Quoc Island (an island in the south of Vietnam) and Van Don Economic Zone (in the north of Vietnam). The Board is aware that there is inevitable competition in the Vietnam gaming industry, however considering (i) the Project is located in Central Vietnam; and (ii) Quang Nam Province is more accessible compared to the abovementioned developments, the Board is optimistic that the Project has a competitive advantage.

Currently in Da Nang, there are a slot parlor operating in Furama Resort Danang and a casino operating in Crowne Plaza Da Nang. Despite operating at a much smaller scale compared to the Project, the casino in Crowne Plaza Da Nang has already attracted an abundance of tourists and have reached their capacity sufficiency. As the tourism market in Da Nang is expected to grow, there is an increasing need for a larger integrated resort complex to satisfy the tourist influx.

Taking into account that (i) the development of the hospitality market and gaming industry in Vietnam; (ii) the location and accessibility of the Project; and (iii) the scale of the integrated resort complex, the Management is optimistic that the ProjectCo will be able to establish a leading integrated resort in Vietnam.

VALUATION

According to the valuation report prepared by Grant Sherman, the entire equity interest of the ProjectCo as at 30 June 2017 was appraised at approximately US$303,052,000 (equivalent to approximately HK$2,365,988,000). The valuation adopted the income-based approach using the discounted cash flow method involving projections of profits, earnings and cash flows which are regarded as profit forecasts under Rule 14.62(1) of the Listing Rules (the "**Profit Forecast**"). Pursuant to Rule 14.62(1) of the Listing Rules, the principal assumptions, including commercial assumptions, upon which the Profit Forecast is based, are set out below:

(i) there will be no major changes in the existing political, legal, and economic conditions in Vietnam in which ProjectCo carries on its business;

(ii) there will be no major changes in the current taxation law in Vietnam in which ProjectCo operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

(iii) effective tax rates, exchange rates and interest rates will not differ materially from those presently prevailing;

(iv) the availability of finance will not be a constraint on the forecast growth of ProjectCo's operations;

(v) there will be no material deviation or changes in the industry trends and market conditions which would significantly affect the revenues, profits, cash flows attributable to ProjectCo;

(vi) the financial projection from 1 July 2017 to 30 June 2029, and the underlying assumptions provided by the management of the ProjectCo and the Company have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration. The aforesaid underlying assumptions in relation to the financial projection are set out in the section headed "The Basis of Management's Projection" on page I-12 to page I-14 in the valuation report on the ProjectCo set out in Appendix I to this circular.

(vii) ProjectCo will successfully maintain its competitiveness and market share through optimising the utilisation of its resources, expanding its marketing network and investing in gaming, hotel, real estate and golf business;

(viii) ProjectCo can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

(ix) ProjectCo will utilise and maintain its current operational, administrative and technical facilities to expand and increase its profitability;

(x) ProjectCo will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

(xi) ProjectCo has obtained and will obtain all necessary permits, license, certificates and approvals to carry out its business as planned in the financial projection;

(xii) there will not be any material potential liabilities arising from the discrepancy of development area of approximately 163 hectares to be materialised by ProjectCo for phase one of the Project and the stipulated area of approximately 270 hectares as per the Investment Registration Certificate;

(xiii) the phase one of the Project will commence operations by the second quarter of 2019 with at least 1,000 lodging rooms completed;

(xiv) a terminal growth rate of 3% is adopted, which reflects a long-term inflation rate in Vietnam;

(xv) the debt-to-equity ratio of ProjectCo for the period from 1 July 2017 to 30 June 2029 is assumed to be the average debt-to-equity ratio of that period;

(xvi) ProjectCo will retain a debt-to-equity ratio of 0% in terminal year;

(xvii) the borrowing costs are assumed to be 4.5% and 5.68% for the first year and second year after drawdown respectively with reference to the credit contract of ProjectCo; and

(xviii) exchange rate of USD to HKD is assumed to be US$1 = HK$7.8072 as of 30 June 2017.

To the best of the Directors' knowledge and belief, the underlying assumptions under the valuation provided to the Independent Valuer are fair and reasonable.

The 12-year financial projection period for phase 1 development of the Project comprise the pre-opening phase covering the first two years and the operation phase covering the remaining 10 years.

As stipulated in the Investment Registration Certificate, the Project has an operation term of 70 years from 10 December 2010, being the date of the first issuance of the investment registration certificate. The whole development of the Project is expected to comprise seven phases to be developed over 13 years. Although the Project has a 70-year operation term, the Board considered that the financial projection period should be long enough for the ProjectCo to reach a steady state but should not extend beyond a time frame that the Company cannot reasonably project; hence a 10-year projection period for the operation phase is adopted as further elaborated below.

As set out on page I-15 in Appendix I to this circular, the projected growth rate of the revenue of the ProjectCo is expected to increase for seven years from the commencement of the Project until June 2027 and the increase in projected growth rate will decrease from July 2027 onwards, reaching the terminal growth rate of 3% by July 2029 which made reference to a long-term inflation rate in Vietnam. The Board (i) leveraged on its extensive experience in the gaming industry in Macau, which operates under a similar junket model as the Project, details of which are set out in the section "Reasons for and benefits of the Acquisition" on page 36 to 39 of this circular; (ii) took into account the researches prepared by experts including the IGamiX Report, the Feasibility Study, and construction plan prepared by WT Partnership; and (iii) considered the in-house studies conducted by the Management, and is of the view that the projected growth rate of the ProjectCo is reasonable. On balance, the Board considers that the 10-year projection period for the operation phase is appropriate such that the free cash flow of the ProjectCo by the end of such period is assumed to grow at a constant rate and can be valued using a growth perpetuity reflected by the terminal value adopting a long-term growth assumption of the Vietnam economy.

The main objective of the IGamiX Report is to research and determine the viability of the casino segment of the Project utilising a VIP junket dominant model. The IGamiX Report covers, among other things (i) gaming market in Asia; (ii) gaming development in Vietnam; (iii) junket business model in Asia; (iv) resort facilities suggestions for VIP players; and (v) suggested business model for the Casino.

The Feasibility Study considers the prospects of the hotel segment of the Project based on the macro economy of Vietnam and the real estate and hotel market development of Da Nang and Quang Nam Province. The Feasibility Study covers, among other things, (i) macro economy overview of Vietnam; (ii) real estate market and hotel industry overview of Da Nang and Quang Nam Province; and (iii) market share and competitive analysis of the comparable hotels in Da Nang and Quang Nam Province.

The Board took into account the IGamiX Report and Feasibility Study (the "**Research Reports**") conducted by IGamiX and Savills (the "**Independent Experts**") when arriving at the underlying assumptions as set out in the section headed "The Basis of Management's Projection" on page I-12 to page I-14 in the valuation report of the ProjectCo as set out in Appendix I to this circular. The Board extracted data from (i) the IGamiX Report for the casino segment, including but not limited to the targets of rolling chips turnover and commission rates for different tiers of junket, the win per unit per day of slot machines and the operating expense to gross gaming revenue ratio; and (ii) the Feasibility Study, including but not limited to comparable hotels on average daily rates and occupancy rates and the timeshare villa and condo-hotel projects in Da Nang and Hoi An.

The Board assessed the Independent Experts based on their (i) understanding of the local market landscape; (ii) experience in performing reports for similar projects; and (iii) reputation in the industry. Taking into account IGamiX is a reputable gaming research company led by a management team with in-depth firsthand knowledge of the Asia gaming markets and has prepared feasibility report and provided advisory services for other Vietnam integrated resort projects, the Board is of the view that IGamiX has sufficient expertise in the Vietnamese gaming industry. The Board also acknowledged that Savills is a global real estate consulting services and advisory service company with a strong presence in the real-estate market segment in Vietnam and is satisfied that Savills has adequate insight of the hotel industry of Vietnam. The Board further considered that the Research Reports were in line with the in-house studies and desktop researches conducted by the Management and satisfied that they are reliable sources to be adopted when forming assumptions for the Project.

In accordance with Rule 14.62 of the Listing Rules, the Company has engaged, Deloitte Touche Tohmatsu, the reporting accountants of the Company in connection with the Acquisition, to report to the Directors in respect of the compilation, in accordance with the assumptions above, of the discounted future estimated cash flows in connection with the valuation of 100% equity interest in ProjectCo prepared by Grant Sherman as set out in the valuation report dated 10 July 2017. The Directors are solely responsible for the assumptions described above and work performed by Deloitte Touche Tohmatsu did not include any assessment of the reasonableness or validity of these assumptions.

Optima Capital Limited, the financial adviser to the Company, has considered the forecasts included in the valuation report and the abovementioned report from Deloitte Touche Tohmatsu addressed solely to and for the sole benefit of the Directors, and attended discussions involving the Management and Grant Sherman. Optima Capital Limited is satisfied that the forecasts included in the valuation report have been made by the Directors after due and careful enquiry.

The abovementioned report from Deloitte Touche Tohmatsu and the letter from Optima Capital Limited regarding the forecasts in the valuation report are set out in appendices to this circular in compliance with Rule 14.62 of the Listing Rules. The Company has submitted the report from Deloitte Touche Tohmatsu and the letter from Optima Capital Limited to the Stock Exchange in compliance with Rule 14.62 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and providing hotel and integrated resort management and consultancy service and travel agency service.

As disclosed in the Company's annual report for the year ended 31 December 2016, the Group has been planning to invest in potential projects and business opportunities to further expand its tourism-related business to Asian countries other than China, and Vietnam has been one of the initial target markets of the Group.

Vietnam has been among one of the fastest growing economies as demonstrated by a resilient growth in its gross domestic product per capita of over 6% annually since 2000 based on the statistics from the World Bank. Amid the solid economic growth, Vietnam's tourism market has been booming. According to statistics from Vietnam National Administration of Tourism, total international arrivals in the country exceeded 10 million in 2016 with a year-on-year increase of approximately 26.0%. Considering the robust visitor volume and the continued growth impetus, the Group is confident that there will be an increasing demand for resort facilities/developments in popular tourist destinations of the country, including Quang Nam Province, which has received almost a quarter of the country's total number of foreign visitors in 2016. The Project is located in Hoi An, an emerging tourism destination known for its coastline and cultural heritages. Upon full development of the seven phases, the Project will comprise the Casino, hotel resort facilities, two golf courses, residential dwellings, commercial and retail areas, opportunistic developments and other public facilities. As there are currently no other integrated resorts comparable to the scale of the Project in the area, the Group is optimistic that there will be a strong demand for the facilities in the Project.

In addition, in early 2017, the Vietnamese government issued Decree 03 on casino business activities which will allow selected domestic casinos to accept bets from certain Vietnamese gamblers under a 3-year pilot scheme. The Group is of the view that the decree signals the Vietnamese government's determination to further open up its gaming market. Taking into account the potential reform of the Vietnam's gaming market should the 3-year pilot scheme pass its trial period, coupled with the aforesaid rising inbound visitors from overseas, the Group believes the current development trend could support a thriving gaming market in Vietnam. The Acquisition will enable the Group to tap into the tourism sector, as well as the potentially expanding gaming market in Vietnam, and is in line with the Group's objective to develop tourism-related business in the country.

While (i) there is no official guidance on implementation of Decree 03; (ii) the legal framework for the casino business in Vietnam may be subject to further development and various interpretation and guidance in the future; and (iii) the investment laws and political practices in interpretation of the laws will continue to be dynamic, the Group understands that the ProjectCo has regular meetings and maintained good relationship with relevant provincial officials in Vietnam. Such regular meetings together with the experience and expertise of management of the Group will mitigate potential adverse impacts on the operation of the Projects due to any subsequent changes in regulations and laws in Vietnam. Furthermore, the ProjectCo has engaged an in-house Vietnam legal counsel who will timely advise and inform any change of relevant Vietnam regulations and laws. The Group will also closely monitor the development of relevant Vietnam regulations and laws.

As at the Latest Practicable Date, it was not practicable to predict whether the development of legal frameworks in the casino business of Vietnam would be more or less favourable than the current ones. There is no assurance as to whether Vietnam authorities will or will not impose stringent and burdensome obligations on the ProjectCo. If any stricter legal requirements affect the ProjectCo and its business, the business, operating results and financial conditions of the ProjectCo could be adversely affected. On the other hand, there might be additional benefits attributable to the ProjectCo as a result of the reform of the Vietnam gaming regulatory regime. In short, the exact risk exposure as a result of such dynamic legal and regulatory development cannot be quantified or predictable at this stage. Please refer to the paragraph headed "Risks relating to the business and operations of the ProjectCo" for further details of risk exposure.

The Board took into account the dynamic nature of Vietnam's legal framework in the gaming businesses, but also considered that (i) Vietnam is one of the fastest growing economies in Asia with a strong GDP per capita growth and increasing tourism trend as set out above; (ii) the Project is a rare investment opportunity with a relatively large scale; and (iii) the Vietnamese government's intention to open up its gaming market as signaled by the Decree 03, and is of the view that the potential benefits will outweigh the risks posed by the uncertainties in the gaming laws of Vietnam. Considering there would be more opportunities and less competition in a developing and thriving market in comparison with a well-developed market, the Board is confident that it is a suitable time for the Acquisition.

As set out in the paragraph "Business model of the Target", the revenue of the ProjectCo is expected to be generated through four segments, namely, (i) casino segment; (ii) hotel segment; (iii) real estate segment; and (iv) golf segment. As the casino segment is the main revenue generating factor of the ProjectCo, the Board believes that it can leverage on the in-depth knowledge of the executive Directors in the gaming industry, namely Mr. Chau, Mr. Lo, Mr. Au Chung On John ("**Mr. Au**"), and Mr. Manuel Assis Da Silva, in overseeing the investment in the Project. Set out below are the biographies of the executive Directors.

Mr. Chau has over 15 years of experience in the gaming industry, especially in the operation and management of VIP clubs in Macau. Mr. Lo, who is mainly responsible for the business development of the Group's overseas businesses and the corporate management of the Group, also has extensive experience in the gaming industry. Mr. Au has more than 13 years of experience in the gaming industry and held various senior management positions at one of the major gaming concessionaires in Macau. His major roles included but not limited to establishing business strategies, driving overall performance and control of VIP business, and overseeing both gaming and non-gaming operation of newly established properties. Representing the aforesaid gaming concessionaire, Mr. Au was a member of gaming related committees formed by the six Macau concessionaires and sub-concessionaires to provide advice to the relevant regulatory bodies of the Macau government. Mr. Manuel Assis Da Silva served at The Gaming Inspection and Coordination Bureau ("**DICJ**"), the Macau gaming regulator, for more than 43 years and has served as the Head of Inspection at DICJ, during which he was responsible for overseeing the casino operation in Macau. Mr. Manuel Assis Da Silva is recognised across Asia as an expert on casino game rules, internal controls in casinos, the control of junket and VIP gaming operations and in the regulation of gaming machines. He also serves as a consultant to a number of substantial industry participants, including machine manufacturers, casino operators and other industry suppliers.

As disclosed in the MOU Announcement, the ProjectCo and the Group entered into the MOU. If the provision of services contemplated under the MOU materialises, the Group will provide the Services in relation to the Casino and the F&B Facilities, allowing the Group to assist the ProjectCo in running and managing the daily operation of the Casino and the F&B Facilities. The Board is of the view that as the Group is seeking to establish its footprint in Vietnam, the Acquisition will allow the Group to benefit from partnering with other investors and leveraging on their experience and resources in jointly developing the Project and tourism business in Vietnam.

The Consideration under the Acquisition Agreement was determined after arm's length negotiations between the Company and the Vendor with reference to, among other things, (i) the valuation of the entire equity interest of the ProjectCo as at 30 June 2017 of approximately US$303,052,000 (equivalent to approximately HK$2,365,988,000) prepared by Grant Sherman, an independent professional valuer appointed by the Company; and (ii) the investment commitment for the phase 1 development of the Project to be taken up by the Group of approximately US$26,215,000 (equivalent to approximately HK$204,666,000). The valuation report has been prepared based on the Profit Forecast. Deloitte Touche Tohmatsu, the reporting accountants of the Company in connection with the Acquisition, has reported to the Directors in respect of the compilation of the discounted future estimated cash flows in connection with the valuation of 100% equity interest in ProjectCo prepared by Grant Sherman as set out in the valuation report dated

10 July 2017. The Directors are solely responsible for the assumptions described above and work performed by Deloitte Touche Tohmatsu did not include any assessment of the reasonableness or validity of these assumptions. Optima Capital Limited, the financial adviser to the Company, in connection with the Acquisition, is satisfied that the Profit Forecast has been made by the Directors after due and careful enquiry. Details regarding the Profit Forecast have been set out in the section headed "Valuation" above and Appendix I to this circular.

In light of the aforesaid, having considered the risks and returns relating to the business and operations of the ProjectCo, the Board considers that the terms of the Acquisition Agreement are fair and reasonable, and that the entering into of the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As some of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Vendor is wholly owned by Mr. Chau, an executive Director and the Chairman of the Company. Fame Select, a company which is owned as to 50% by Mr. Chau, was interested in approximately 72.17% of the issued share capital of the Company as at the Latest Practicable Date and is therefore the controlling shareholder of the Company. Accordingly, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Acquisition Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the MOU Announcement, Mr. Chau agreed to procure the Vendor to pay Mr. Lo, an executive Director, a certain percentage of the realised profit of the Vendor upon realisation or disposal of his interests in the Project subject to a maximum amount of HK$120 million as consideration for Mr. Lo's advisory and consultancy service to Mr. Chau in respect of the Project. By virtue of interests of Mr. Chau in the Acquisition Agreement and Mr. Lo in the Consultancy Agreement, Mr. Chau, Mr. Lo and their respective associates shall abstain from voting on the ordinary resolution in relation to the Acquisition Agreement and the transactions contemplated thereunder to be proposed at the EGM. As at the Latest Practicable Date, Mr. Chau and his associates were interested in 4,345,489,489 Shares, representing approximately 72.17% of the issued share capital of the Company, and Mr. Lo was not interested in any Shares. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder. By virtue of interests of Mr. Chau in the Acquisition Agreement and Mr. Lo in the Consultancy Agreement, they had abstained from voting in respect of the relevant Board resolution relating to the Acquisition Agreement and the transactions contemplated thereunder. Save for the aforesaid, no other Directors have a material interest in the Acquisition Agreement and were required to abstain from voting on the Board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be held and convened for considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder.

As discussed in the section headed "Implications under the Listing Rules" above, by virtue of Mr. Chau and Mr. Lo's interest in the Acquisition Agreement, Mr. Chau, Mr. Lo and their respective associates shall abstain from voting on the ordinary resolution in relation to the Acquisition Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Chau and his associates were interested in 4,345,489,489 Shares, representing approximately 72.17% of the issued share capital of the Company, and Mr. Lo was not interested in any Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders other than Mr. Chau and his associates have material interest in the Acquisition Agreement and are required to abstain from voting.

A notice convening the EGM to be held at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:30 p.m. on 21 November 2017 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 November 2017 to 21 November 2017 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appears on the register of members of the Company on 21 November 2017 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 15 November 2017.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 42 of this circular, which contains its recommendation to the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, and the letter from Astrum set out on pages 43 to 97 of the circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) considers that the terms of the Acquisition Agreement (including the issue of convertible bonds under specific mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Suncity Group Holdings Limited
Chau Cheok Wa
Chairman

SUNCITY GROUP HOLDINGS LIMITED
太 陽 城 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

1 November 2017

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OWED BY STAR ADMIRAL LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 1 November 2017 (the "Circular") of which this letter forms part of. Unless the context specifies otherwise, capitalised terms used herein shall have the same meaning as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder. Astrum has been appointed as the independent financial adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from Astrum as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Astrum as set out in its letter of advice, we consider that the terms of the Acquisition Agreement (including the issue of convertible bonds under specific mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Tou Kin Chuen	**Dr. Wu Kam Fun, Roderick**	**Mr. Lo Wai Tung, John**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of the letter of advice from Astrum, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

ASTRUM

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

1 November 2017

To the Independent Board Committee and
the Independent Shareholders of
Suncity Group Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OWED BY STAR ADMIRAL LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the independent board committee (the "**Independent Board Committee**") and the independent shareholders (the "**Independent Shareholders**") of Suncity Group Holdings Limited (the "**Company**") in relation to the proposed acquisition (the "**Acquisition**") of the entire equity interests and sale loan in Star Admiral Limited. The details of the Acquisition are disclosed in the announcement of the Company dated 27 July 2017 (the "**Announcement**") and in the letter from the Board (the "**Letter from the Board**") set out on pages 6 to 41 of the circular of the Company dated 1 November 2017 (the "**Circular**") to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

On 27 July 2017, the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, (i) the Sale Shares, which represents the entire equity interest of the Target; and (ii) the Sale Loan, which represents the shareholder's loan owed by the Target, at the aggregate Consideration of HK$600 million, which shall be satisfied by the issue of the Promissory Note and Convertible Bonds by the Company in the principal amount of HK$303 million and HK$297 million, respectively, to the Vendor (or as it may direct in writing) at Completion. The Target (a company indirectly wholly owned by Mr. Chau) indirectly owns approximately 34% effective interest in the ProjectCo, and the ProjectCo is currently developing an integrated resort project located in Hoi An, Vietnam consisting of a casino, hotels, residential areas, and a golf course.

As some of the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Vendor is wholly owned by Mr. Chau, and executive Director and the Chairman of the Company. Fame Select, a company which is owned as to 50% by Mr. Chau, was interested in approximately 72.17% of the issued share capital of the Company as at the Latest Practicable Date and is therefore the controlling shareholder of the Company. Accordingly, the Vendor is regarded as a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Acquisition Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 22 June 2017, Mr. Chau agreed to procure the Vendor to pay Mr. Lo, an executive Director, a certain percentage of the realised profit of the Vendor upon realisation or disposal of its interests in the Project subject to a maximum amount of HK$120 million as consideration for Mr. Lo's advisory and consultancy service to Mr. Chau in respect of the Project. By virtue of interests of Mr. Chau in the Acquisition Agreement and Mr. Lo in the Consultancy Agreement, Mr. Chau, Mr. Lo and their respective associates shall abstain from voting on the ordinary resolution in relation to the Acquisition Agreement and the transactions contemplated thereunder to be proposed at the EGM. As at the Latest Practicable Date, Mr. Chau and his associates are interested in 4,345,489,489 Shares, representing approximately 72.17% of the issued share capital of the Company, and Mr. Lo was not interested in any Shares. Save for the aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder. By virtue of interests of Mr. Chau in the Acquisition Agreement and Mr. Lo in the Consultancy Agreement, they had abstained from voting in respect of the relevant Board resolution relating to the Acquisition Agreement and the transactions contemplated thereunder. Save for the aforesaid, no other Directors have a material interest in the Acquisition Agreement and were required to abstain from voting on the Board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, has been established to advise and provide recommendation to the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement. We, Astrum Capital Management Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on the voting in respect of the transactions contemplated under the Acquisition Agreement.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we have been engaged as the independent financial adviser of a listed company on the Stock Exchange of Hong Kong Limited, where Mr. Chau is the controlling shareholder, in respect of a proposed connected transaction. Save as disclosed above, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Star Admiral Limited, Gold Yield Enterprises Limited, Hoi An South Investments Pte. Ltd., Hoi An South Development Ltd., Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, except for the independent financial adviser engagements (in relation to the entering into of (i) the Hotel Accommodation Procurement Agreement, details of which were set out in the circular of the Company dated 8 March 2017; and (ii) the Revised HAP Agreement, details of which were set out in the circular of the Company dated 5 June 2017), there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the entering into of the Acquisition Agreement, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the announcement of the Company dated 22 June 2017 ("**MOU Announcement**") in relation to the memorandum of understanding in relation to (i) the Acquisition and (ii) the provision of consultancy and management services in respect of the Project, the Circular, the Acquisition Agreement, the 2014 annual report of the Company (the "**2014 Annual Report**"), the 2015 annual report of the Company (the "**2015 Annual Report**"), the 2016 annual report of the Company (the "**2016 Annual Report**"), the 2017 interim report of the Company (the "**2017 Interim Report**") and the Vietnam legal opinion (the "**Vietnam Legal Opinion**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations and prospects of the Group and the Target Group (including but not limited to the ProjectCo). We have also reviewed the business valuation report (the "**Valuation Report**") prepared by an independent professional valuer, namely Grant Sherman Appraisal Limited (the "**Independent Valuer**"), including reviewing the underlying financial projections and assumptions. Based on the foregoing steps, we consider that we have taken all the reasonable endeavours, which are applicable to the Acquisition, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annex notes) in forming our opinion. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation which are in compliance with Rule 13.80 of the Listing Rules. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussion with the Management regarding the terms of the Acquisition Agreement, the businesses and future prospects of the Group and the Project. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

Unless otherwise specified in this letter, amounts denominated in (i) US$ have been converted to HK$ at a rate of US$1 to HK$7.8072 and (ii) VND have been converted to HK$ at a rate of VND1,000,000 to HK$343.8 for illustration purpose.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations with regard to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition and the transactions contemplated under the Acquisition Agreement, we have taken into account the following principal factors and reasons:

1. Information of the Group

A. Business of the Group

The Group currently engages in four operating segments, respectively (i) property development activities, where the Group develops and sells properties in the PRC; (ii) property leasing, where the Group leases retail properties to generate rental and management fee income and to gain capital appreciation in the properties' values in the long term; (iii) hotel and integrated resort management and consultancy services, where the Group provides hotel and integrated resort management and consultancy services to generate service income; and (iv) travel agency, where the Group provides travel agency services to generate service income.

B. Financial information of the Group

The following table sets out the financial information of the Group for (i) the three financial years ended 31 December 2016 ("**FY2014**", "**FY2015**" and "**FY2016**" respectively) as extracted from the 2015 Annual Report and the 2016 Annual Report; and (ii) the six months ended 30 June 2016 and 2017 (respectively "**1H2016**" and "**1H2017**") as extracted from the 2017 Interim Report:

Table 1: Financial information of the Group

	FY2014 (audited) *RMB'000*	**FY2015** (audited) *RMB'000*	**FY2016** (audited) *RMB'000*	**1H2016** (unaudited) *RMB'000*	**1H2017** (unaudited) *RMB'000*
Revenue	917,458	726,088	1,108,544	205,524	333,209
– Property development	*863,691*	*667,510*	*1,048,222*	*173,814*	*183,067*
– Property leasing	*53,569*	*58,032*	*59,079*	*31,710*	*28,042*
– Hotel and integrated resort management and consultancy services	*198*	*546*	–	–	–
– Travel agency services	–	–	*1,243*	–	*122,100*
Gross profit	193,567	313,862	505,306	98,763	145,369
Profit/(loss) before taxation	77,935	(86,945)	(235,615)	(42,289)	(934,693)
Profit/(loss) attributable to owners of the Company	(143,727)	(245,007)	(490,386)	(64,844)	(1,056,267)

	As at 31 December 2014 (audited) *RMB'000*	**As at 31 December 2015** (audited) *RMB'000*	**As at 31 December 2016** (audited) *RMB'000*	**As at 30 June 2017** (unaudited) *RMB'000*
Bank balances and cash	127,988	27,768	143,439	137,686
Total assets	4,168,643	3,686,948	3,079,571	2,851,923
Total (liabilities)	(3,857,011)	(3,610,507)	(2,687,126)	(3,491,118)
Net assets/(liabilities)	311,632	76,441	392,445	(639,195)

(i) FY2015 vs FY2014

In 2015, the Group's property development segment remained as the core revenue driver of the Group. The Group delivered residential units of approximately 18,842 m^2 gross floor area ("**GFA**"), including high-rise building units of approximately 15,779 m^2 GFA, luxury high-rise building units of approximately 2,073 m^2 GFA and villa of approximately 990 m^2 GFA. Turnover of the Group for FY2015 amounted to approximately RMB726.1 million, representing a year-on-year decrease of approximately 20.9% as compared to approximately RMB917.5 million for the previous year. Such decrease was mainly due to the decrease in sales proceeds of properties delivered from approximately RMB863.7 million for FY2014 to approximately RMB667.5 million for FY2015.

As advised by the Management, the profit margin of sales of luxury high-rise building units and villa is higher than that of high-rise building units. In FY2014, the Group only delivered high-rise building units, whereas the Group delivered all high-rise building units, luxury high-rise building units and villa in FY2015. Accordingly, notwithstanding the decrease in turnover, the Group's gross profit increased by approximately RMB120.3 million from approximately RMB193.6 million in FY2014 to approximately RMB313.9 million for FY2015.

In 2015, loss attributable to owners of the Company amounted to approximately RMB245.0 million, as compared to loss of approximately RMB143.7 million for FY2014. Such deterioration was principally due to (i) the reduction of increment in fair value of investment properties by approximately RMB372.0 million; and (ii) the recognition of other net expenses of approximately RMB66.8 million in FY2015 (FY2014: other net income of approximately RMB27.9 million), which was partially offset by the reduction of other operating expenses, finance costs and income tax expense from approximately RMB753.4 million in FY2014 to approximately RMB476.5 million in FY2015.

As at 31 December 2015, the Group had total assets of approximately RMB3,686.9 million and total liabilities of approximately RMB3,610.5 million. Bank balances and cash of the Group as at 31 December 2015 amounted to approximately RMB27.8 million.

(ii) FY2016 vs FY2015

During FY2016, the Group completed the acquisition of Sun Travel Ltd. ("**Sun Travel**"), which is principally engaged in the provision of travel-related products and services. Such new business section generated turnover of approximately RMB1.2 million to the Group from completion of acquisition of Sun Travel on 31 August 2016 to 31 December 2016. In addition, Suncity Group Management and Consultancy Limited was established in FY2016, with an aim to provide consultancy, advisory and technical services for large scale resorts and/or gaming and entertainment facilities in places with rapid growth in the tourism industry.

Turnover of the Group increased from approximately RMB726.1 million for FY2015 to approximately RMB1,108.5 million for FY2016, representing a year-on-year increase of approximately 52.7%. Such increase was mainly due to the strong performance of the Group's property development segment during FY2016 with revenue increased by approximately 57.0% to approximately RMB1,048.2 million. In FY2016, the Group delivered residential units of approximately 24,351 m^2 GFA, as compared with 18,842 m^2 GFA in FY2015.

As a result of the increase in turnover, the Group's gross profit increased by approximately RMB191.4 million from approximately RMB313.9 million in FY2015 to approximately RMB505.3 million for FY2016.

Notwithstanding the increase in gross profit, the Group's loss-making position further deteriorated during FY2016. In FY2016, the Group recorded loss attributable to owners of the Company of approximately RMB490.4 million, representing an increase of approximately 100.2% as compared to loss of approximately RMB245.0 million for FY2015. Such deterioration was mainly attributable to (i) the increase in other operating expenses by approximately RMB313.2 million; (ii) the increase in income tax expense from RMB159.0 million in FY2015 to approximately RMB254.9 million in FY2016; and (iii) the reduction of increment in fair value of investment properties by approximately RMB55.0 million, which was partially offset by the reduction of finance costs by approximately RMB106.8 million.

As at 31 December 2016, the Group had total assets of approximately RMB3,079.6 million and total liabilities of approximately RMB2,687.1 million. As at 31 December 2016, the Group's bank balances and cash amounted to approximately RMB143.4 million.

(iii) 1H2017 vs 1H2016

Turnover of the Group increased from approximately RMB205.5 million for 1H2016 to approximately RMB333.2 million for 1H2017, representing a period-on-period increase of approximately 62.1%. Such increase was mainly due to the new income source of approximately RMB122.1 million from provision of travel-related products and services through Sun Travel.

As a result of the increase in turnover, the Group's gross profit increased by approximately RMB46.6 million from approximately RMB98.8 million in 1H2016 to approximately RMB145.4 million for 1H2017.

Notwithstanding the increase in gross profit, the Group's loss-making position deteriorated sharply during 1H2017. In 1H2017, the Group recorded loss attributable to owners of the Company of approximately RMB1,056.3 million, representing approximately 16.3 times to loss of approximately RMB64.9 million for 1H2016. Such deterioration was mainly attributable to (i) the negative impact on the change in fair value of approximately RMB697.7 million from the derivative component of the convertible bonds issued to Fame Select on 8 December 2016 (the "**2016 CB**"); (ii) the provisions of approximately RMB327.2 million in relation to the bank claim and consultant claim as disclosed in note 15 to the 2017 Interim Report; (iii) the loss on litigation of approximately RMB84.6 million in relation to the consultant claim as disclosed in note 15 to the 2017 Interim Report; and (iv) the increase in income tax expense of approximately RMB99.0 million from RMB22.6 million in 1H2016 to approximately RMB121.6 million in 1H2017, and partly offset by the reversal of impairment loss on trade and other receivables in the amount of RMB150.0 million.

As at 30 June 2017, the Group had total assets of approximately RMB2,851.9 million and total liabilities of approximately RMB3,491.1 million and therefore recorded net liabilities of approximately RMB639.2 million. Such net liabilities position was mainly due to (i) the increment of approximately RMB684.7 million in derivative component of the 2016 CB; and (ii) the provisions of approximately RMB327.2 million in relation to the bank claim and consultant claim as disclosed in note 15 to the 2017 Interim Report. As at 30 June 2017, the Group's bank balances and cash amounted to approximately RMB137.7 million.

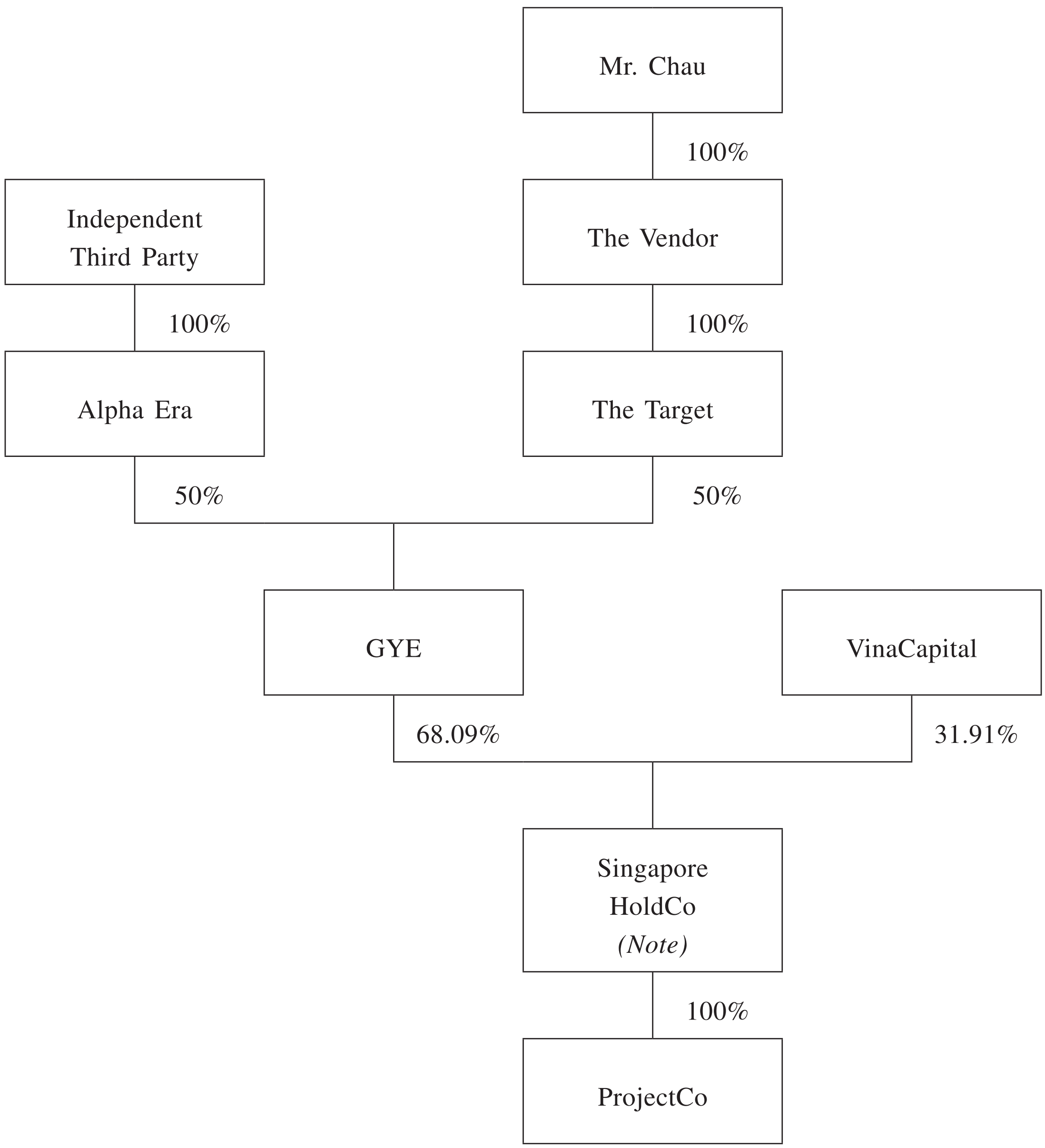
2. Information of the Vendor

The Vendor, Suncity International Holdings Limited, is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. It is wholly owned by Mr. Chau, an executive Director and the Chairman of the Company.

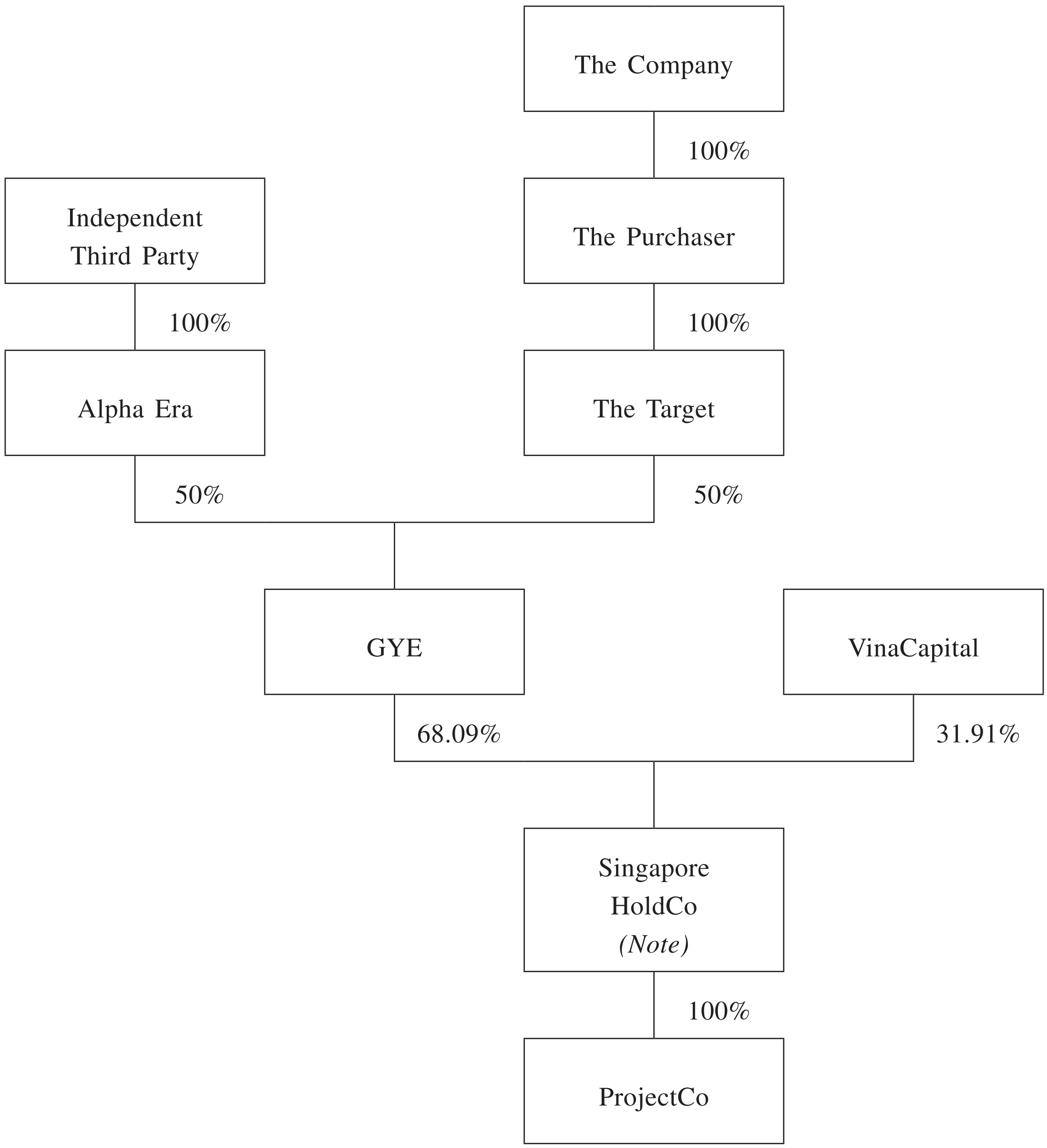
3. Information of the Target Group

A. Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Set out below is the shareholding structure of the Target Group immediately after Completion:



Note: *As disclosed in the Announcement, Singapore HoldCo has two other wholly-owned subsidiaries, Hoi An South Development (HK) Limited and Yield Gold Enterprises (Macao) Limited, both of which are principally engaged in the provision of consultancy and management services to the Target Group. As further advised by the Vendor, Singapore HoldCo set up two inactive subsidiaries, namely Sundance Asia Limited and Harkness Asia Limited.*

B. Background of the Target Group

The Target is an investment holding company incorporated in the BVI with limited liability. It is wholly owned by the Vendor, which is in turn wholly owned by Mr. Chau.

The Target owns 50% equity interest in GYE, an investment holding company incorporated in the BVI with limited liability. The remaining 50% interest in GYE is owned by Alpha Era, a company incorporated in the BVI with limited liability and wholly owned by an Independent Third Party. GYE is a company incorporated in the BVI with limited liability and its principal business is investment holding. The principal asset of GYE is approximately 68% equity interest in Singapore HoldCo. The remaining approximately 32% equity interest of Singapore HoldCo is held by VinaCapital, an Independent Third Party.

According to the website of VinaCapital (*vinacapital.com*), it is one of the Vietnam's leading investment management and real estate development firms, with a diversified portfolio of US$1.8 billion in assets under management.

Singapore HoldCo is a company incorporated in Singapore with limited liability and its principal business is investment holding. The principal asset of Singapore HoldCo is the entire equity interest in the ProjectCo. Singapore HoldCo holds the entire equity interest in two other subsidiaries, Hoi An South Development (HK) Limited and Yield Gold Enterprises (Macao) Limited, both of which are principally engaged in the provision of consultancy and management services to the Target Group. In addition, Singapore HoldCo has two inactive subsidiaries namely Sundance Asia Limited and Harkness Asia Limited.

The ProjectCo is a company incorporated in Vietnam with limited liability and its principal business is real estate, provision of short-term hotel services, tourism agency operation and conducting business activities in prize winning games. The principal asset of the ProjectCo is the Project.

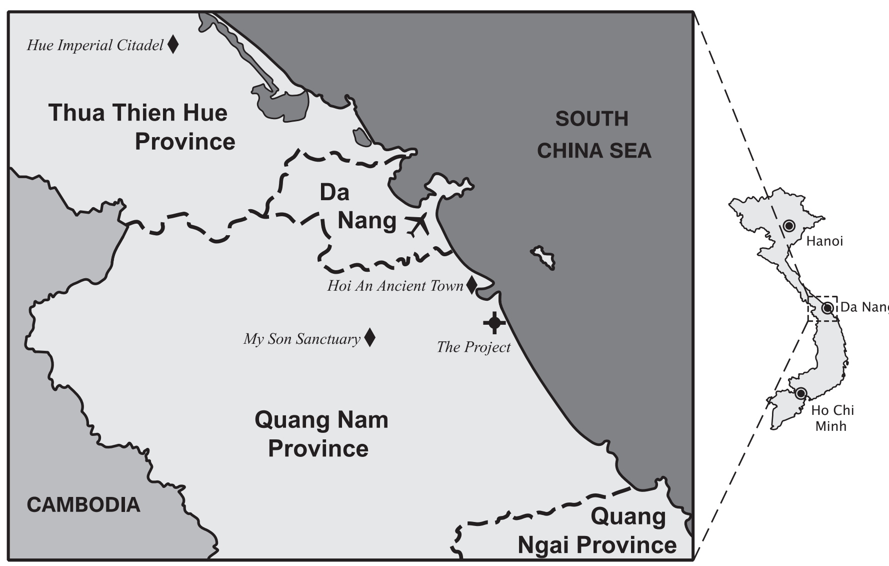
C. Investment registration certificate of the Project

The People's Committee of Quang Nam first issued the investment registration certificate of the Project on 10 December 2010, which was subsequently amended on 23 March 2015 and 2 August 2016 in relation to the objective, scale, schedule, and operation term of the Project. According to the latest amended Investment Registration Certificate dated 2 August 2016, the Project includes the building of a comprehensive infrastructures for tourism area, integrated resort and residential areas with a total land area of approximately 985.5 hectares. The Project is intended to be developed in seven main phases where phase 1 covers a land area of approximately 270 hectares with total investment capital and contribution capital of US$650 million and US$130 million respectively. The Project is intended to be developed in 13 years from 2016 to 2029, and it is intended that the first sub-project will be completed and put into operation in the second quarter of 2019. The duration of the Project is 70 years from 10 December 2010. The Investment Registration Certificate also states that, among others, the ProjectCo shall be only permitted to deploy the area for prize-winning games for foreigners with 140 card-dealing tables and 1,000 slot machines after at least 1,000 lodging rooms has been completed and put into operation and the ProjectCo is allowed to corporate or transfer sub-projects to secondary investors for development upon approval by the competent authorities.

According to the Letter from the Board, based on the development plan as at the Latest Practicable Date, only phase 1 development with land area of approximately 163 hectares has been materialised. We noted that the planned phase 1 development land area of approximately 163 hectares is lower than the designated land area of approximately 270 hectare as stipulated in the Investment Registration Certificate. However, the Investment Registration Certificate also states that the particular areas and time for development of each phase of the Project may be adjusted to meet the current status and demand of the market. The Management was advised by the Vietnam legal counsel that the ProjectCo has to be registered with the Chu Lai Economic Zones Authority for an amendment to the Investment Registration Certificate if it wishes to substantially reduce the area of the land used for phase 1, otherwise failure to register the change may subject the ProjectCo to a small monetary fine of up to VND40 million (approximately HK$13,752). Based on the Vietnam Legal Opinion obtained by the Company, we are of the view that the possible fine in respect of the reduction in phase 1 land area is minimal. In addition, we also noted from the phase 1 development plan that there will be a total of 1,004 bedrooms, which satisfy the condition of the Investment Registration Certificate for the operation of 140 card-dealing tables and 1,000 slot machines.

D. Information of the Project

The Project is intended to be a luxury integrated resort icon in Asia and a leading travelers' destination for Central Vietnam, which is located in Hoi An (會安), Quang Nam Province (廣南省), an emerging tourist destination in Vietnam. Hoi An is a city which is approximately 30 kilometers south of Da Nang (峴港) and the distance between the international airport in Da Nang and the Project is approximately 40 kilometers. The Project is adjacent to the beach front facing the South China Sea.



The Project will consist of tourism areas, an integrated resort complex and residential areas. As stipulated in the Investment Registration Certificate dated 2 August 2016, the whole development of the Project is expected to comprise seven phases to be developed over a span of 13 years on a site of approximately 985.5 hectares with phase 1 land area of approximately 270 hectares. In the other six phases of the Project, the ProjectCo will further develop the remaining site which may include but not limited to an additional 1,000 slot machines, a new golf course, residential dwellings, commercial and retail areas, opportunistic developments such as cultural villages and entertainment facilities and other public facilities. Based on the development plan as at the Latest Practicable Date, only phase 1 development with land area of approximately 163 hectares has been materialised.

The phase 1 development includes the building of an integrated resort complex with entertainment and retail facilities which consists of the Casino with a total of 140 gaming tables and 1,000 slot machines, a golf course, a mass market hotel with 313 hotel rooms, an all-suite hotel with 136 suites (comprising 141 bedrooms), a hotel villa resort with 70 units (comprising 74 bedrooms), 30 villa units (comprising 68 bedrooms) for sale and timeshare rental, and a condo-hotel with 236 rooms (comprising 408 bedrooms) for sale and timeshare rental.

According to the phase 1 development plan provided by the Management, the total gross floor area of the buildings is approximately 267,500 square meter ("**m²**"). The breakdown of which is as follow:

	Approximate GFA
Villa and hotel – self-owned	93,800 m^2
Villa and hotel – sale and timeshare	42,200 m^2
Casino	46,500 m^2
Golf course club house	85,000 m^2
Total	**267,500 m^2**

(i) Casino

One of the key features of the phase 1 development of the Project is the casino with 140 gaming tables and 1,000 slot machines. Those gaming tables are expected to be allocated to VIP rooms for VIP patrons and the main floor for premium mass market patrons and mass market patrons. As advised by the Management, around half year before the commencement of the Casino, the ProjectCo will engage a number of junket operators who are responsible for introduction of VIP patrons with pre-set minimum monthly rolling. The Management also expects that PRC customers joining gaming package tours, expatriates or other tourists are potential customers of the casino.

Pursuant to the MOU Announcement, Suncity Group Management and Consultancy (Hoi An) Limited, an indirect wholly-owned subsidiary of the Company (the "**Hoi An Subsidiary Company**"), and the ProjectCo entered into the memorandum of understanding in relation to the proposed provision of consultancy and management services by the Hoi An Subsidiary Company in respect of the Project. Such consultancy and management services will include (1) technical and pre-opening services in connection with the planning, design, construction, fit out and opening of gaming and related businesses; and (2) management of the Casino in the Project and the food and beverage facilities to be located at the Casino (the "**F&B Facilities**"). Formal agreements in respect of such services are expected to be entered into between the ProjectCo and the Hoi An Subsidiary Company, which shall bring new income stream to the Group upon the commencement of provision of such services. The Group will also through Sun Travel, an indirect wholly-owned subsidiary of the Company principally engaged in travel agency business, promotes the Project to its database of existing and potential clients.

(ii) Hotel and villa

According to the development plan provided by the Management, the integrated resort complex is broadly divided into two types of accommodation: villa and hotel, which are partly to be self-owned by the ProjectCo and partly to be for sale and timeshare for rental. Timeshare villa and condo-hotel are expected to be offered for sale and subsequently put back into a rental pool program for the resort with profit sharing to the owner.

The ProjectCo proposed to appoint Rosewood Hotels & Resorts ("**Rosewood**") as the management of the villa to provide ultra-luxury resort accommodation and New World Hotels and Resorts ("**New World**") as the management of all-suite hotel, mass hotel and condo-hotel. The whole resort will offer a variety of recreational facilities including pools, fitness centre and spa and treatment, and also equipped with different food and beverage facilities and venues for event and meeting. The table below sets out the number of units and bedrooms for each type of villa and hotel:

Table 2: Villa and hotel

	Hotel management	**Number of units**	**Number of bedrooms**
Villa and hotel – self-owned			
Hotel villa resort	Rosewood	70	74
All-suite hotel	New World	136	141
Mass market hotel	New World	313	313
Villa and hotel – sale and timeshare			
Villa	Rosewood	30	68
Condo-hotel	New World	236	408
Total		**785**	**1,004**

The target customers for the hotel and villa are casino players, existing customer base of Rosewood and New World and referrals by Sun Travel. and for real estate are wealthy locals and foreigners who purchase the units for investment purposes or for vacation.

(iii) Golf course

Phase 1 development of the Project employs one golf course clubhouse featuring 18-hole champion golf course designed by Robert Trent Jones II, the celebrated golf course architects, who have created more than 270 courses in over 40 countries on six continents. The golf course clubhouse will launch short-term and long-term membership programs to gain loyalty from frequent golfers. The target customers are Vietnamese, expatriates, casino players and golf tourists.

E. Development timetable

As at the Latest Practicable Date, phase 1 development of the Project was concurrently undergoing land clearance, design and construction across the land. The design and construction are scheduled to complete around the fourth quarter of 2017 and the second quarter of 2019 respectively. Inspection by competent authorities will be conducted following the construction. Management expects that the operation of the casino and hotels will commence by the second quarter of 2019 and the pre-sale of villa and condo-hotels will begin from the mid of 2018.

F. Capital commitment

According to the Letter from the Board, the ProjectCo has invested a total of approximately US$89.0 million (equivalent to approximately HK$694.8 million) in relation to phase 1 development of the Project (including approximately US$30.3 million (equivalent to approximately HK$236.6 million) from the Vendor by virtue of its share of interest). In addition, a loan facility under the credit contract of up to US$484 million (equivalent to approximately HK$3,778.7 million) has been obtained for the phase 1 development. Based on the required planned investment cost of US$650 million (equivalent to approximately HK$5,074.7 million) stipulated in the Investment Registration Certificate dated 2 August 2016, the ProjectCo will need to deploy an addition of approximately US$77.0 million (equivalent to approximately HK$601.2 million), of which approximately US$26.22 million (equivalent to approximately HK$204.7 million) is to be invested by the Target by virtue of its share of interest in the Project. It is believed that after Completion, the Group will take up the investment commitment of the Target in the phase 1 development.

The Vendor irrevocably undertakes that in the event that the Purchaser and/or the Target cannot obtain financing from financial or credit institutions for investment commitment of the Target in the phase 1 development, it will provide such financial assistance of up to the investment commitment of approximately US$26.22 million (equivalent to approximately HK$204.7 million) to the Target for the sole purpose of settling the said investment commitment, on normal commercial terms and not secured by any assets of the Group.

G. Financial information of the Target Group

For the two years ended 31 December 2016, the unaudited consolidated loss after tax of the Target Group amounted to approximately US$0.13 million (equivalent to approximately HK$1.0 million) and US$2.98 million (equivalent to approximately HK$23.3 million) respectively. As advised by the Management, the loss carried by the Target Group mainly represents the share of loss from the ProjectCo as a result of administrative expenses incurred for the Project and with a small portion from expenses incurred by the Target Company.

As at 31 December 2016, the unaudited net liabilities of the Target Group amounted to approximately US$4.02 million (equivalent to approximately HK$31.4 million). According to the management account of the Target Group, as at 31 December 2016, the share capital amounted to US$50,000 and the accumulated loss amounted to approximately US$4.1 million (which was mainly resulting from the share of loss from the ProjectCo and the Target Company in 2015 and 2016) and therefore the Target Group was in a net liabilities position.

H. Risks of the Project

As disclosed in paragraph headed "Risks relating to the business and operations of the ProjectCo" in the Letter from the Board, the Management sets out the following specific risks in relation to the gaming business of the ProjectCo:

- Casino business is based primarily on gaming, which inherently involves elements of chance that are beyond the control of the ProjectCo
- Regulatory risks in relation to the Project
- The successful implementation of the Project in accordance with its development plan
- Dependence on junket operators and customers
- The proposed gaming business is subject to cheating and counterfeiting
- No direct operating history
- The ProjectCo may face intense competition in Vietnam and elsewhere in Asia

– Emerging market in Vietnam

– Sensitivity to economic downturn, economic uncertainty and other factors affecting discretionary consumer spending

– Conducting business in Vietnam involves certain economic and political risks

– Social and economic conditions, travelling restrictions and currency exchange control in the PRC may be subject to uncertainties

– The ability to attract and retain a sufficient number of qualified employees to run the operation

– Developing nature of the legal environment of Vietnam

– Foreign exchange regulations and requirements of Vietnam

The Group has obtained a Vietnam legal opinion and Hong Kong legal opinion. After reviewing the legal opinions, the Company is of the view that:

(a) the Project is lawful in Vietnam;

(b) the Company is not in breach of the Gambling Ordinance (Chapter 148, the Laws of Hong Kong) as a result of the Acquisition; and

(c) the proposed provision of the Services by the Group will not contravene with the Gambling Ordinance (Chapter 148, the Laws of Hong Kong).

Upon completion of the Acquisition and throughout the holding of such investment in the Project, the Company will comply with the applicable laws where such gaming activities operate.

Although there is no official guidance on implementation of Decree 03 and the possible development and interpretations and guidance in future might have negative impact on the Project, we view from another perspective that the first issue of Decree 03 on casino business in 2017 as the first regulation on the casino business in Vietnam is a positive sign and a great movement to signify the determination of Vietnamese Government to regulate the casino business and in turn further support the proper development of the industry. The issuance of Decree 03 to regulate the casino business in Vietnam in essence is a protection to the existing casino business investor as the industry is restricted to those licensed holders with specified requirements.

According to the Vietnam Legal Opinion, the Investment Registration Certificate is in substance a licence recognising the investor's right to develop and operate the specified project and the permitted terms of investment. The Vietnam legal counsel also advised that, to their knowledge as at the date of the Vietnam Legal Opinion and based on the documents reviewed by them, the Investment Registration Certificate remains valid and they are not aware of any pending threat of revocation of the Investment Registration Certificate. Being granted the Investment Registration Certificate and with the issuance of Decree 03 in 2017, we are of the view that ProjectCo could enjoy the first mover advantage as being an investor in the first few casinos within an integrated resort in Vietnam.

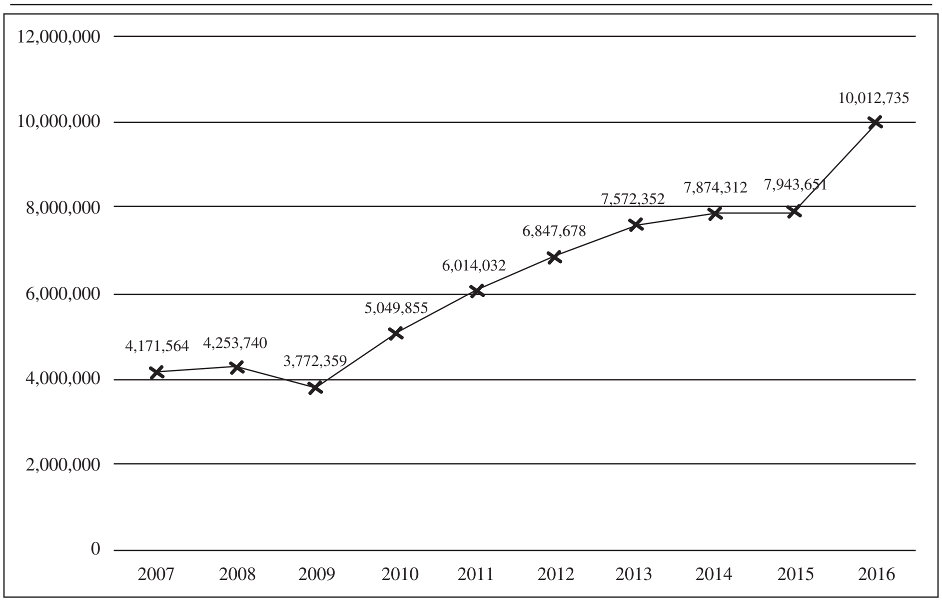
We understand that the ProjectCo is well prepared to manage the risk associated with the changes in the rules and regulations on casino business and the investment laws and political practices in Vietnam. The ProjectCo has engaged an in-house Vietnam counsel who will timely advise and inform the ProjectCo of any change in relevant Vietnam regulations and laws. We have obtained from the Management the qualification and experience of the in-house Vietnam counsel and noted that the in-house Vietnam counsel was graduated from the Faculty of Law of Vietnam National University, Hanoi and has been practicing as a qualified lawyer in Vietnam since 2015. Before joining the ProjectCo, the in-house Vietnam counsel had worked in two law firms in Vietnam. In addition, the ProjectCo has regular meetings and maintained good relationship with relevant provincial officials in Vietnam. The ProjectCo also conducts monthly executive committee meeting, where Mr. Chau and Mr. Lo are committee members, to discuss the development progress of the Project.

Taking into account (i) the issuance of Decree 03 is a positive sign and a great movement to signify the determination of Vietnamese Government to regulate the casino business and in turn further support the proper development of the industry; (ii) the ProjectCo could enjoy the first mover advantage as being an investor in the first few casinos within an integrated resort in Vietnam; (iii) the ProjectCo is well prepared to manage the risk associated with the changes in the rules and regulations on casino business and the investment laws and political practices in Vietnam; (iv) the reasons for and benefits of the Acquisition as discussed in the paragraph headed "Reasons for and benefits of the Acquisition", the Management considers, and we also concur with the Management, that it is a suitable time for the Acquisition despite the uncertainties of the gaming laws in Vietnam.

4. Industry

Vietnam is a Southeast Asian country on the South China Sea with stunning natural landscapes, beautiful coastline, precious colonial structures and ancient citadels. Under the great effort of Vietnamese government, Vietnam continues to emerge as a prominent destination for international tourists in Southeast Asia, as demonstrated by the encouraging upward trend of international visitors recorded in the past decade. Notably, the number of international visitors to Vietnam exceeded, at the first time, 10 million in 2016. The chart below depicts the number of international visitors to Vietnam from 2007 to 2016:

Chart 1: Number of international visitors to Vietnam from 2007 to 2016



Source: Vietnam National Administration of Tourism

As illustrated in Chart 1 above, the number of international visitors surged from approximately 4.2 million in 2007 to approximately 10.0 million in 2016, representing a compound annual growth rate ("**CAGR**") of approximately 10.2%. China, Korea and Japan were the top 3 countries of origin of international visitors to Vietnam, accounting for approximately 26.9%, approximately 15.4% and approximately 7.4%, respectively, of the total international visitors in 2016. For the six months ended 30 June 2017, the total international arrivals reached 6.2 million, representing a period-on-period growth of approximately 31.9%. Nowadays, tourism has become one of the important industries in the Vietnamese economy. According to the statistics published in the official website of Vietnam National Administration of Tourism, total revenue from tourism industry in Vietnam amounted to approximately VND337.8 trillion (equivalent to approximately HK$116.1 billion) in 2015, representing approximately 7.7% of the Vietnam's gross domestic product for the corresponding year.

While Ho Chi Minh City and Hanoi remain as the most attractive destinations in Vietnam for tourists, emerging resort markets (such as Da Nang (峴港) and Hoi An (會安)) have been gaining attention of international visitors. Da Nang is a coastal city in central Vietnam known for its sandy beaches and history as a French colonial port. Da Nang is the center of three world cultural heritages, namely, Hue Imperial Citadel, Hoi An Ancient Town and My Son Sanctuary. Hoi An (會安) is 30 kilometers south of Da Nang and is regarded as one of Asia's most atmospheric ancient towns with more than 800 historic Chinese mansions, quaint shop houses, graceful colonial buildings, classic temples, and an iconic Japanese Covered Bridge. According to the feasibility study for the project conducted by Savills, quoting Quang Nam Department of Culture, sports and tourism, the total number of international visitors to Quang Nam province (which includes Da Nang and Hoi An) increased steadily from approximately 1.1 million in 2011 to approximately 2.3 million in 2016, representing a CAGR of approximately 15.9%. Apart from international visitors, Quang Nam province also attracted many domestic travelers. The total number of domestic visitors to Quang Nam province also experienced similar pace of growth, increasing from approximately 1.1 million in 2011 to approximately 2.1 million in 2016.

In addition, for the sake of attracting more inbound visitors from oversea, the Vietnamese government promulgated a decree (No.07/2017/ND-CP) in January 2017 to launch a pilot program allowing the issuance of electronic visas to foreigners entering Vietnam. Such pilot program will be effective for two years, starting from 1 February 2017. Tourists may register online for electronic visas before arrival.

The existing gaming industry in Vietnam comprises a number of gaming facilities, clubs and casinos offering mainly slot games together with some live gaming tables. The only operating casino lying within an integrated resort is The Grand Ho Tram Strip, which takes two-hour drive from Ho Chi Minh City according to its website. The casino of The Grand Ho Tram Strip features 500 slot machines and 90 gaming tables. Apart from the Project in Hoi An, Phu Quoc Island (an island in the south of Vietnam) and Van Don Economic Zone (in the north of Vietnam) are the two other locations where casinos are to be run within integrated resorts in coming years. In Da Nang, a slot parlor namely Club 99 is currently running within Furama Resort Danang with 80 slot machines and seats for electronic table games and a casino operating in Crowne Plaza Da Nang with 20 live gaming tables and 68 slot machines.

In January 2017, the legal framework for casino businesses was adopted under Decree No. 03/2017/ND-CP of the Vietnamese government on Casino Business Activities ("**Decree 03**"), which took effect from 15 March 2017 according to the Ministry of Justice of the Vietnamese government. Prior to the enactment of Decree 03, Vietnamese citizens were not permitted to gamble in casinos. Decree 03 now provides a 3-year pilot scheme (the "**Pilot Scheme**") where Vietnamese citizens who are 21 or older and who have a regular income of at least VND10 million (equivalent to approximately HK$3,438) per month may gamble in casinos that are located in tourism complexes and entertainment facilities. Vietnamese citizens must pay VND1 million (equivalent to approximately HK$344) for a 24-hour casino pass or VND25 million (equivalent to approximately HK$8,595) for a one month pass. According to market news, selected casinos are eligible to participate in the Pilot Scheme.

Gross gaming revenue derived from casino business in Vietnam is subject to a value added tax of 10% and a special consumption tax of 35%, both of which are applied after the deduction of commission paid to junket operators. Vietnam is the only country in Asia which allows tax computation for gaming revenue to be made on such after-commission basis. In Macau, the gaming tax rate is 39% on the gross gaming revenue with no deduction of junket commission.

5. Reasons for and benefits of the Acquisition

As disclosed in the 2016 Annual Report of the Company, the Group has been exploring and planning to invest in potential projects and business opportunities with good potential and to further expand its tourism-related business to countries in Asia, other than China, and Vietnam has been one of the initial target markets of the Group.

Vietnam is demonstrated to be an emerging tourist destination in the past decade with the number of international visitors surpassing 10 million in 2016. The Vietnamese government continues to launch favorable policy such as e-visa to attract tourists. As disclosed in the section headed "3. *Information of the Target Group – D. Information of the Project*", the Project is located at the beachfront of Hoi An and is 40 kilometers away from the Da Nang International Airport. The Management considered that Hoi An is the best location among the existing and forth coming luxury casino integrated resorts as it can be easily accessed by international flights from major cities in Asia and surrounded by developed hotels and other attractions including UNESCO world heritage sites. According to website of The Grand Ho Tram Strip casino and resort, it is a beach-side integrated resort with casino and golf course. However, it takes two-hour drive from Ho Chi Minh City (which is the nearest city connecting the resort by international flights) and is lack of famous surrounding sightseeing attractions and therefore discourages international tourist and gaming patrons. In addition, the other two upcoming casinos in Phu Quoc Island and Van Don Economic Zone are also uneasy to be reached by international tourists until the development of further road infrastructure, ancillary transport facilities and commercial flights/chartered flights.

The Management expects the future economic benefits of phase 1 development of the Project will be mainly driven by the Casino with the support of the hotels, villas, golf course and other amenities. Together with the development from phase 2 to phase 7, the Project will become a distinctive integrated resort in Vietnam. In early 2017, the Vietnamese government issued Decree 03 in relation to casino business activities which allows selected domestic casinos to accept bets from Vietnamese gamblers under certain conditions as stipulated in the 3-year Pilot Scheme. The Management is of the view that the enactment of Decree 03 signals the Vietnamese government's determination to further open up its gaming market. The Management also envisages the gaming tax regime in Vietnam under which tax computation of VIP gaming revenue to be made on after-junket-commission basis will bolster the profitability of the Casino. The lower effective gaming tax rate in essence enhances the competitiveness of the gaming business in Vietnam comparing with Macau.

According to the MOU Announcement, the Group intends to act as the consultant of the Project to provide technical and pre-opening services in connection with the planning, design, construction, fit out and opening of gaming and related businesses. In addition, the Group also intends to take part in the future management of the Casino in the Project and the F&B Facilities. Such consultancy and management services will be subject to the entering into of formal agreements between the ProjectCo and the Group. Riding on the extensive experience of Mr. Chau, Mr. Lo, Mr. Au Chung On John and Mr. Manuel Assis Da Silva in the operation, management and internal control of casinos (where details of their experience are stated in the Letter from the Board) and the experiences of the Group's senior executives, the Management is confident that the Group is capable to fulfil its role as the consultant and manager of the Project by providing practical and professional advice and to manage the Casino in an effective and efficient manner. Through such consultancy and management services, the Group can directly and actively take part in the Project which in turn assist the Group in the monitoring of its investment in the ProjectCo.

Having considered that (i) the Project comprises the development of an integrated resort facilities with Casino, hotels, villas and golf course along the beachfront in Hoi An, which is in line with the investment strategy of the Group in tourism-related business in Asia; (ii) the furtherance of the business and development of the whole integrated resort to be brought by the world-class business partners including Rosewood, New World, VinaCapital and Robert Trent Jones II; (iii) the favourable prospect of Vietnam tourism as evidenced by the growing number of international visitors; (iv) the opening-up of the gaming market as denoted by the permission of Vietnamese to visit local casinos under certain conditions; (v) the favourable gaming tax regime which in turn enhancing the competitiveness of the gaming business in Vietnam comparing with Macau; (vi) the pre-opening consultancy and future management of the Casino, subject to the entering into of formal agreements, will be conducted by the Group under the leadership of Mr. Chau, Mr. Lo, Mr. Au Chung On John and Mr. Manuel Assis Da Silva as well as other senior executives who possess extensive experience in gaming industry, which in turn assist the Group in the monitoring of its investment in the ProjectCo, the Management considers, and we also concur with their view, that the Acquisition represents a golden investment opportunity which allows the Group to expand its geographical reach in Vietnam and tap into the growing tourism and gaming markets at one time, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Acquisition Agreement

Date:	27 July 2017
Purchaser:	Goal Summit Limited, a direct wholly-owned subsidiary of the Company
Vendor:	Suncity International Holdings Limited
Guarantor:	Mr. Chau who guarantees the performance of the Vendor's obligations under the Acquisition Agreement

As set out in the Letter from the Board, the principal terms of the Acquisition Agreement are summarised as below:

A. Assets to be acquired

Pursuant to the Acquisition Agreement, the assets to be acquired by the Purchaser are (i) the Sale Shares, being the entire equity interest of the Target; and (ii) the Sale Loan, being all obligations, liabilities and debts owing or incurred by the Target to the Vendor and its associates on or at anytime prior to the Completion Date. As at the Latest Practicable Date, the Sale Loan amounted to approximately HK$303,519,000.

B. Consideration

The aggregate Consideration for the Sale Shares and the Sale Loan amounts to HK$600 million, which shall be payable by the Purchaser as follows:

(i) as to HK$303 million shall be payable by the Purchaser by procuring the Company to issue the Promissory Note in the principal amount of HK$303 million to the Vendor (or as it may direct in writing) upon Completion; and

(ii) as to HK$297 million shall be payable by the Purchaser by procuring the Company to issue the Convertible Bonds in the principal amount of HK$297 million to the Vendor (or as it may direct in writing) upon Completion.

As disclosed in MOU Announcement, Mr. Chau and Mr. Lo entered into an agreement (the "**Consultancy Agreement**") pursuant to which Mr. Chau agreed to procure the Vendor to pay Mr. Lo, an executive Director, a certain percentage of the realised profit of the Vendor upon realisation or disposal of its interests in the Project subject to a maximum amount of HK$120 million. It is the intention of Mr. Chau and the Vendor to direct the Company to issue the aggregate principal amount of HK$297 million as described below (i) Convertible Bonds in the principal amount of HK$120 million to Mr. Lo; and (ii) Convertible Bonds in the principal amount of HK$177 million to the Vendor (as it may direct in writing upon completion).

(a) Payment arrangement

The payment of the Consideration shall be settled by way of (i) the issue of the Promissory Note in the principal amount of HK$303 million; and (ii) issue the Convertible Bonds in the principal amount of HK$297 million. According to the 2017 Interim Report, the cash level of the Group was approximately RMB137.7 million as at 30 June 2017. Having considered that (i) the current cash level of the Group is insufficient to settle the Consideration; (ii) the Project is still under development with no short term positive cashflow; and (iii) the Group has to take up the future investment commitment of approximately US$26,215,000 (equivalent to approximately HK$204,666,000) for the phase 1 development of the Project, we are of the view that the payment arrangement under the Acquisition Agreement will alleviate the liquidity pressure of the Group as no immediate cash payment is required while allowing the Group to capture the investment opportunity of the Project at the moment.

(b) Basis in determining the Consideration

According to the Letter from the Board, the Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the valuation of the entire equity interest of the ProjectCo as at 30 June 2017 of approximately US$303,052,000 (equivalent to approximately HK$2,365,988,000) prepared by the Independent Valuer; and (ii) the investment commitment for the phase 1 development of the Project to be taken up by the Group of approximately US$26,215,000 (equivalent to approximately HK$204,666,000).

Given the investment in ProjectCo is the major asset of the Target, we concur with the Management's view that the fair value of the Target should be reflected by the fair value of the proportionate equity interest of the ProjectCo held by the Target (i.e. US$303,052,000 x 68.09% x 50%) less the future investment commitment to be taken up by the Group (i.e. US$26,215,000). Accordingly, the fair value of the Target as at 30 June 2017 was approximately US$76,959,000 (equivalent to approximately HK$600,834,000). The Consideration of HK$600 million represents a slight discount of approximately 0.14% or approximately HK$834,000 to the fair value of the Target.

In the view of the fact that (i) the Consideration was determined after arm's length negotiations between the Purchaser and the Vendor; (ii) the investment in ProjectCo is the major asset of the Target, and accordingly, the fair value of the Target should be reflected by the fair value of the proportionate equity interest of the ProjectCo held by the Target less the future investment commitment to be taken up by the Group; (iii) the Consideration of HK$600 million represents a slight discount of approximately 0.14% or approximately HK$834,000 to the fair value of the Target; (iv) the Management has exercised due care to prepare the financial projection of the ProjectCo (details of which are set in the section headed "*The valuation – Financial projection*"); and (v) the development of the valuation carried out by the Independent Valuer is appropriate (details of which are set in the section headed "*The valuation*"), we consider that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(c) The valuation

According to the Valuation Report prepared by the Independent Valuer as set out in Appendix I to the Circular, the market value of 100% equity interest in the business enterprise of the ProjectCo as at 30 June 2017 was US$303,052,000 (equivalent to approximately HK$2,365,988,000). We understand that the Independent Valuer has appraised the business enterprise of the ProjectCo on the basis of fair market value and in conformity with the *Uniform Standards of Professional Appraisal Practice*. In compliance with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules, we have discussed with the Independent Valuer its expertise and obtained the credentials of the person signing the valuation report, who has practiced valuation in Asia Pacific region since 1988. We also reviewed the Independent Valuer's terms of engagement and discussed with the Independent Valuer its work performed as regards the valuation. Further details of the Valuation Report are set out in Appendix I to the Circular.

Valuation methodology

We noted from the Valuation Report that in the development of the value for the business enterprise of the ProjectCo, the Valuer has considered three commonly adopted valuation approaches, namely the income approach, market approach and cost approach. The Valuer has adopted the income approach, which is based on discounted cash flow methodology, after considering the following factors:

(i) The market approach

The market approach will apply through two main methods, the guideline publicly traded company method and the guideline merged and acquired company method, to estimate the value of the ProjectCo. These two methods consider prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable.

According to the Independent Valuer's opinion, the market approach is not appropriate to appraise the value of the ProjectCo due to the fact that there is no publicly announced transaction related to companies specializing in the same business and industry of the ProjectCo in Vietnam and therefore the guideline merged and acquired company method cannot be established. In addition, the current stage of development does not fairly reflect the value of the ProjectCo as such value is considered to be primarily driven by strong cash inflow after the commencement of operation of the Project in the second quarter of 2019.

(ii) The cost approach

The cost approach seeks to measure the future benefits of ownership by quantifying the amount of money that would be required to replace or reproduce the future service capability of the subject asset, less depreciation from physical deterioration, functional and economic/external obsolescence, if present and measurable.

According to the Independent Valuer's opinion, the cost approach often serves as a valuation floor to value a liquidated business and therefore it is not appropriate to appraise the ProjectCo as it is in the development stage where its enterprise value is principally attributable to its future economic benefits to be brought rather than the cost to reproduce or replace the current situation.

(iii) The income approach

The income approach will apply the discounted cash flow method and the appraised value will depend on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loan. The indication of value was developed by discounting future free cash flow available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate) associated with the comparable business.

According to the Independent Valuer's opinion, the income approach recognizes the future economic benefits brought by the operation of the ProjectCo, which is the main value driver and therefore it is appropriate to adopt the income approach for the appraisal.

(iv) Our view on the valuation method

In view of the opinions of the Independent Valuer, we agree that income approach is an appropriate valuation method taking into account the specific nature of the ProjectCo that (i) it is in the development stage without meaningful financial data such as revenue, earnings or book value to permit trading multiples comparison with other public companies engaging in the same business; (ii) its value is driven by the future cash flows from the Project rather than the cost of replacement of the ProjectCo; and (iii) the future economic benefits of the ProjectCo can be reasonable identified for the estimation of future annual cash flows and respectively discounting them to present values.

Financial projection

As advised by the Independent Valuer, the discounted cash flow method is applied in appraising the economic benefits to be attributable to ProjectCo which involves the estimation of future annual cash flows and individually discounting them to present value. We were given to understand that the expected future cash flows of the ProjectCo (the "**Financial Projection**") are projected by the Management based on, among others, the estimated annual revenue and expense, capital expenditure requirement, working capital requirement and the underlying assumptions. The Financial Projection falls in the period from 1 July 2017 to 30 June 2029, which includes pre-opening phase of two years and operational phase of ten years and is the same as the expected development period for the entire Project as stipulated in the Investment Registration Certificate.

In relation to the Financial Projection, we understand that the Independent Valuer has been furnished with the following information and documents and we have also reviewed and discussed the same with the Management and the Independent Valuer:

(a) the memorandum prepared by the Management in relation to the assumptions adopted for the Financial Projection together with the underlying desktop research conducted by the Management to support and justify the assumptions. Those desktop research include (1) public financial data of listed companies engaging in gaming business in Asia; (2) equity research reports on gaming sector, residential property market and food and beverage issued by renowned global financial services companies; (3) market room rates charged by hotels and villas in Da Nang and Hoi An with comparable room types and amenities to that of the Project; (4) market price for sale of villa and condo-hotel in Da Nang and Hoi An with comparable size and amenities to that of the Project; (5) a hotel survey report in respect of a range of Vietnamese upscale hotels and resorts presented by an international firm focus on audit and assurance, tax and consulting advisory services; (6) a press released by an international real estate services and investment firm in relation to the Vietnam hospitality section, hotel market and second-home market; (7) various Vietnam golf membership information from internet; (8) dining menu from hotel restaurants in Da Nang; (9) a construction cost handbook ("**Construction Cost Handbook**") focused on the construction cost profile of Vietnam and those of the major cities in Asia issued by a firm providing quantity surveying, tender management and project management service; and (10) a handbook on Vietnam tax issued by an international firm focus on audit and assurance, tax and consulting advisory services;

(b) financial assessment of the Project prepared by IGamiX Management & Consulting Ltd ("**IGamiX Report**"), an established Macau based gaming consultancy firm and is considered as a leading expert in the Asia gaming market. The IGamiX Report, provides insight on, among others, gaming development in Asia, gaming tax rate and competitors in Vietnam, parameters on gaming revenue projection including rolling chips turnover, expected house win rate and commission to junket operators;

(c) a feasibility study for the Project (the "**Feasibility Study**") prepared by Savills, a global real estate services provider listed on the London Stock Exchange providing consulting services and advice (such as valuation, building consultancy, project management, environmental consultancy, landlord and tenant, planning, strategic projects and research) in connection with commercial, residential and agricultural properties, property-related financial services and investment management, which includes investment management for institutional or professional investors. The Feasibility Study includes the outlook and future supply and market demand of hotel, villa and condo-hotel markets in Quang Nam and Da Nang;

(d) the Vietnam Legal Opinion issued by the Vietnam International Law Firm, covering among others, incorporation and business lines of the ProjectCo, tax issue and land use rights;

(e) The Investment Registration Certificate dated 2 August 2016 issued by the People's Committee of Quang Nam permitting the ProjectCo to operate 140 card-dealing tables and 1,000 slot machines after at least 1,000 lodging rooms has been completed and put into operation;

(f) the loan facility under the credit contract ("**Credit Contract**") of US$484 million entered into between the ProjectCo (as the borrower) and a Vietnam-based commercial bank (as the lender) in March 2017;

(g) the land clearance agreement ("**Land Clearance Agreement**") entered into between the ProjectCo and a land clearance company in July 2015;

(h) the construction cost plan of phase 1 of the Project prepared by WT Partnership ("**WT Partnership**"), an international consultancy firm providing consultancy services on property, project and cost management consultants in building construction, infrastructure and management of facilities for private and public sector clients worldwide and WT Partnership was engaged by the ProjectCo as the quantity surveying consultant;

(i) the draft technical services agreement and casino management agreement; and

(j) various consultancy service agreements entered into by the ProjectCo in relation to, among other things, master planning and architectural design, civil engineering, quantity surveying, structural and geotechnical engineering for phase 1 development of the Project.

Upon our review on the information and documents and discussion with the Management and the Independent Valuer, though the ProjectCo is lack of operational track record, we are of the view that the Financial Projection is reasonably estimated, after taking into consideration of the following factors:

(a) due care is exercised by the Management in examining the IGamiX Report, the Feasibility Study, the construction plan and business plan of phase 1 development of the Project through various approaches, including desktop researches, site visits to hotels and casino in Da Nang and Hoi An, interviews with market player, WT Partnership (quantity surveying consultant of the ProjectCo), the project director of the ProjectCo, and in-house studies on casino business, hotel and resort business, real estate, catering and golf business;

(b) the Management projects that the construction of phase 1 development will be completed around the second quarter of 2019 and relevant construction cost in the pre-opening phase is estimated to be incurred from the third quarter of 2017 to the second quarter of 2019. The Casino, hotels and villas and golf course are expected to commence operation in the second quarter of 2019 and therefore relevant revenue and operating expenses under the operational phase are estimated to begin from the third quarter of 2019 until the second quarter of 2029. As the entire Project has only one Casino which is planned under phase 1 development, it is expected that its visitation will benefit from the continual development of the Project and reach a stable level upon completion of the entire Project, which will be in 2029 according to the Investment Registration Certificate;

(c) the respective projected revenue and cost and expense of each business segment are in line with the insights/findings from IGamiX Report, Feasibility Study and various research reports and desktop research. The commencement and growth of revenue for each business segment are also in line with the respective construction plan and establishment schedule. It is further noted that the revenue projection is divided into the following four business segments:

– Casino segment

Casino segment revenue includes revenue from 60 VIP tables, 30 premium mass tables, 50 mass tables, 1,000 slot machines and food and beverage.

The VIP tables is estimated to be operated by two tier A junket operators, one tier B junket operator (collectively referred as "**Tier A & B Junkets**") and more than ten tier C and casual junket operators (collectively referred as "**Tier C & Casual Junkets**"). The forecasted VIP table gross gaming revenue ("**GGR**") is calculated by multiplying the number of tables, the projected rolling chips turnover and the expected house win rate. Estimation of rolling chips turnover is made reference to the IGamiX Report. According to the IGamiX Report, the monthly rolling chips turnover targets for tier A, tier B, tier C and casual junket operators are US$300 million, US$100 million, US$50 million and US$10 million respectively. The house win rate adopted in the Financial Projection is 2.85% which is made reference to the IGamiX Report and further justified by the house win rate of publicly traded casino operators in Macau. The estimated house win rate of the IGamiX Report was 2.95%. According to the IGamiX Report, the theoretical house win rate adopted as benchmark is 2.7% for mature markets like Australia, Malaysia and Singapore while the historical house win rate in Macau was within the range of 2.8% to 3.4%. Based on our research on the latest annual reports of, or from Bloomberg on, the Comparable Companies (as defined below), the win rate for 22 different casinos and companies in 2016 ranged from 2.2% to 5.19% with a median of 3.06%. The adopted house win rate of 2.85% lies within the range and is lower than the median. The projected GGR from premium mass tables and mass tables is calculated by multiplying the number of tables, win per unit per day (i.e. the revenue derived from a table or a slot machine in a day) ("**WPUPD**") and 365 days a year. WPUPD of premium mass market and mass market are made reference to the IGamiX Report, the historical WPUPD of mass tables of publicly traded casino operators in Macau listed on the Stock Exchange and NagaCorp Limited. According to the IGamiX Report, the estimated WPUPD for mass table is US$6,000 without separation of mass or premium mass. The Management made reference to the average of 2014 to 2016 WPUPD of mass tables of some of the publicly traded casino operators in Macau, which was a blend of premium mass and mass tables, for the premium mass tables. For mass tables, the Management considered the average of 2014 to 2016 WPUPD of mass table of NagaCorp Limited as a reference. The estimated average WPUPD of premium mass and mass adopted by the Management was approximately US$4,800.

The projected GGR from slot machines is calculated by multiplying the number of slot machines, WPUPD and 365 days a year. WPUPD of slot machine is made reference to the IGamiX Report of US$48.

The Management has estimated an annual growth rate for the rolling chips turnover, WPUPD of premium mass tables, mass tables and slot machines. The adopted growth rate is made reference to the growth rate indicated in the IGamiX Report, an equity research report on CAGR for Vietnam gaming revenue, the revenue growth rate of a publicly traded casino operator and the inflation rate of Vietnam as quoted by the International Monetary Fund ("**IMF**").

Revenue arising from the Casino are subject to 35% special consumption tax and 10% value added tax. The taxes on VIP table revenue is after VIP commission to junket operators which are 1.7% and 1.3% on rolling chips turnover for Tier A & B Junkets and Tier C & Casual Junkets respectively. Such VIP commission rate to junkets is determined with reference to the IGamiX Report.

The food and beverage revenue is expected to be generated from a sports bar, a 24-hour restaurant and a Chinese restaurant within the Casino.

The operating expenses of the casino segment is estimated at 30% and 19% of the GGR respectively for the first and second year of operation and 15% of the GGR when the Casino is operating at optimal efficiency level. The rate of operating expenses of the casino segment was in accordance with IGamiX Report and further cross checked with the key gaming indicators of NagaCorp Limited. The operating cost to revenue ratio of the F&B Facilities is made reference to the cost to revenue ratio of a publicly traded restaurant group.

The casino segment will incur a technical service fee for the casino pre-opening services. According to the MOU Announcement, the Group intends to provide such technical service to the ProjectCo for an initial period of twelve months from the date of signing of the technical service agreement for a fee of US$1,600,000. An amount of US$800,000 shall be payable upon signing of the technical service agreement and the remaining US$800,000 shall be payable in arrears for the period from the seventh to twelfth month at the rate of US$133,333 per month. Additional service to be rendered after the initial twelve months shall be charged at a monthly fee of US$133,333, payable in arrears. The Management has assumed the technical service agreement to be entered into in 2017 with technical service fee incurred for two years.

After the opening of the Casino, the casino segment will incur a management fee and incentive fee in respect of the consultancy and management services in respect of the Casino and the F&B Facilities. According to the MOU Announcement, the Group intends to provide such consultancy and management service to the ProjectCo for an expected term of ten years from the opening of the Casino (extensible for another ten additional years). The Financial Projection has adopted the following fee structure: (1) incentive fee of 6% of gaming EBITDA (i.e. GGR derived from gaming at the Casino less operating expenses); (2) as to segments of premium mass tables, mass tables and slot machine, management fee of 3% on GGR of the respective segment, net of applicable value added tax; (3) as to VIP segment, management fee of 1.5% to 3% on GGR of this segment, net of applicable value added tax; (4) an annual fee of 3% on gross food and beverage revenue derived from the Casino; and (5) an annual fee of 6% on food and beverage EBITDA (i.e. gross food and beverage revenue derived from the Casino less relevant operating expenses).

– Hotel segment

Hotel segment revenue is derived from hotel room rental and villa rental from both self-owned properties and properties which are sold and put under rental pool program. The rental is projected based on the number of rooms and villas as stated in the phase 1 development plan of the Project, the average daily rate ("**ADR**") and the occupancy rate of each type of rooms and villas. Revenue from rental pool program is after maintenance cost and profit split shared with the properties' owners.

The adopted ADRs of the Project ranged from US$150 to US$1,000, which are made reference to the Feasibility Study and room prices of comparable hotels and villas on popular online hotel reservation platforms or official websites. The growth rate of ADR is estimated with reference to a press released by an international real estate services and investment firm in relation to the increase in ADR for 5-star hotels and the adopted ADR growth rate is lower than the expected inflation rate of Vietnam as quoted by the IMF.

The occupancy rates are estimated at 70% in the first year of opening and gradually increase to 80% in 2027 and remain constant onwards. The Feasibility Study indicates that the average occupancy rates of 5-star and 4-star hotels in Hoi An in 2016 are around 75%. The Management has also taken into account the assumption that the Casino can retain its gaming patrons to stay in the hotels within the Project when determining the occupancy rates.

The revenue from food and beverage is estimated on per room basis.

The operating expenses of hotel segment include room expenses, food and beverage expenses and overheads, which are estimated with reference to the Feasibility Study. The management fee payable to Rosewood and New World are charged with a base fee calculated as a percentage of hotel segment revenue and an incentive fee calculated as a percentage of hotel gross operating profit. Such base fee rate and incentive fee rate are based on the preliminary discussion between the ProjectCo and Rosewood and New World.

– Real estate segment

Real estate segment revenue is projected by the sale of 30 villas and 236 condo-hotels with the assumption that the last unit of villa and condo-hotel will be sold before 2019 and 2021 respectively. The selling price of the villas and condo-hotels are made reference to the Feasibility Study together and other sources of the real estate market.

General expenses for selling of real estate include labour expenses, marketing expenses and commission paid to property agents, which are estimated as a percentage of the revenue derived from sale of villa and condo-hotel. Such percentage is made reference to an equity research report on a Ho Chi Minh City real estate developer.

– Golf segment

Golf segment revenue is forecasted to comprise golf course operation, food and beverage, retail and membership fees (including short term membership and long-term membership). The Management estimated the golf segment revenue by reference to the service charges of other comparable golf courses in Vietnam.

Cost and expenses for operation of golf business include cost for golf operation, food and beverage and retail business, golf course maintenance, sales and marketing expenses and administrative and general expenses.

(d) the projected development cost is in line with the construction plan and timeline with relevant agreements or desktop research to justify the estimation. It is further noted that the major development costs include the following:

– Land Cost

The land cost is estimated in accordance with the Land Clearance Agreement that land area of 163 hectares under phase 1 development would amount to US$21.3 million. The Management further topped up approximately US$0.3 million for other fees associated with the clearance of land.

– Construction cost

The construction cost for hotels and villas, the Casino, the golf clubhouse and golf course, and other external works and site infrastructure are adopted in accordance with the estimation of WT Partnership, the quantity surveying consultant engaged by the ProjectCo, and further cross reference with the Construction Cost Handbook.

– Consultancy fee

The consultancy fee includes consultants that involves in the architecture, design, planning and others such as coastal erosion study, transportation, and structural and geotechnical engineering. The total estimated consultant fee represent approximately 14.5% of the total construction cost and over half of the estimated consultant fee is made with reference to the agreement or discussion with the consultants.

– Gaming and hotel operation equipment

Operation equipment includes 1,000 slot machines, 140 card-dealing tables and other hotel operating equipment including furniture, electrical appliances and other room equipment.

(e) the finance cost is estimated by the target capital structure of the ProjectCo and the interest rate as stipulated in the Credit Contract. During the construction phase, the capital structure of the ProjectCo is expected to be 75% debt and 25% equity where the debt amount of US$484 million will be financed by the Credit Contract. Such debt will be gradually repaid after commencement of operation from 2020 to 2025; and

(f) the corporate income tax ("**CIT**") for segments including casino, real estate and golf are 20%, and hotel segment is exempted from CIT for the first two years, and then subject 10% CIT for the third to the sixth years, 17% CIT for the seventh to the tenth years and 20% CIT for the eleventh onwards. The adopted CIT rate is in accordance with the relevant tax rules in Vietnam, the tax incentives as stipulated in the Investment Registration Certificate and the Vietnam Legal Opinion.

However, we have not conducted any independent detailed verification on the above information and documents and we have no reason to doubt the accuracy of the information contained therein. The Independent Shareholders should note that the Independent Valuer has relied to a very considerable extent upon such data, records, documents, financial and business information provided by the Management and the ProjectCo, as well as a number of assumptions that are subjective and uncertain in nature. Hence, any variation to these assumptions could seriously affect the Financial Projection and the fair market value of the appraised business enterprise. In addition, the Independent Shareholders should note that the profitability of the ProjectCo in the future is not ascertained in case of any material changes in the business of the ProjectCo and/or the economic and market conditions in Vietnam and Asian countries, including but not limited to, the construction progress and the development of casinos in Vietnam and other Asian countries. Independent Shareholders should also pay attention to the risks relating to the business and operations of the ProjectCo as set out in the letter from the Board.

Discount rate development

The discount rate applied to the cash flow streams derived from the Financial Projection is the cost of equity. According to the Valuation Report, the cost of equity for the ProjectCo is (i) 24.05% for the period from 1 July 2017 to 30 June 2029; and (ii) 18.68% for terminal year. As advised by the Independent Valuer, the cost of equity for the period from 1 July 2017 to 30 June 2029 and the terminal year is different because the ProjectCo is targeted to have different capital structure for different period and start-up risk premium is no longer applicable to the terminal year. The cost of equity comprises systematic risk derived from Capital Asset Pricing Model ("**CAPM**") and non-systematic risk.

Systematic risk

(a) Risk-free rate (3.6%)

The applied risk-free rate is 3.60%, which was the USD Emerging Market Vietnam Sovereign Bond yield as of the date of the valuation.

(b) Equity risk premium (12.78% for the period from 1 July 2017 to 30 June 2029 and 9.41% for terminal year)

The average equity risk premium of the comparable companies is a product of market risk premium and the beta coefficient. The market risk premium in Vietnam is derived from adjusting the market risk premium in the U.S. market by an adjustment factor (the "**Adjustment Factor**"). The market risk premium in the U.S. market adopted in the valuation is 6.94%, which is quoted from *the 2017 Valuation Handbook – Guide to Cost of Capital by Duff&Phelps, LLC* ("**2017 Duff&Phelps Handbook**"). Duff&Phelps is a global valuation and corporate finance advisor. Duff&Phelps Handbook includes the *Risk Premium Report Study* which has been published annually since 1996 and it provides data and methodology to assist financial professionals in estimating the cost of equity capital for a business, business ownership interest, security, or intangible asset using the capital asset pricing model and various build up models. The Adjustment Factor is determined by comparing the market volatility of Vietnam Ho Chi Minh Stock Index against that of S&P 500 Index for 10 years period before the date of valuation.

The beta coefficient is derived from a list of comparable companies. We note that the Independent Valuer has sorted 15 comparable companies (the "**Comparable Companies**") which meet the criteria of (i) principal business is engaged in the casino and hotel complex operation in Southeast Asia or Macau; (ii) with various competitors in their countries and neighbouring countries; and (iii) with majority of revenue generating from gaming. We have reviewed the principal business and background of those comparable companies from the respective annual reports and websites and are of the view that those comparable companies are properly selected by the Independent Valuer.

Non-systematic risk

(c) Small capitalization risk premium (3.67%)

The small capitalization risk premium reflects the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. As advised by the Independent Valuer, small capitalization 2017 risk premium applied in the valuation is determined by reference to Duff&Phelps Handbook.

(d) Start-up risk premium (2%)

Start-up risk premium was applied only for the period from 1 July 2017 to 30 June 2029, which is estimated by the Independent Valuer according to their professional judgment and experience. We are advised by the Independent Valuer that the start-up risk premium is catered to compensate the risk associated with the start-up nature of the ProjectCo including uncertainties resulting from construction, lack of historical data to support forecasted revenue and input of substantial effort to control and manage the construction and formulate the operations and marketing strategies.

(e) Company specific risk premium (2%)

Company specific risk premium is also estimated by the Independent Valuer according to their professional judgment and experience. We are advised by the Independent Valuer that the company specific risk premium associated with the ProjectCo relates to the uncertainties in the development of the Vietnam tourism, the attractiveness of the Project to the visitors and the relatively unevolved regulatory regime on the business of the ProjectCo.

After understanding the development process of the discount rate and reviewing the underlying reasons and basis in determining the systematic risk and non-systematic risk, we consider that the discount rate, which is determined by taking into account the risk-free return, the equity risk premium, the start-up risk, the small size risk and the company specific risk involved in the business of the ProjectCo are reasonably developed and in line with the process of developing the discount rate by various professional valuers in Hong Kong.

Discount for lack of marketability

After the derivation of the present value of the future annual cash flows by discounting them with the cost of equity of the ProjectCo, the discount for lack of marketability is applied to reflect the illiquid nature of the ProjectCo given it is a privately held company. In determining the discount for lack of marketability, the Independent Valuer has made reference to "*Mergerstat® Review 2016*" published by FactSet Mergerstat, LLC (a worldwide analytical and data driven solution provider which is dual listed on the New York Stock Exchange and the NASDAQ Stock Market under the symbol "FDS"), which included data derived from market transactions involving U.S. companies, including privately held, publicly traded and cross-border transactions.

We understand from the Independent Valuer that they have derived the implied discount of private company by comparing the median PE of private company against that of public company in the United States from 2006 to 2015 with data extracted from *Mergerstat® Review 2016*. The median of the implied discount of private company is approximately 21.96% and the Independent Valuer has adopted 20% in the valuation.

Given that (i) there is no widely used empirical study conducted on lack of marketability discount for private companies in Vietnam; (ii) FactSet Mergerstat, LLC, the publisher of the *Mergerstat® Review 2016*, is a worldwide analytical and data driven solution provider; and (iii) based on our research conducted in the website of the Stock Exchange, the data presented in the Mergerstat Review was commonly used by various professional valuers in Hong Kong, we consider that the information and data presented in the *Mergerstat® Review 2016* is a good reference in determining the lack of marketability discount by the Independent Valuer.

Our opinion

Based on our review on the Valuation Report, the underlying valuation worksheets and the supporting document, and our discussions with the Independent Valuer and the Management regarding, among other things, (i) the reasons and appropriateness of adopting the income approach to appraise the value of ProjectCo; (ii) the basis, assumptions and methodologies adopted in the Valuation Report, in particular the Financial Projection, the development of the discount rate and the adoption of discount for lack of marketability; and (iii) the scope of work and experiences of the Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the assumptions of the Valuation Report. In the view of the above, we consider that the valuation performed by the Independent Valuer as well as the basis, assumptions and methodologies adopted for the Valuation Report are appropriate.

C. Convertible Bonds

(a) Principal terms of the Convertible Bonds

Please refer to the paragraph headed "**The Convertible Bonds**" in the Letter from the Board for the principal terms of the Convertible Bonds.

(b) Conversion Price

The initial Conversion Price of HK$0.90 per Conversion Share represents:

(i) a premium of approximately 57.9% over the closing price of HK$0.570 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 57.9% over the average closing price of HK$0.570 per Share as quoted on the Stock Exchange of the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 58.2% over the average closing price of HK$0.569 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 93.5% over the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

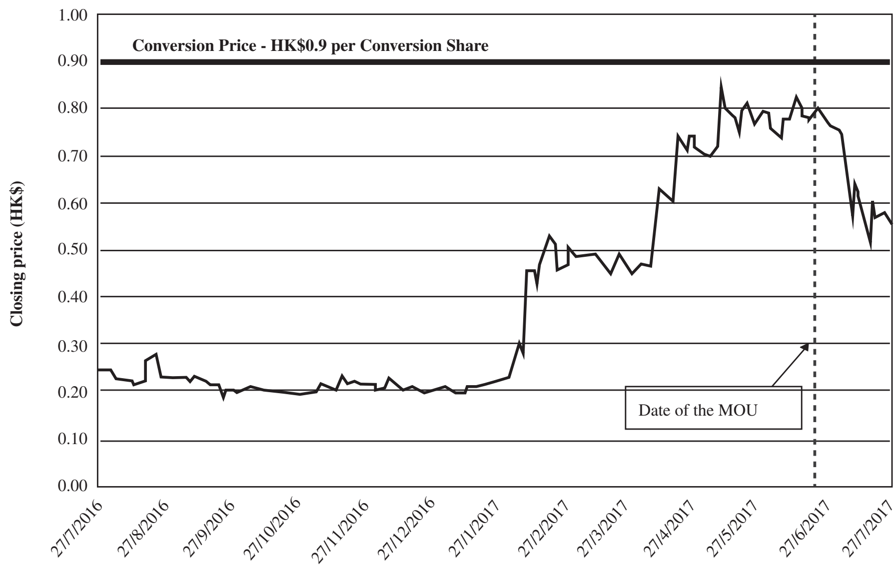
(v) a premium over the net liabilities per Share attributable to the Shareholders as at 30 June 2017 of approximately RMB0.1060 (equivalent to approximately HK$0.1184) calculated based on the net liabilities attributable to the Shareholders of approximately RMB638,409,000 (equivalent to approximately HK$713,103,000) as at 30 June 2017, and the total number of Shares in issue as at 30 June 2017.

As stated in the Letter from the Board, the initial Conversion Price was determined after arm's length negotiation between the Company and the Purchaser with reference to the average of the closing prices of HK$0.784 per Share for the last five consecutive trading days up to 22 June 2017, being the date of the MOU Announcement entered into between the Vendor and the Purchaser regarding the Acquisition.

(i) Historical price performance of the Shares

To assess the fairness and reasonableness of the Conversion Price, we have compared the Conversion Price with the historical trading price of the Shares in the past 12 months. The chart below shows the daily closing price of the Shares as quoted on the Stock Exchange versus the Conversion Price for the period commencing from 27 July 2016, being the 12-month period prior to the date of the Acquisition Agreement and up to and including the date of the Acquisition Agreement (the "**Review Period**"):

Chart 2: Closing price of Shares during the Review Period



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

Note: The closing prices of the Shares during the period commencing from 27 July 2016 to 15 November 2016 were adjusted as a result of a rights issue.

As shown in Chart 2 above, the closing price of the Shares during the Review Period ranged from the lowest closing price of HK$0.194 per Share recorded on 23 December 2016 to the highest closing price of HK$0.840 per Share recorded on 10 May 2017 with an average closing price per Share of approximately HK$0.41. The initial Conversion Price of HK$0.90 per Conversion Share is higher than the highest closing price per Share during the Review Period, and represents a premium of approximately 119.5% over the average closing price per Share during the Review Period.

During the period from the beginning of the Review Period and up to the end of January 2017, the closing prices of the Shares fluctuated within a relatively narrow range from HK$0.194 per Share to HK$0.281 per Share. The closing price of the Shares then exhibited an upward trend since February 2017 and subsequently reached the highest closing price of HK$0.840 per Share on 10 May 2017. We have enquired with the Management and were advised that save for (i) the entering into of hotel accommodation procurement agreement and ferry ticket supply agreement as announced by the Company on 6 February 2017; and (ii) the entering into of a memorandum of understanding relating to provision of consultancy and management of integrated resort project in Vietnam as announced by the Company on 27 February 2017, the Company did not issue any other announcement which is of price-sensitive nature during such period and the Management is not aware of any particular reason for the price movement.

Since 11 May 2017 and up to 21 June 2017, the closing price of the Shares were relatively stable, ranging from HK$0.73 per Share to HK$0.82 per Share. On 22 June 2017, the Company announced the entering into of the memorandum of understanding with the Vendor in relation to the Acquisition. After the announcement of the said memorandum of understanding and up to 27 July 2017 (i.e. the date of the Acquisition Agreement), the closing price of the Shares demonstrated a downward trend and hit the bottom of HK$0.51 per Share on 18 July 2017 and closed at HK$0.55 per Share on the date of the Acquisition Agreement.

(ii) Comparable analysis

In an attempt to provide further in-depth analysis, we have identified all issue and subscription of convertible bonds/notes as announced by companies listed on the Stock Exchange during the three-month period immediately before the date of the Acquisition Agreement, which were not subsequently terminated prior to the Latest Practicable Date.

To the best of our knowledge and as far as we are aware of, we have identified a list of 32 transactions which met the said criteria (the "**CB Comparable Issues**"). As the capital market changes rapidly, we consider that a review period of three months is appropriate to capture the recent market practice in respect of the issue and subscription of convertible notes/bonds under the current market condition and sentiment.

However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the relevant issuers of the CB Comparable Issues and thus the comparison of the terms between the CB Comparable Issues and the Convertible Bonds may not represent an identical comparison. We, however, consider that such comparison could be treated as an indication as to the reasonableness and fairness of the terms of the Convertible Bonds. The relevant details of the CB Comparable Issues are set forth in Table 3 below:

Table 3: Details of the CB Comparable Issues

Date of announcement	Name of Company	Stock code	Principal amount	Interest rate per annum	Maturity	Premium/ (discount) of conversion price over/to share price as at the last trading day prior to the release of the announcement ("Premium/ (Discount) – Last Day")	Premium/ (discount) of conversion price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day ("Premium/ (Discount) – Five Days")
			(HK$ million)	*(%)*	*(number of years)*	*(%)*	*(%)*
25/07/2017	China Environmental Technology Holdings Limited	646	104.0	3.0	2.0	11.11	12.36
20/07/2017	C.banner International Holdings Limited	1028	390.4 *(Note 1)*	4.0	2.0 *(Note 2)*	19.80	20.12
12/07/2017	3SBIO Inc.	1530	2,735.5 *(Note 3)*	0.0	5.0	40.00	38.69
12/07/2017	Ourgame International Holdings Limited	6899	120.0 *(Note 4)*	6.0	2.5	17.44	20.74
03/07/2017	Culture Landmark Investment Limited	674	46.3	0.0	2.0	(9.70)	(9.70)
27/06/2017	North Asia Resources Holdings Limited	61	390.4 *(Note 1)*	6.5	3.0	2.19	2.83
25/06/2017	Sinco Pharmaceuticals Holdings Limited	6833	40.0	8.0	2.0 *(Note 5)*	6.53	4.55
21/06/2017	Dingyi Group Investment Limited	508	1,000.0	0.0	5.0	(38.46)	(38.46)

Date of announcement	Name of Company	Stock code	Principal amount	Interest rate per annum	Maturity	Premium/ (discount) of conversion price over/to share price as at the last trading day prior to the release of the announcement ("Premium/ (Discount) – Last Day")	Premium/ (discount) of conversion price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day ("Premium/ (Discount) – Five Days")
			(HK$ million)	*(%)*	*(number of years)*	*(%)*	*(%)*
16/06/2017	Imperial Pacific International Holdings Limited	1076	50.0	4.0	2.0	36.43	40.13
15/06/2017	PPS International (Holdings) Limited	8201	50.0	0.0	1.0	3.45	(0.66)
15/06/2017	China U-Ton Holdings Limited	6168	31.2	8.0	2.0	13.60	13.90
14/06/2017	Kiu Hung International Holdings Limited	381	200.0	9.0	2.0	14.29	17.19
12/06/2017	Kiu Hung International Holdings Limited	381	100.0	0.0	2.0	0.00	4.17
06/06/2017	Freeman FinTech Corporation Limited	279	780.7 *(Note 1)*	4.0	2.0 *(Note 6)*	(16.67)	(19.51)
05/06/2017	DX.com Holdings Limited	8086	70.0	0.0	3.0	(12.60)	(19.80)
02/06/2017	Miko International Holdings Limited	1247	39.6	4.0	2.0	(17.24)	(16.67)
02/06/2017	E-Commodities Holdings Limited	1733	312.3 *(Note 1)*	5.0	5.0	0.00	1.35
01/06/2017	Gold-Finance Holdings Limited	1462	57.2 *(Note 1)*	6.0	2.0	26.05	24.79
29/05/2017	China Eco-Farming Limited	8166					
	– Convertible bond I		120.0	0.0	4.0	(62.03)	(58.96)
	– Convertible bond II		360.0	0.0	2.5	(62.03)	(58.96)
29/05/2017	China Ocean Fishing Holdings Limited	8047	100.0	13.0	2.0	(38.50)	(44.30)
26/05/2017	Yuxing InfoTech Investment Holdings Limited	8005	504.0	6.0	1.0	44.30	41.40
26/05/2017	CASH Financial Services Group Limited	510	620.0	4.0	3.0	(3.13)	(2.82)

Date of announcement	Name of Company	Stock code	Principal amount	Interest rate per annum	Maturity	Premium/ (discount) of conversion price over/to share price as at the last trading day prior to the release of the announcement ("Premium/ (Discount) – Last Day")	Premium/ (discount) of conversion price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day ("Premium/ (Discount) – Five Days")
			(HK$ million)	*(%)*	*(number of years)*	*(%)*	*(%)*
25/05/2017	Tempus Holdings Limited	6880	160.0	6.0	1.0	21.10	22.60
23/05/2017	Synertone Communication Corporation	1613	48.0	5.0	2.0	15.11	11.27
22/05/2017	Quali-Smart Holdings Limited	1348	30.0	6.0	3.0	6.80	0.00
16/05/2017	Larry Jewelry International Company Limited	8351					
	– Convertible bonds I		100.0	6.5	2.0	72.41	81.69
	– Convertible bonds II		210.0	7.5	2.0	106.90	118.02
12/05/2017	China Household Holdings Limited	692	100.0	2.0	2.0	(18.28)	(5.71)
10/05/2017	China Household Holdings Limited	692	365.1	2.0	2.0	(18.51)	(14.28)
02/05/2017	Quali-Smart Holdings Limited	1348	80.0	6.0	3.0	(18.80)	(17.90)
28/04/2017	China Fortune Investments (Holding) Limited	8116	160.0	0.0	5.0	(2.94)	(4.18)
			Maximum:	**13.0**	**5.0**	**106.90**	**118.02**
			Minimum:	**0.0**	**1.0**	**(62.03)**	**(58.96)**
			Median:	**4.0**	**2.0**	**2.82**	**2.09**
			Average:	**4.1**	**2.5**	**4.33**	**5.12**
	The Convertible Bonds			**0.0**	**2.0**	**57.9**	**57.9**

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

Notes:

1. *For the purpose of illustration, the amounts denominated in US$, the official currency of the United States of America, have been converted into HK$ at an exchange rate of US$1.0000=HK$7.8072.*

2. *According to the announcement of C.banner International Holdings Limited (stock code: 1028) dated 20 July 2017, the maturity date of the convertible bonds is the date falling on the second (2nd) anniversary of the issue date, which can, subject to the agreement between the issuer and the subscriber, be extended to the date falling on the third (3rd) anniversary of the issue date of the convertible bonds. For analysis purpose, the maturity date of the convertible bonds was set as the date falling on the second (2nd) anniversary of the issue date.*

3. *For the purpose of illustration, the amounts denominated in Euro (€), the official currency of the euro area, have been converted into HK$ at an exchange rate of €1.0000=HK$9.1184.*

4. *According to the announcement of Ourgame International Holdings Limited (stock code: 6899) dated 12 July 2017, the amounts denominated in RMB have been converted into HK$ at a fixed exchange rate of RMB1.000=HK$1.153.*

5. *According to the announcement of Sinco Pharmaceuticals Holdings Limited (stock code: 6833) dated 25 June 2017, the maturity date of the convertible bonds is the date falling 24 months from the issue date of the convertible bonds, or if the holder of the convertible bonds and the issuer mutually agree in writing to extend the maturity of the convertible bonds to the date falling 36 months from the issue day of the convertible bonds.*

6. *According to the announcement of Freeman FinTech Corporation Limited (stock code: 279) dated 6 June 2017, the maturity date of the convertible bonds is the date falling on the second (2nd) anniversary of the issue date, provided that the issuer may designate, with the passing of an extraordinary resolution or written resolution by the bondholders, (i) the third (3rd) anniversary of the issue date as the maturity date by written notice to the bondholders at least thirty (30) days before the initial maturity date (the "Revised Maturity Date"), and (ii) the fourth (4th) anniversary of the issue date as the maturity date by written notice to the bondholders at least thirty (30) days before the Revised Maturity Date, For analysis purpose, the maturity date of the convertible bonds was set as the date falling on the second (2nd) anniversary of the issue date.*

As depicted in Table 3 above, the Premium/(Discount) – Last Day represented by the conversion prices of the respective CB Comparable Issues ranged from a discount of approximately 62.03% to a premium of approximately 106.9%, with an average of a premium of approximately 4.33% and a median of a premium of approximately 2.82%. The Premium/(Discount) – Last Day represented by the Conversion Price falls within the range of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues.

The Premium/(Discount) – Five Days represented by the conversion prices of the respective CB Comparable Issues ranged from a discount of approximately 58.96% to a premium of approximately 118.02%, with an average of a premium of approximately 5.12% and a median of a premium of approximately 2.09%. The Premium/(Discount) – Five Days represented by the Conversion Price falls within the range of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues.

(iii) Conclusion

Having considered the above, and in particular:

(a) the initial Conversion Price of HK$0.90 per Conversion Share is higher than the highest closing price per Share during the Review Period, and represents (i) a premium of approximately 119.5% over the average closing price per Share during the Review Period; (ii) a premium of approximately 57.9% over the closing price of the Shares on the Last Trading Day; and (iii) a premium of approximately 93.5% over the closing price of the Shares on the Latest Practicable Date;

(b) the Premium/(Discount) – Last Day represented by the Conversion Price falls within the range of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues; and

(c) the Premium/(Discount) – Five Days represented by the Conversion Price falls within the range of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues,

we considered that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(c) Interest rate of the Convertible Bonds

According to the terms of the Convertible Bonds, the Convertible Bonds shall not bear any interest. We consider that this is a favourable term to the Company as the Company has no obligation to pay any interest to the bondholder(s) throughout the term of the Convertible Bonds.

Furthermore, as shown in Table 3 above, the interest rates of the CB Comparable Issues ranged from nil to 13.0% per annum with an average interest rate of approximately 4.1% per annum. The zero coupon rate of the Convertible Bonds is equivalent to the lowest limit of the interest rates among the CB Comparable Issues. Therefore, we consider that the interest rate of the Convertible Bonds is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(d) *Maturity date*

The maturity date of the Convertible Bonds is the date falling on the second anniversary of the issue of the Convertible Bonds. As shown in Table 3 above, the duration of the CB Comparable Issues ranged from 1 year to 5 years with a median duration of 2 years. We consider that the duration of the Convertible Bonds of 2 years is comparable to those of the CB Comparable Issues.

(e) *Adjustments to the Conversion Price*

According to the terms of the Convertible Bonds, the Conversion Price will be subject to adjustments (the "**Adjustments**") upon the occurrence of any of the following events: (i) consolidation or subdivision of Shares; (ii) issue of Shares by way of capitalisation of profits or reserves other than an issue of Shares paid up out of profits or reserves and issued in lieu of the whole or part of a specifically declared cash dividend; (iii) distributions in cash or specie; (iv) rights issues or grant of options or warrants to subscribe for new Shares at a price which is less than 90% of the market price (being the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained) (the "**market price**") on the date of the announcement of the terms of the offer or grant; (v) issue wholly for cash any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares at an initial total effective consideration per Share of less than 90% of the market price of the Shares on the date of the announcement of the terms of such securities; (vi) issue wholly for cash any Shares at an effective price per Share which is less than 90% of the market price of the Shares; (vii) issue Shares for the acquisition of asset at an effective consideration per Share which is less than 90% of the market price of the Shares at the date of announcement of the terms of such issue; or (viii) issue of Shares by way of capitalisation of profits or reserves other than an issue of shares paid up out of profits or reserves issued in lieu of the whole or part of a relevant cash dividend, being a scrip dividend scheme where the market value of such Shares is not more than 110% of the amount of dividend which Shareholders could select to or would otherwise receive in cash.

Based on our research of information published on the website of the Stock Exchange, we noted that similar conversion price adjustment mechanisms are commonly included in the terms of the convertible bonds/notes issued by other companies listed on the Stock Exchange and, having reviewed such adjustment mechanisms, we consider that the Adjustments are under normal market practice, and are fair and reasonable.

(f) Conclusion

Having considered the above, particularly the facts that:

(i) the initial Conversion Price of HK$0.90 per Conversion Share is higher than the highest closing price per Share during the Review Period, and represents (i) a premium of approximately 119.5% over the average closing price per Share during the Review Period; (ii) a premium of approximately 57.9% over the closing price of the Shares on the Last Trading Day; and (iii) a premium of approximately 93.5% over the closing price of the Shares on the Latest Practicable Date;

(ii) the Premium/(Discount) – Last Day represented by the Conversion Price falls within the range of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Last Day represented by the conversion prices of the CB Comparable Issues;

(iii) the Premium/(Discount) – Five Days represented by the Conversion Price falls within the range of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues, and is higher than the average and median of the Premium/(Discount) – Five Days represented by the conversion prices of the CB Comparable Issues; and

(iv) the Convertible Bonds shall not bear any interest; and

(v) the Adjustments are under normal market practice,

we are of the view that the terms of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

D. Promissory Note

Set out below are the principal terms of the Promissory Note:

Issuer:	the Company
Principal amount:	HK$303,000,000
Maturity date:	the date falling on the second anniversary of the issue date of the Promissory Note (the "**PN Maturity Date**")
Interest rate:	the Promissory Note shall carry interest at the rate of 2% per annum, calculated on a 365-day year basis on the outstanding principal amount, payable annually in arrears with the first interest payment to be made on first anniversary of the issue date of the Promissory Note and thereafter up to the PN Maturity Date
Security:	the Promissory Note is not secured
Transferability:	provided that the holder of the Promissory Note has given to the Issuer of not less than five (5) Business Days' prior notice in writing of its intention to transfer or assign the Promissory Note, the Promissory Note is freely transferable and assignable in whole to any person other than a connected person of the Company
Early redemption:	the Company may in its sole discretion, with not less than (10) ten Business Days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note (which shall not be less than HK$3,000,000) together with interest accrued thereon at any time prior to the PN Maturity Date

In order to assess the fairness and reasonableness of the Promissory Note, we have identified all issue of promissory notes by companies listed on the Stock Exchange during the three-month period immediately prior to the date of the Acquisition Agreement (i.e. 27 July 2017).

To the best of our knowledge and as far as we are aware of, we have identified a list of 11 transactions which met the said criteria (the "**PN Comparable Issues**"). As the capital market changes rapidly, we consider that a review period of three months is appropriate to capture the recent market practice in respect of the issue of promissory notes by companies listed on the Stock Exchange under the current market condition and sentiment.

As each of the issuers of the relevant PN Comparable Issues has its own unique nature and size in terms of, inter alia, business operation and environment, size, market capitalization and financial position, the comparison of the terms between the PN Comparable Issues and the Promissory Note may not represent an identical comparison. We, however, still consider such comparison could be treated as additional information to the Independent Shareholders to assess the reasonableness and fairness of the terms of the Promissory Note. Details of the PN Comparable Issues are set out in Table 4 below:

Table 4: Details of the PN Comparable Issues

Date of announcement	**Company name**	**Stock code**	**Principal amount** *(HK$ million)*	**Maturity** *(number of year)*	**Interest rate per annum** *(%)*
26/07/2017	Cybernaut International Holdings Company Limited	1020	220.0	2.0	0.00
19/07/2017	Champion Technology Holdings Limited	92	120.0	2.4	1.00
18/07/2017	Amax International Holdings Limited	959	14.0	2.0	0.00
10/07/2017	AVIC Joy Holdings (HK) Limited	260	89.0	0.9	2.15
07/07/2017	Celebrate International Holdings Limited	8212	19.0	2.0	6.00
06/06/2017	China Environmental Resources Group Limited	1130	30.0	2.0	6.00
06/06/2017	Evershine Group Holdings Limited	8022	35.5 *(Note)*	2.0	13.00
31/05/2017	China Agroforestry Low-Carbon Holdings Limited	1069	170.0	2.0	5.00
23/05/2017	China Packaging Holdings Development Limited	1439	90.0	2.0	4.00
08/05/2017	Shifang Holding Limited	1831	100.0	3.0	5.50
28/04/2017	China Fortune Investments (Holding) Limited	8116	100.0	3.0	6.00
			Maximum	**3.0**	**13.00**
			Minimum	**0.9**	**0.00**
			Median	**2.0**	**5.00**
			Average	**2.1**	**4.42**
			The Promissory Note	**2.0**	**2.0**

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

Note: For the purpose of illustration, the amounts denominated in US$, the official currency of the United States of America, have been converted into HK$ at an exchange rate of US$1.0000=HK$7.8072.

(i) Maturity

As shown in Table 4 above, the maturity of the PN Comparable Issues ranged from 0.9 years to 3 years, with a median of 2.0 years. The maturity of the Promissory Note of 2 years falls within the range of maturity of the PN Comparable Issues.

(ii) Interest Rate

As shown in Table 4 above, the interest rates of the PN Comparable Issues ranged from nil to 13.0%, with a median of approximately 5.00%. The interest rate of the Promissory Note of 2% per annum falls within the range of interest rates of the PN Comparable Issues and is lower than the average and median of those of the PN Comparable Issues.

Furthermore, we noted that the interest rate of the Promissory Note is much lower than the existing best lending rate for Hong Kong Dollar as quoted by the Hong Kong and Shanghai Banking Corporation (i.e. 5% per annum). In view of the above, we are of the view that the interest rate of the Promissory Note is fair and reasonable.

(iii) Early redemption

According to the terms of the Promissory Note, the Company may in its sole discretion, with not less than (10) ten Business Days' prior written notice, elect to repay all or any part of the amount outstanding under the Promissory Note (which shall not be less than HK$3,000,000) together with interest accrued thereon at any time prior to the PN Maturity Date. On the contrary, the holder(s) of the Promissory Note could not request the Company to redeem the outstanding Promissory Note at any time prior to the PN Maturity Date.

We consider that such mechanism provides flexibility to the Company to redeem the outstanding amount of the Promissory Note at its sole discretion after taking into account the then financial and cash position of the Group, without penalty, so as to reduce the interest payment otherwise resulting from the outstanding Promissory Note. Accordingly, we are of the view that the early redemption mechanism of the Promissory Note is in the interests of the Company and the Shareholders as a whole.

(iv) Conclusion

In view of the above, and in particular the facts that:

(i) the maturity of the Promissory Note of 2 years fall within the range of maturity of the PN Comparable Issues;

(ii) the interest rate of the Promissory Note of 2% per annum falls within the range of interest rates of the PN Comparable Issues and is lower than the average and median of those of the PN Comparable Issues;

(iii) the interest rate of the Promissory Note is much lower than the existing best lending rate for Hong Kong Dollar as quoted by the Hong Kong and Shanghai Banking Corporation (i.e. 5% per annum); and

(iv) the Company may, in its sole discretion, elect to repay all or any part of the amount outstanding under the Promissory Note together with interest accrued thereon at any time prior to the PN Maturity Date without penalty,

we consider that the terms of the Promissory Note are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Acquisition

Based on our discussion and the representation from the Directors, we understand that the Management has taken into account the following factors when they considered the potential impact of the Acquisition on the earnings of the Group:

A. Effect on earnings

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company whereas GYE, Singapore HoldCo, Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo will become joint ventures of the Group. Accordingly, the financial results of the Target will be consolidated into, and the financial results of GYE, Singapore HoldCo, Hoi An South Development (HK) Limited, Yield Gold Enterprises (Macao) Limited, Sundance Asia Limited, Harkness Asia Limited and ProjectCo will be accounted for using equity method in the consolidated financial statements of the Group.

As ProjectCo will be accounted for using equity method, the Management expects that there will not be material effect on the earnings of the Group after completion of the Acquisition. However, the Promissory Note bears an interest of 2% per annum and therefor the Group will have an additional interest expense of approximately HK$6.1 million for each of the two years after the issuance.

B. Effect on net asset value

As at 30 June 2017, the net liabilities of the Group amounted to approximately RMB639.2 million. The Management expects that there will not be material effect on the net assets position of the Group after completion of the Acquisition as the Consideration is to be settled by way of issue the Promissory Note and Convertible Bonds and assets and liabilities of the Target Group will be accounted for using equity method.

C. Effect on working capital

As at 30 June 2017, the cash and bank balances and deposits of the Group amounted to approximately RMB137.7 million. The working capital of the Group would not be altered with immediate effect after the Acquisition as the Consideration is to be settled by way of issue of the Promissory Note and Convertible Bonds. However, the Group will bear the investment commitment of approximately US$26.22 million (equivalent to approximately HK$204.7 million), which the Vendor undertakes to provide financial assistance on normal commercial terms and not secured by any assets of the Group. The Group will have to settle the Promissory Note two years after issuance. As advised by the Management, the Group intends to settle the Promissory Note by way of internal resources, debt or equity financing depending on the financial position of the Group before the maturity of the Promissory Note.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial positions and performance of the Group will be after the Acquisition.

OPINION

Having taken into account the above principal factors and reasons, we consider that the terms of the Acquisition Agreement (including the issue of convertible bonds under specific mandate) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution at the EGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited

Hidulf Kwan	**Rebecca Mak**
Executive Director	*Director*

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

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2011 and has participated in and completed various independent financial advisory transactions.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular, received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation as at 30 June 2017 of the fair market value of 100% equity interest in ProjectCo.

GRANT SHERMAN

Unit 1005, 10/F., AXA Centre
151 Gloucester Road
Wanchai, Hong Kong

10 July 2017

Suncity Group Holdings Limited
Unit 1201-1202, 12/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal of the fair market value of 100% equity interest in the business enterprise of Hoi An South Development Ltd ("ProjectCo"), a wholly-owned subsidiary of Hoi An South Investments Pte. Ltd. ("Singapore HoldCo"), which has the right to develop and construct an integrated resort project with a total land area of approximately 985.5 hectares in Quang Nam Province, Vietnam (the "Project").

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt.

Fair market value is defined as the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our opinion of value.

The purpose of this appraisal is to express an independent opinion of the fair market value of 100% equity interest in the business enterprise of ProjectCo as at 30 June 2017 (the "Appraisal Date"). It is our understanding that this appraisal will be used for acquisition purposes by Suncity Group Holdings Limited (the "Company") and our report might be incorporated in or used in connection with a public document.

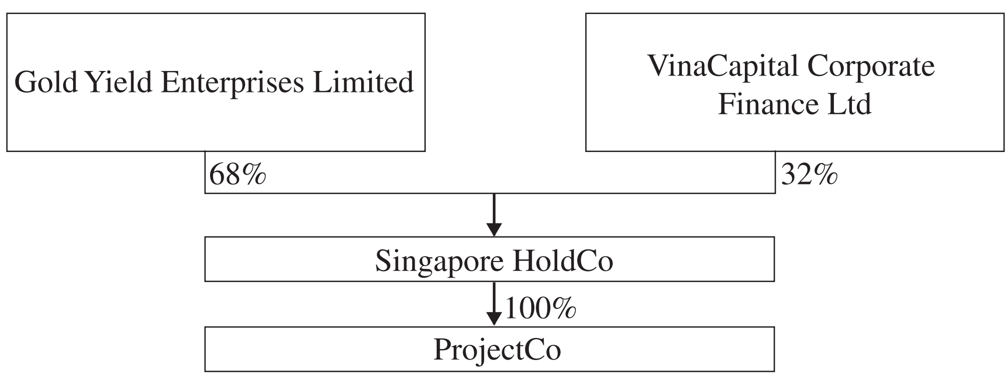
INTRODUCTION

THE COMPANY

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock ticker: 1383). The Company is principally engaged in the development of residential and commercial properties as well as leasing and management of properties in Guangdong, Liaoning and Anhui Provinces, the People's Republic of China, and hotel and integrated resort management and consultancy.

SINGAPORE HOLDCO

The corporate structure of Singapore HoldCo as at the Appraisal Date is set forth below:



Singapore HoldCo is a limited company incorporated and domiciled in Singapore and is principally engaged in investment holding. It is 68% owned by Gold Yield Enterprises Limited and 32% owned by VinaCapital Corporate Finance Ltd. Singapore HoldCo holds the entire equity interest in ProjectCo. Singapore HoldCo has two other wholly-owned subsidiaries, Hoi An South Development (HK) Limited and Yield Gold Enterprises (Macao) Limited, both of which are principally engaged in the provision of consultancy and management services to Star Admiral Limited and its subsidiaries. Singapore HoldCo set up two inactive subsidiaries, namely Sundance Asia Limited and Harkness Asia Limited.

PROJECTCO

ProjectCo is a limited company incorporated on 10 December 2010 in Vietnam and is principally engaged in real estate, provision of short-term hotel services and tourism agency operation and conducting business activities in prize winning games. The principal asset of the ProjectCo is the Project licensed by the Authority of Chu Lai Open Economic Zone, Quang Nam, Vietnam.

THE PROJECT

The Project is an integrated resort development project located in Hoi An South, Quang Nam Province, an emerging tourist destination in Vietnam. The Project will consist of tourism areas, an integrated resort and residential areas. As stipulated in the Investment Registration Certificate dated 2 August 2016 (the "Investment Certificate"), the whole development of the Project is expected to comprise seven phases to be developed over a span of 13 years on a site of approximately 985.5 hectares with phase one land area of approximately 270 hectares. Based on the development plan as at the Appraisal Date, only phase one development with land area of approximate 163 hectares has been materialized. The phase one development includes the building of an integrated resort complex with entertainment and retail facilities which consists of a casino with a total of 140 gaming tables and 1,000 slot machines, a golf course, a mass market hotel with 313 hotel rooms, an all-suite hotel with 136 suites (comprising 141 bedrooms), a hotel villa resort with 70 units (comprising 74 bedrooms), 30 villa units (comprising 68 bedrooms) for sale and timeshare rental, and a condo-hotel with 236 rooms (comprising 408 bedrooms) for sale and timeshare rental. In the other six phases of the Project, ProjectCo will further develop the remaining site which may include but not limited to an additional 1,000 slot machines, a new golf course, residential dwellings, commercial and retail areas, opportunistic developments such as cultural villages and entertainment facilities and other public facilities.

As advised by the management of ProjectCo and the Company (the "Management"), the development plan for the remaining phases will depend on the response to phase one and is under preliminary design stage. Thus, only the operation of phase one is considered in this appraisal.

INDUSTRY OVERVIEW

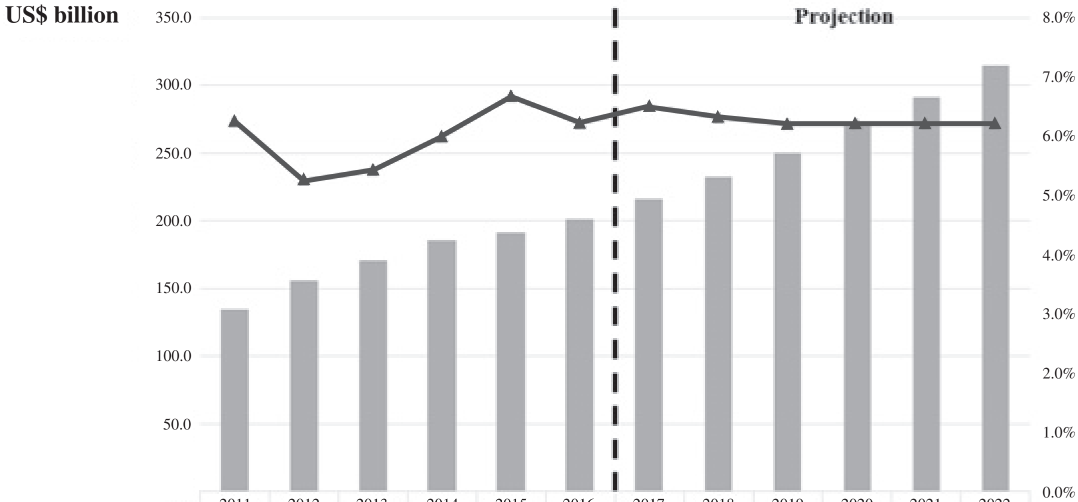
ECONOMIC DEVELOPMENT OF VIETNAM

Vietnam's economy recovered from the global financial crisis in 2012 and maintained a strong GDP growth ranging 5.4% to 6.7% from the period 2013 to 2016. The GDP at current price was recorded at US$201.3 billion in 2016. According to the World Economic Outlook Database in April 2017 of the International Monetary Fund ("IMF"), the GDP in Vietnam will sustain its high growth at around 6.2% to 6.5% from 2017 to 2022.

Vietnam was categorized as middle-income country by World Bank[1]. The GDP per capita (at current prices) of the country increased from US$1,532 in 2011 to US$2,173 in 2016 and is forecasted to be US$3,208 in 2022 by the IMF.

[1] "Vietnam: Achieving Success as a Middle-income Country", http://www.worldbank.org/en/results/2013/04/12/vietnam-achieving-success-as-a-middle-income-country

Graph 1: GDP of Vietnam (2011-2022)



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
GDP, current prices	134.6	155.5	170.4	185.8	191.3	201.3	215.8	232.6	250.4	269.9	291.3	314.2
GDP growth %	6.2%	5.2%	5.4%	6.0%	6.7%	6.2%	6.5%	6.3%	6.2%	6.2%	6.2%	6.2%

Source: World Economic Outlook Database in April 2017 of IMF

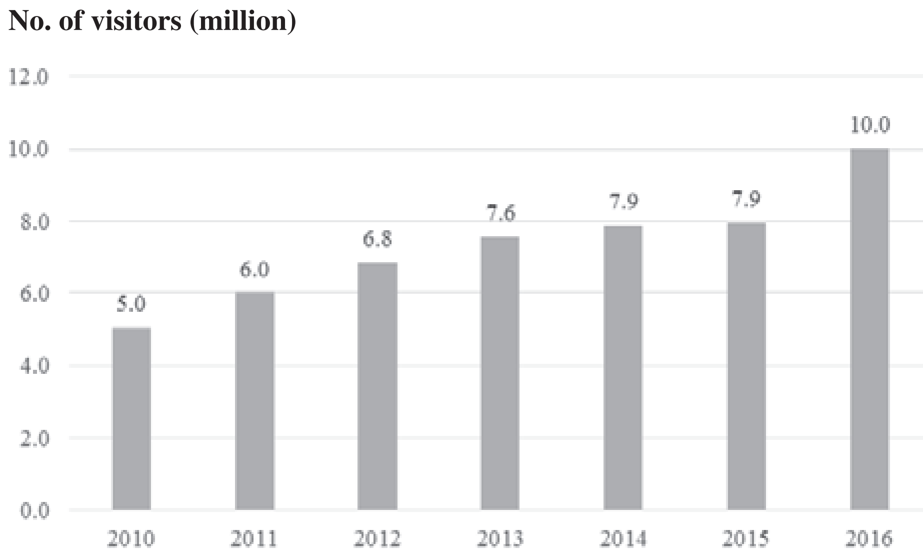
OVERVIEW OF TOURISM IN VIETNAM

Vietnam

Vietnam continues to emerge as a prominent destination for international tourists within Southeast Asia. The number of international visitors to Vietnam soared in recent years with a compound annual growth rate ("CAGR") of 12% from 2010 to 2016. According to the Vietnam National Administration of Tourism, the number of international visitors reached approximately 10 million in 2016, up 26% from last year, doubling the figure in 2010 and making the highest thus far. Visitors from China, Korea and Japan were the top three countries accounting for 27%, 15% and 7% respectively of the total international visitors in 2016. The tourism sector also served 62 million domestic tourists in 2016 and generated a total tourism revenue of VND400 trillion[2].

[2] "International visitors to Vietnam set record in 2016", http://en.timeoutvietnam.vn/international-visitors-to-vietnam-set-record-in-2016-12035.html

Graph 2: International visitors of Vietnam (2010-2016)



Source: Vietnam National Administration of Tourism

Ho Chi Minh City and Hanoi remain the most popular cities for tourists to visit while emerging resort markets such as Da Nang have been gaining attention of international visitors.

Da Nang

Da Nang is one of the famous resort destinations along the coastline of Vietnam. The Da Nang tourism market extends from Da Nang to Hoi An in the adjoining Quang Nam Province on the south side and to the north side to Langco and to Hue in the adjoining Thua Thien Hue Province.

According to the article's name "Da Nang focuses on tourism"[3] quoting Da Nang Department of Culture, Sports and Tourism, the average growth rate of tourists to Da Nang reached 20.1% per year from 2011 to 2015. Total revenue from tourism increased by 30.7% per year on average. In 2016, tourists to Da Nang is expected to reach 5.51 million of which the number of international and domestic tourists are 1.66 million and 3.84 million representing growth rates of 31.6% and 12.5% respectively[4].

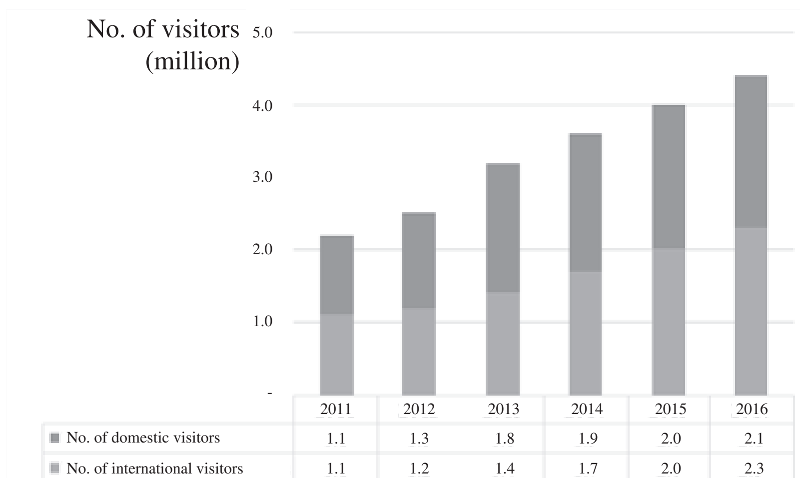
3 "Da Nang focuses on tourism", http://vneconomictimes.com/article/biz-traveler/da-nang-focuses-on-tourism

4 "Da Nang to receive 5.51 million visitors in 2016", http://hanoitimes.com.vn/travel/attractions/2016/12/81e0ac32/da-nang-to-receive-5-51-million-visitors-in-2016/

Quang Nam

According to the feasibility study for the Project (the "Feasibility Study") conducted by Savills[5], quoting Quang Nam Department of Culture, Sports and Tourism, the total tourist arrivals reached approximately 4.4 million with 13% year-on-year growth in 2016. International tourists were approximately 2.3 million, which was up by 25% compared to last year. The number of international arrivals gradually increased from 1.1 million in 2011 to 2.3 million in 2016. Meanwhile, the number of domestic arrivals rose from 1.1 million in 2011 to 2.1 million in 2016. As a World Heritage Site recognized by the United Nations Educational, Scientific and Cultural Organization since 1999, Hoi An is one of the most popular tourist destinations in Quang Nam.

Graph 3: Domestic and international visitors of Quang Nam (2011-2016)



Source: Feasibility Study and Quang Nam Statistic Office

In terms of accommodation room supply, there were 5 five-star hotels, 17 four-star hotels and 17 three-star hotels altogether providing 900 rooms, 1,880 rooms and 1,040 rooms respectively in Hoi An in Q4 2016 according to the Feasibility Study. From 2010 to 2016, the average occupancy rate in Hoi An increased steadily from approximately 55% in 2010 to 73% in 2016. The occupancy rate of the five-star hotels and the four-star hotels were both around 75% and the average room rate were US$134 and US$90 per room per night respectively in 2016. In comparison with the hotels with the same grading in Da Nang, five-star hotels in Hoi An had a lower occupancy rate and average room rate while the four-star hotels in Hoi An had a better performance.

5 Savills is a global real estate services provider listed on the London Stock Exchange providing consulting services and advice (such as valuation, building consultancy, project management, environmental consultancy, landlord and tenant, planning, strategic projects and research) in connection with commercial, residential and agricultural properties, property-related financial services and investment management, which includes investment management for institutional or professional investors.

Regarding the future supply in hotel rooms, 2 five-star hotels with approximately 682 rooms are expected to open in 2017 and 9 projects including 8 five-star hotels and 1 four-star hotel will enter the market and provide an additional supply of about 2,300 rooms from 2018 onwards in Quang Nam according to the Feasibility Study. In order to boost the tourism industry, Quang Nam, Da Nang and Hue will work together[6] by joining tourist fairs, coordinating in building editorial tourism website and fan page for supporting information. A series of major/regional events will be held in Quang Nam in 2017, the Asia-Pacific Economic Cooperation summit and the expansion of Da Nang airport are foreseen to have positive effects on the tourism of the area.

GAMING IN VIETNAM

The existing legal gaming industry in Vietnam comprises 64 state-owned lottery companies, eight casinos, two sports betting sites, and over 40 clubs with electronic gaming machines[7]. The casinos and lottery operations generated about US$61.3 million and US$2.9 billion gaming revenue respectively in 2014 according to Vietnam's Institute for Regional Sustainable Development[8]. The casinos are spread across the country with the most concentrated area being in the northeast. Most of them are small in scale with investment less than US$50 million and for foreign passport holders only. Vietnam's largest casino project is located in the Grand Ho Tram Strip Resort in Vung Tau which has a projected investment of US$4 billion. Casinos and slot machines are prohibited for Vietnamese citizens unless they hold a foreign passport. According to the presentation regarding the Asian gaming market provided by Mr. Lee Ben Tiong Leong[9], managing director of IGamiX Management & Consulting Ltd.[10] ("IGamiX"), the gross gaming revenue in Vietnam in 2015 and 2016 were both around US$300 to 400 million and it was projected to be over US$500 million in 2017.

In January 2017, the Vietnam government announced a new decree on gaming that comes into effect in mid-March 2017 allowing Vietnamese to gamble legally in their own country. The measure will allow citizens over 21 year's old and with a monthly income of at least VND10 million (US$449) and paying an entry tax to enter local casino and gamble, Forbes revealed[11], quoting the decree. Only casino resorts with a total capital investment of at least US$2 billion – including gaming and non-gaming facilities – are eligible to welcome Vietnamese to gamble and local gamblers will be required to pay VND1 million for a 24-hour casino pass or VND25 million for a month-long pass according to the newsletter released by the government[12].

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6 "Da Nang, Hue and Quang Nam Announce Joint Tourism Brand", http://danang.gov.vn/web/en/detail?id=15078&_c=32811376

7 "Vietnam relaxes restrictions on nationals gambling domestically", http://asia.nikkei.com/Business/Trends/Vietnam-relaxes-restrictions-on-nationals-gambling-domestically

8 "Vietnam Casinos Generate $61 Million in Revenue", http://www.casinonewsdaily.com/2015/09/30/vietnam-casinos-generate-61-million-in-revenue/

9 Mr. Lee Ben Tiong Leong is widely acknowledged as one of the leading experts on the area of Asian and Australian gaming market, particularly in the VIP market segment and is a much sought after gaming commentator regularly invited to speak on the Asian gaming industry. He held various positions in different organisations such as Casino Marketing for Venetian Macau, Harrahs Entertainment Group, Nagacorp (HK) Limited and Subic Diamond Casino in the Philippines.

10 IGamiX is a Macau based gaming consultancy firm, and is considered as a leading expert in the Asia gaming market.

11 "How Vietnam Is Changing Its Gambling Rules To Win Foreign Investment", https://www.forbes.com/sites/muhammadcohen/2017/02/09/how-vietnam-is-changing-its-gambling-rules-to-win-foreign-investment/#451f258330e7

12 "Decree on casino business released" http://news.chinhphu.vn/Home/Decree-on-casino-business-released/20171/29659.vgp

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business enterprise of ProjectCo on the basis of fair market value and in conformity with the *Uniform Standards of Professional Appraisal Practice. Fair market value* is defined as the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. *Business enterprise* is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt.

Our investigation included discussions with the Management in relation to the history and nature of ProjectCo's business, a review of ProjectCo's historical results up to 30 June 2017 and financial projection for the period from 1 July 2017 to 30 June 2029 and the underlying assumptions (collectively the "Projection"), and other records and documents provided to us by the Management. We have assumed that the data, information, opinions and representation provided to us by the Management in the course of the valuation are true and accurate. The key records and documents provided to us by the Management including the following:

– Financial assessment of the Project from IGamiX ("IGamiX Report");

– The Feasibility Study;

– Presentation deck regarding the Asian gaming market provided by Mr. Lee Ben Tiong Leong, managing partner of IGamiX;

– The draft legal opinion advised by Vietnam International Law Firm ("VILAF");

– The construction cost plan of phase one prepared by WT Partnership[13];

– Other market research on gaming, real estate, hotel and golf operations;

– The draft technical service agreement and casino management agreement;

– The credit contract dated 30 March 2017; and

– The Projection.

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[13] WT Partnership is an international consultancy firm providing consultancy services on property, project and cost management consultants in building construction, infrastructure and management of facilities for private and public sector clients worldwide.

In addition, a study of market conditions and an analysis of published information concerning the subject industry are performed to assess the reasonableness and fairness of the Projection. We conducted an analysis of the macroeconomic overview, industry overview and competitive environment to understand the market outlook. We have researched and analyzed on the publicly traded comparable companies which are engaged in casino and hotel operations in Macau and Southeast Asia by reviewing their operating statistics and financial data as well as other market information regarding the pricing of services adopted in the Projection. Having reviewed the information as at the Appraisal Date, we do not consider the Projection unreasonable.

Before arriving at our opinion of value, we have considered the following principal factors:

- The nature of the business and the history of ProjectCo from its inception;
- The nature and prospect of tourism and gaming in Vietnam;
- The economic outlook in general and the specific economic and competitive elements affecting ProjectCo's business, its industry and market;
- The earnings capacity of ProjectCo;
- The past operating results of ProjectCo;
- The Management's policies and strategies for the future;
- Capital injection as required and stipulated by the Investment Certificate;
- The liquidity of the assets to be valued;
- The potential of the target markets to be served;
- The financial and business risks of ProjectCo and inherent uncertainties involved in its operation;
- Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor; and
- The Projection.

Due to the changing environment in which ProjectCo is operating, a number of assumptions have to be established in order to sufficiently support our concluded fair market value. The major assumptions adopted in this appraisal are:

– There will be no major changes in the existing political, legal, and economic conditions in Vietnam in which ProjectCo carries on its business;

– There will be no major changes in the current taxation law in Vietnam in which ProjectCo operates, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

– Effective tax rates, exchange rates and interest rates will not differ materially from those presently prevailing;

– The availability of finance will not be a constraint on the forecast growth of ProjectCo's operations;

– There will be no material deviation or changes in the industry trends and market conditions which would significantly affect the revenues, profits, cash flows attributable to ProjectCo;

– The Projection provided by the Management has been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration;

– ProjectCo will successfully maintain its competitiveness and market share through optimizing the utilization of its resources, expanding its marketing network and investing in gaming, hotel, real estate and golf business;

– ProjectCo can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

– ProjectCo will utilize and maintain its current operational, administrative and technical facilities to expand and increase its profitability;

– ProjectCo will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

– ProjectCo has obtained and will obtain all necessary permits, license, certificates and approvals to carry out its business as planned in the Projection;

- There will not be any material potential liabilities arising from the discrepancy of development area of approximately 163 hectares to be materialized by ProjectCo for phase one of the Project and the stipulated area of approximately 270 hectares as per the Investment Certificate;

- The phase one of the Project will commence operations by Q2 2019 with at least 1,000 lodging rooms completed;

- A terminal growth rate of 3% is adopted, which reflects a long-term inflation rate in Vietnam;

- The debt-to-equity ratio of ProjectCo for the period from 1 July 2017 to 30 June 2029 is assumed to be the average debt-to-equity ratio of that period;

- ProjectCo will retain a debt-to-equity ratio of 0% in terminal year;

- The borrowing costs are assumed to be 4.50% for the first year after drawdown and 5.68% thereafter with reference to the loan agreement of ProjectCo; and

- The exchange rate of USD to HKD is assumed to be US$1 = HK$7.8072 as of the Appraisal Date.

THE BASIS OF MANAGEMENT'S PROJECTION

The Projection was prepared by the Management in conjunction with input from certain third party consultants. The Projection includes four segments of phase one of the Project consisting (1) casino; (2) hotel; (3) real estate; and (4) golf.

Casino Segment

The projected casino revenue includes gaming revenues from VIP tables, premium mass and mass tables, slot machines and food and beverage. The total numbers of table and slot machine are 140 and 1,000 respectively per the Investment Registration Certificate. The VIP tables would be operated by different tiers of junket operators comprising up to two tier A junket operators, one tier B junket operator (collective referred as "Tier A & B Junkets") and more than ten tier C and casual junket operators (collective referred as "Tier C & Casual Junkets") as planned by the Management. The Management forecasted the VIP table gross gaming revenue ("GGR") based on the number of VIP tables, the projected rolling chips turnover and expected house win rate. The rolling chips turnover targets of each tier of junket operators referred to the IGamiX Report. According to the IGamiX Report, the monthly rolling chips turnover targets for tier A junket operators, tier B junket operator, tier C and casual junket operators were US$300 million, US$100 million, US$50 million and US$10 million respectively. The expected house win rate adopted by the Management was 2.85% which was made reference to the IGamiX Report and also cross-checked with the house win rate of the publicly traded casino operators in Macau listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The estimated house win rate of the IGamiX Report was 2.95%. According to the IGamiX Report, the theoretical house win rate adopted as benchmark was 2.7% for mature markets like Australia, Malaysia and Singapore while the historical house win rate in Macau was within the range of 2.8% to 3.4%. The projected GGR from the premium mass and mass tables was based on the estimated win per unit per day ("WPUPD") which referred to the IGamiX Report, the historical WPUPD of mass tables of the publicly traded casino operators in Macau listed on the Stock Exchange and NagaCorp Limited. According to the IGamiX Report, the estimated WPUPD for mass table was US$6,000 without separation of mass or premium mass. The Management made reference to the average of 2014 to 2016 WPUPD of mass tables of some of the publicly traded casino operators in Macau listed on the Stock Exchange, which was a blend of premium mass and mass tables, for the premium mass tables. For mass tables, the Management considered the average of 2014 to 2016 WPUPD of mass table of NagaCorp Limited as a reference. The estimated average WPUPD of premium mass and mass adopted by the Management was approximately US$4,800 which was comparable to the figure of the IGamiX Report. The Management forecasted the GGR from slot machines by referencing the WPUPD of slot machine from IGamiX Report (i.e. US$48).

The Management expected the rolling chips turnover, WPUPD of premium mass and mass tables as well as slot machines to experience an annual growth rate of 15% from 2020 to 2027 and slow down to 10% and 8% in the following two years, and such growth rates were made reference to the IGamiX Report and the CAGR of gaming revenue of NagaCorp Limited of 19% for the period from 2011 to 2016. The IGamiX Report suggested annual growth rates of 15% to 33%. Revenue arising from casino is subject to 35% special consumption tax and 10% value added tax. The taxes on VIP table revenue were after VIP commissions which are 1.7% and 1.3% on rolling chips turnover for Tier A & B Junkets and Tier C & Casual Junkets respectively. The IGamiX Report indicated a blended average of 1.7% as VIP commissions for Vietnam; however, actual commission to junket operators were likely to vary depending on the volume of their rolling chips turnover. The IGamiX Report revealed the VIP commission rate in Macau is 1.25% which is the cap as determined by the Macau Government while VIP commission rates for other Southeast Asia markets range from 1.6% to 1.8%. The casino revenue comprised the GGR from VIP tables, premium mass and mass tables and slot machines after special consumption tax and value added tax. The food and beverage revenue under the casino segment is generated from the food and beverage facilities in the casino.

The Management estimated the operating expenses of the casino segment to be 30% and 19% of the GGR of the casino segment for the first and second year of operation. The operating expenses to GGR ratio would reduce to 15% when the Casino is operating at optimal efficiency level. The rate of operating expenses of the casino segment was in accordance with the IGamiX Report which cross-checked the key gaming indicators of NagaCorp Limited. The operating cost to revenue ratio of the food and beverage facilities in casino segment was made reference to the cost to revenue ratio of a publicly traded restaurant group.

Hotel Segment

The hotel segment revenue is generated from room rental revenue from both hotels and rental pool program and food and beverage. The Management projected the hotel room rental revenue based on the total number of hotel units, average daily rate ("ADR") and occupancy rate. The total number of hotel units is according to the phase one development plan as described before. The ADRs are made reference to the Feasibility Study and room prices of comparable hotels on popular online hotel reservation platforms or official websites of the comparable hotels. The Feasibility Study showed the ADRs of some comparable hotels with similar grading in Da Nang and Hoi An ranged from US$111 to US$780. As the ADRs for the comparable hotels included in the Feasibility Study were a mix rate for different room type, the Management also referred to the market room prices of more comparable room types on popular online hotel reservation platforms or official websites of the comparable hotels which were around US$100 to US$1,400. The adopted ADRs of the Project ranged from US$150 to US$1,000. The Management expected the ADRs to grow at 3% per annum throughout the projection period by taking into account the expected inflation rate of Vietnam. The occupancy rates are estimated at 70% in the first year of opening and gradually increase to 80% in 2027 and remain constant onwards. With reference to the Feasibility Study, the average occupancy rates of the five-star hotels and the four-star hotels in Hoi An are around 70% in 2016. The revenue from food and beverage is estimated on per room basis. Revenue from rental pool program is after maintenance cost and profit split with owners.

The operating expenses of hotel segment includes room expenses, food and beverage expenses and overheads. The operating expenses of hotel room operation are forecasted to be 25% to 30% of room rental revenue while the profit margin of food and beverage is 10% and the overheads is around 30%-40% of hotel revenue. The operating cost structure is made reference to the Feasibility Study.

Real Estate Segment

The Management expected to start pre-selling the beachside villa and condo hotel in 2018. The selling price of the beachside villa and condo hotel are made reference to the Feasibility Study and other sources of the real estate market.

The general expenses of the selling including labour expenses, marketing and commission is estimated to be 6% of the selling price.

Golf Segment

Golf segment revenue is forecasted to comprise golf course operation, food and beverage, retail and membership fees. The Management estimated the performance of the golf segment benchmarked against the service charges of other comparable golf courses in Vietnam.

Other expenses include hotel management fees charged by the hotel operators and the technical service and casino management of the casino segment.

Financial Forecast Prepared by the Management in million US$

Period	1 Jul 17 to 31 Dec 17	1 Jan 18 to 31 Dec 18	1 Jan 19 to 30 Jun 19	1 Jul 19 to 30 Jun 20	1 Jul 20 to 30 Jun 21	1 Jul 21 to 30 Jun 22	1 Jul 22 to 30 Jun 23	1 Jul 23 to 30 Jun 24	1 Jul 24 to 30 Jun 25	1 Jul 25 to 30 Jun 26	1 Jul 26 to 30 Jun 27	1 Jul 27 to 30 Jun 28	1 Jul 28 to 30 Jun 29
Casino Revenue	–	–	–	407	468	537	617	708	813	934	1,073	1,180	1,274
Hotel Revenue	–	–	–	55	58	65	67	69	72	74	76	84	87
Real Estate Revenue	–	–	47	50	23	15	–	–	–	–	–	–	–
Golf Revenue	–	–	–	2	2	3	4	4	5	5	6	6	7
Total Revenue	**0**	**0**	**47**	**514**	**551**	**620**	**687**	**782**	**890**	**1,013**	**1,155**	**1,270**	**1,368**
Casino Expenses	0	1	0	346	334	357	410	471	541	621	714	785	847
Hotel Expenses	1	3	0	41	44	44	44	45	46	47	48	53	55
Real Estate Expenses	0	1	42	43	22	15	–	–	–	–	–	–	–
Golf Expenses	0	1	0	2	2	2	2	3	3	3	4	4	5
Total Expenses	**2**	**6**	**42**	**432**	**402**	**418**	**456**	**519**	**590**	**671**	**766**	**842**	**907**
Other Expenses	1	2	1	16	22	29	33	37	48	55	62	69	74
EBITDA	**–3**	**–8**	**4**	**67**	**128**	**174**	**199**	**226**	**252**	**287**	**327**	**360**	**387**

Due to rounding, numbers presented in the table may not add up precisely to the totals provided.

For the purpose of this valuation, we were furnished with historical and projected financial information, as well as records and documents by the Management. We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair market value of the appraised business enterprise.

VALUATION METHODOLOGY

To develop our opinion of value for the business enterprise, we considered the three generally accepted approaches to value: the Income Approach, the Market Approach and the Cost Approach.

Income Approach

In the income approach, the discounted cash flow method will be used. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loans. Thus, an indication of value was developed by discounting future free cash flow available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate) associated with the comparable business.

Market Approach

In the market approach, the guideline publicly traded company method and the guideline merged and acquired company method will be applied to estimate the value of ProjectCo. These two methods consider prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

Cost Approach

This approach seeks to measure the future benefits of ownership by quantifying the amount of money that would be required to replace or reproduce the future service capability of the subject asset, less depreciation from physical deterioration, functional and economic/external obsolescence, if present and measurable. The assumption underlying this approach is that the cost to purchase or develop new asset is commensurate with the economic value of the service that the asset can provide during its lives. The cost approach does not directly consider the amount of economic benefits that can be achieved or the time period over which they might continue. It is an inherent assumption with this approach that economic benefits indeed exist and are of sufficient amount and duration to justify the development expenditures.

In view of the fact that ProjectCo's operation requires very high entry barrier in terms of government approval and regulation and high investment amount, we consider that the current stage of development do not fairly reflect the value of ProjectCo, which is considered to be primarily driven by strong cash inflow after the commencement of operation of the Project in Q2 2019. Moreover, there is also no publicly announced transaction related to companies specializing in such industry in Vietnam. As such, we consider that market approach is not an appropriate method in this appraisal.

The cost approach often serves as a valuation floor to value a liquidated business but it is not the case for ProjectCo. ProjectCo is in its development stage, its enterprise value is principally attributable to its future economic benefits to be brought rather than the cost to reproduce or replace the current situation.

On the other hand, in the application of income approach, the Management has to prepare projected cash flows. These cash flows can capture the future economic benefits brought by the operation of ProjectCo, which is the main value driver. Consequently, we considered it appropriate, for this appraisal, to adopt the income approach.

The fair market value of ProjectCo is developed through the application of the income approach technique known as the discounted cash flow method. In this method, value depends on the present worth of future economic benefits to be derived from ownership of the invested capital of the business. Thus, indication of value is developed by discounting future free cash flows available for distribution to shareholders and for servicing shareholders' loans and long-term debt to their present worth at market-derived rates of return appropriate for the risks and hazards of the subject business.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method in appraising the economic benefits to be attributable to ProjectCo. In practice, the discounted cash flow approach consists of estimating future annual cash flows and individually discounting them to present value.

DISCOUNT RATE DEVELOPMENT

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. In this valuation, the discount rate applied to the cash flow streams attributable to the shareholders of ProjectCo is the cost of equity. The cost of equity is developed through the application of the Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects. A major requirement in generating the cost of equity is to identify companies that are comparable to ProjectCo in terms of business nature and associated risks.

CAPM

CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. The cost of equity for ProjectCo is the sum of the risk-free rate return, the equity risk premium required by investors to compensate for the systematic risk assumed with adjustments for increment for risk differentials of ProjectCo versus those of the comparable companies, which include risk adjustments for size (the "Small Capitalization Risk Premium") and other risk factors in relation to the comparable companies (the "Company Specific Risk Premium").

In developing the discount rate for this valuation, we have adopted the US$ Emerging Market Vietnam Sovereign Bond yield as at the Appraisal Date (i.e. 3.60%) as the risk-free return and the average equity risk premium derived from the comparable companies (i.e. 12.78% for the period from 1 July 2017 to 30 June 2029 and 9.41% for terminal year, difference arising from different debt ratios assumed) as that of ProjectCo, then added on the Small Capitalization Risk Premium (i.e. 3.67%), the Start-up Risk Premium (i.e. 2.00% for the period from 1 July 2017 to 30 June 2029) and Company Specific Risk Premium (i.e. 2.00%), in relation to the size and other risk factor differentials of ProjectCo as compared with the comparable companies, to arrive at discount rates of 24.05% and 18.68% for the costs of equity for the period from 1 July 2017 to 30 June 2029 and the terminal year respectively.

The average equity risk premium of the comparable companies is a product of market risk premium and the beta coefficient. The market risk premium for Vietnam market is derived from adjusting the market risk premium in the U.S. market set forth in the 2017 Valuation Handbook – Guide to Cost of Capital by Duff&Phelps, LLC., a global valuation and corporate finance advisor, (i.e. 6.94%) by the adjustment factor which is adjusting the major indexes' volatilities in the two markets in the past 10 years prior to the Appraisal Date (i.e. 1.46).

SMALL CAPITALIZATION RISK PREMIUM

Small Capitalization Risk Premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small capitalization company. This premium reflects the fact that cost of capital increases with decreasing size of a company.

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from CAPM. We concluded that a small capitalization risk premium of 3.67%, with reference to the 2017 Valuation Handbook – Guide to Cost of Capital by Duff&Phelps, LLC., is appropriate for ProjectCo.

START-UP RISK PREMIUM

The Start-up Risk Premium for the period from 1 July 2017 to 30 June 2029 associated with ProjectCo relates to its start-up risks in the successful establishment and implementation of its development plan. The Project is still in the construction stage and is expected to commence operation in Q2 2019, uncertainties result from execution risks in construction, the lack of historical data to support the forecasted revenue in the Projection and being a start-up business, ProjectCo may require considerable effort to control and manage the construction and formulate its operations and marketing strategies.

To reflect these risks, based on our professional judgment and experiences, an additional risk premium of 2.00% is applied in developing the cost of equity of ProjectCo.

COMPANY SPECIFIC RISK PREMIUM

The Company Specific Risk Premium associated with ProjectCo relates to the uncertainties in the development of the tourism of the country and the attractiveness of the Project to the visitors. The Project is in Vietnam which is an emerging tourist destination with a boom in number of visitors from overseas but the future number of foreign visitors depends on the overall tourism development of Vietnam. Further, sizable resorts with casino like the Project is rare in Vietnam and its success in attracting the forecasted crowd from targeted market could be in doubt. Also, the regulatory regime of the concerned industry in Vietnam is still evolving and its development or changes might have material negative impact on the Projection.

To reflect these risks, based on our professional judgment and experiences, an additional risk premium of 2.00% is applied in developing the cost of equity of ProjectCo.

SELECTION OF COMPARABLE COMPANIES

The cost of equity is the expected rate of return that an investor would demand for investing in the equity interest in a business enterprise given the risks of the investment.

A major requirement in generating the cost of equity is to identify companies that are comparable to ProjectCo in terms of business nature and associated risks. In our valuation model, we have based on the following criteria: (1) principal business is engaged in the casino and hotel complex operation in Southeast Asia or Macau, (2) with various competitors in their countries and neighboring countries and (3) with majority of revenue generating from gaming.

Based on the above criteria, we have selected fifteen comparable companies which are considered to be closely comparative to ProjectCo. The business descriptions of the comparable companies are summarized below:

1. Bloomberry Resorts Corporation ("Bloomberry") (Listed in Philippines, stock ticker: BLOOM)

   Bloomberry is a holding company. Bloomberry and its subsidiaries are principally engaged in the operation and development of tourist facilities, casinos, and hotel and amusement-themed projects. Bloomberry operates a premium hotel and gaming resort called "Solaire Resort & Casino" in Entertainment City, Philippines.

2. Travellers International Hotel Group, Inc. ("Travellers") (Listed in Philippines, stock ticker: RWM)

   Travellers is the developer and operator of Resorts World Manila, an integrated tourism resort in the Philippines. Its amenities include lodging facilities, restaurants, gaming facilities, entertainment spots, mall, hotels, shops and boutiques, cinemas, dining outlets, arts theaters, and venues for local and international artists and productions.

3. Melco Crown (Philippines) Resorts Corporation ("MRP") (Listed in Philippines, stock ticker: MRP)

   MRP is a developer and owner of casino gaming and entertainment resort facilities called "City of Dreams Manila" located in Entertainment City, Philippines.

4. Genting Singapore PLC. ("Genting Singapore") (Listed in Singapore, stock ticker: G13)

   Genting Singapore through its subsidiaries is engaged in the development and operation of integrated resort, operation of casinos, provision of sales and marketing support services to leisure and hospitality related businesses and investments. Genting Singapore operates the resort "Resorts World Sentosa" in Singapore.

5. Genting Malaysia Berhad ("Genting Malaysia") (Listed in Malaysia, stock ticker: GENM)

   Genting Malaysia operates a tourist resort in Genting Highlands which includes hotels, restaurants, casinos, and recreational and amusement facilities. Genting Malaysia, through its subsidiaries, also develops and leases property, operates leisure and hospitality services, and provides time share ownership scheme.

6. Donaco International Limited ("Donaco") (Listed in Australia, stock ticker: DNA)

   Donaco operates leisure and entertainment businesses. Donaco owns and manages casinos and casino hotels in Cambodia and Vietnam. It serves customers across the Asia Pacific region.

7. NagaCorp Limited ("Naga") (Listed in Hong Kong, stock ticker: 3918)

   Naga is a leisure and tourism company with casino operations in Phnom Penh, the capital city of Cambodia. Naga also offers hotel accommodation, manages food and beverage outlets, recreational facilities, entertainment and retail operations.

8. Galaxy Entertainment Group Limited ("Galaxy") (Listed in Hong Kong, stock ticker: 27)

   Galaxy, through its subsidiary, operates casino, hotels, and other entertainment facilities in Macau. Galaxy also manufactures, sells, and distributes construction materials.

9. Emperor Entertainment Hotel Limited ("Emperor Entertainment") (Listed in Hong Kong, stock ticker: 296)

   Emperor Entertainment operates a hotel and casino in Macau. The hotel offers restaurants and bars, a business center, spa, sauna, and nightclub, guest accommodations, and gambling services.

10. SJM Holdings Limited ("SJM") (Listed in Hong Kong, stock ticker: 880)

    SJM offers amusement and recreation services. It operates casinos, hotels, and other tourism-related facilities in Macau.

11. Wynn Macau, Limited ("Wynn Macau") (Listed in Hong Kong, stock ticker: 1128)

    Wynn Macau owns and operates Wynn Macau, a destination casino resort currently featuring hotel rooms and suites, a casino, casual and fine dining restaurants, retail space and leisure amenities.

12. Macau Legend Development Limited ("Macau Legend") (Listed in Hong Kong, stock ticker: 1680)

    Macau Legend owns hotels and casinos. It operates casino gaming facilities, shopping complexes, themed hotels, convention and entertainment complexes and other leisure facilities in Macau.

13. Sands China Ltd. ("Sands China") (Listed in Hong Kong, stock ticker: 1928)

    Sands China develops, owns, and operates integrated resorts and casinos in Macau. It also owns convention and exhibition halls in Macau and retail malls.

14. MGM China Holdings Limited ("MGM China") (Listed in Hong Kong, stock ticker: 2282)

    The principal activities of MGM China and its subsidiaries are the operation of casino games of chance and other casino games and the related hotel and resort facilities, and the development of integrated resorts in Macau.

15. Melco Resorts & Entertainment Limited ("Melco") (Listed in the United States, stock ticker: MLCO)

    Melco through its subsidiaries, develops, owns and operates casino gaming and entertainment casino resort facilities in Macau and the Philippines. It has over three casino based operations in Macau, namely, City of Dreams, Altira Macau and Studio City, and non-casino based operations in Macau at its Mocha Clubs. It also has a casino based operation in the Philippines, City of Dreams Manila.

DISCOUNT FOR LACK OF MARKETABILITY

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of the following two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

Currently there is no widely used empirical study conducted on lack of marketability discount for private companies in Vietnam. Most studies on lack of marketability were based on transactions or data in the U.S.. In this case, a lack of marketability discount of 20% is applied to the indicated fair market value of the business enterprise derived by the income approach which is deemed to be reasonable for a private company like ProjectCo. In determining the reasonable lack of marketability discount, we have made reference to the "*Mergerstat® Review 2016*" by FactSet Mergerstat, LLC which included data derived from market transactions involving U.S. companies, including privately held, publicly traded and cross-border transactions.

SENSITIVITY ANALYSIS

The following tables set out the sensitivity of the fair market value of 100% equity interest in the business enterprise of ProjectCo to change in (i) the terminal growth rate, (ii) the discount rate and (iii) the lack of marketability discount assuming all other assumptions remaining the same except where consequential amendments are required.

SCENARIO A: SENSITIVITY OF FAIR MARKET VALUE TO CHANGE IN THE TERMINAL GROWTH RATE

Terminal Growth Rate	**Indicated fair market value of 100% equity interest in the business enterprise of ProjectCo (After Marketability Discount)**
1%	US$285,214,000
2%	US$293,598,000
3% (Base case)	US$303,052,000
4%	US$313,794,000
5%	US$326,107,000

SCENARIO B: SENSITIVITY OF FAIR MARKET VALUE TO CHANGE IN THE DISCOUNT RATE

Discount Rate	Indicated fair market value of 100% equity interest in the business enterprise of ProjectCo (After Marketability Discount)
2017-2029: 22.05%; terminal year: 16.68%	US$378,041,000
2017-2029: 23.05%; terminal year: 17.68%	US$337,518,000
2017-2029: 24.05%; terminal year: 18.68% (Base case)	US$303,052,000
2017-2029: 25.05%; terminal year: 19.68%	US$273,502,000
2017-2029: 26.05%; terminal year: 20.68%	US$247,989,000

SCENARIO C: SENSITIVITY OF FAIR MARKET VALUE TO CHANGE IN THE LACK OF MARKETABILITY DISCOUNT

Lack of Marketability Discount	Indicated fair market value of 100% equity interest in the business enterprise of ProjectCo (After Marketability Discount)
10%	US$340,934,000
15%	US$321,993,000
20% (Base case)	US$303,052,000
25%	US$284,111,000
30%	US$265,171,000

OPINION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair market value of 100% equity interest in the business enterprise of ProjectCo as at **30 June 2017** is reasonably stated by the amount of **US DOLLARS THREE HUNDRED THREE MILLION AND FIFTY TWO THOUSAND (US$303,052,000)** only which is approximately equivalent to **HONG KONG DOLLARS TWO BILLION THREE HUNDRED SIXTY FIVE MILLION NINE HUNDRED AND EIGHTY EIGHT THOUSAND (HK$2,365,988,000)** only.

This opinion of value is contingent upon the assumptions and limiting conditions and the normal service conditions presented in this report. We have not investigated the title to or any liabilities against the property appraised. We do not provide assurance on the achievability of the results forecasted in the budget provided by the Management because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of the Management. This opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This appraisal has been prepared solely for the purpose stated herein. This appraisal report should not be referred to, in whole or part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any party without our prior written consent.

We hereby certify that we have neither present nor prospective interests in the Company, Singapore HoldCo, their subsidiaries, ProjectCo, the Project, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA
Managing Director

Derek T.Y. Wong, CFA, FRM
Director
Business and Derivative Valuation

Note: *Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988. Mr. Derek T.Y. Wong is a CFA Charterholder and a Certified FRM. He has been working in the financial industry since 2003, with experiences covering the areas of corporate banking, corporate finance, equity analysis and business and derivatives valuation.*

The following is the text of the report received from Deloitte Touche Tohmatsu, Certified Public Accountants, in respect of the valuation of Hoi An South Development Ltd for the purpose of inclusion in this circular.

Deloitte. 德勤

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN HOI AN SOUTH DEVELOPMENT LTD

TO THE DIRECTORS OF SUNCITY GROUP HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Grant Sherman Appraisal Limited dated 10 July 2017, of 100% equity interest in Hoi An South Development Ltd as at 30 June 2017 (the "Valuation") is based. Hoi An South Development Ltd is a company incorporated in Vietnam and is the owner of Hoi An South Project, an integrated resort project being developed in Hoi An South, Quang Nam Province, Vietnam. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in an announcement dated 27 July 2017 to be issued by Suncity Group Holdings Limited (the "Company") in connection with the acquisition of the entire equity interest in Star Admiral Limited (the "Announcement").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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 Hong Kong Institute of Certified Public Accountants (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' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Hoi An South Development Ltd.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 July 2017

The following is the text of the letter received from Optima Capital Limited, the financial adviser of the Company, in respect of the valuation of Hoi An South Development Ltd for the purpose of inclusion in this circular.

OPTIMA CAPITAL

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

27 July 2017

The Board of Directors
Suncity Group Holdings Limited
Room 1201-1202, 12/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the valuation report (the "**Valuation**") prepared by Grant Sherman Appraisal Limited ("**Grant Sherman**") dated 10 July 2017 in relation to the valuation of 100% equity interest in Hoi An South Development Ltd (the "**ProjectCo**"). The ProjectCo is a company incorporated in Vietnam and is the owner of Hoi An South Project, an integrated casino resort project being developed in Hoi An South, Quang Nam Province, Vietnam. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as those defined in the announcement of Suncity Group Holdings Limited dated 27 July 2017 (the "**Announcement**").

We note that the Valuation, which has been developed based on, among other things, the discounted cash flows analysis, is regarded as profit forecast under Chapter 14 of the Listing Rules. We note that the Valuation is developed based on, among other things, the cash flow forecast in relation to the ProjectCo and the estimated discount rate which is based on the estimated cost of equity after taking into consideration of relevant risk free rate and certain risk premium.

We have discussed with the management of the Company and Grant Sherman regarding the bases and assumptions of the Valuation and have also reviewed the letter issued by Deloitte Touche Tohmatsu dated 27 July 2017 as set out in Appendix I to the Announcement containing its opinion on whether the cash flows forecast, so far as the arithmetical accuracy of the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the Directors.

On the basis of the foregoing and the arithmetical accuracy of the calculations reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the cash flows forecast underlying the Valuation, for which the Directors are solely responsible, has been made after due and careful enquiry.

Yours Faithfully,
For and on behalf of
Optima Capital Limited
Ng Ka Po
Senior Director

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, as follows:

As at the Latest Practicable Date

Authorised:		*HK$*
50,000,000,000	Shares	5,000,000,000
Issued and fully paid:		
6,020,818,900	Shares	602,081,890

Immediately following completion of the Acquisition and upon full conversion of the Convertible Bonds

Authorised:		*HK$*
50,000,000,000	Shares	5,000,000,000
Issued and fully paid:		
6,020,818,900	Shares as at the Latest Practicable Date	602,081,890
330,000,000	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	33,000,000
6,350,818,900		635,081,890

3. DISCLOSURE OF INTERESTS

(I) Directors' and chief executive's interests in Shares, underlying Shares or debentures

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "**Associated Corporations**") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Long position in the Shares

Name of Director	Capacity in which Shares are held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of aggregate interest Shares to total number of Shares in issue
Mr. Chau	Interest of controlled corporation	4,345,489,489[1]	2,192,307,692[2]	6,537,797,181	108.59%
	Beneficial owner	–	196,666,667[2]	196,666,667	3.27%
Mr. Lo	Beneficial owner	–	173,333,333[3]	173,333,333	2.88%
Mr. Au Chung On John	Interest of spouse	400,000	–	400,000	0.01%
Mr. Manuel Assis Da Silva	Beneficial owner	290,000	3,000,000[4]	3,290,000	0.05%
Mr. Manuel Assis Da Silva	Interest of spouse	520,000	–	520,000	0.01%

Notes:

1. This represents interests held by Mr. Chau through Fame Select, which holds 4,345,489,489 Shares. Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in 4,345,489,489 Shares.

2. This represents the maximum of 2,192,307,692 new Shares to be issued upon full conversion of the convertible bonds issued by the Company to Fame Select at the initial conversion price of HK$0.26 (subject to adjustments). Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in the 2,192,307,692 underlying Shares and the maximum of 196,666,667 Conversion Shares convertible under the Convertible Bonds (excluding the Convertible Bonds to be issued by the Company to Mr. Lo).

3. The Vendor confirmed that it will direct the Company to issue the Convertible Bonds in the aggregate principal amount of HK$120 million (convertible up to 133,333,333 Conversion Shares) to Mr. Lo, an executive Director, as consideration for Mr. Lo's advisory and consultancy service to Mr. Chau in respect of the Project. Mr. Lo is also interested in 40,000,000 share options at an exercise price of HK$0.455 per Share to subscribe for Shares.

4. Mr. Manuel Assis Da Silva is interested in 3,000,000 share options at an exercise price of HK$0.455 per Share to subscribe for Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code.

(II) Substantial interests in the share capital of the Company

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long position in the Shares

Name	Capacity in which Shares were held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of aggregate interest Shares to total number of Shares in issue
Fame Select	Beneficial owner	4,345,489,489[1]	2,192,307,692[2]	6,537,797,181	108.59%
Mr. Cheng Ting Kong	Interest of controlled corporation	4,345,489,489[1]	2,192,307,692[2]	6,537,797,181	108.59%
Mr. Chau	Interest of controlled corporation	4,345,489,489[1]	2,192,307,692[2]	6,537,797,181	108.59%
	Beneficial owner	–	196,666,667[2]	196,666,667	3.27%
Magicmount Holdings Limited	Beneficial owner	337,719,868[3]	–	337,719,868	5.61%

Notes:

1. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong are deemed to be interested in 4,345,489,489 Shares held by Fame Select.

2. This represents the maximum of 2,192,307,692 new Shares upon full conversion of the convertible bonds previously issued by the Company to Fame Select at the initial conversion price of HK$0.26 (subject to adjustments). Mr. Chau has 50% interests in Fame Select and is therefore deemed to be interested in the 2,192,307,692 underlying Shares and the maximum of 196,666,667 Conversion Shares convertible under the Convertible Bonds (excluding the Convertible Bonds to be issued by the Company to Mr. Lo).

3. Magicmount Holdings Limited is wholly-owned by Mr. Kwan Tat Ming. As such, Mr. Kwan Tat Ming is deemed to be interested in 337,719,868 Shares held by Magicmount Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its Associated Corporations which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

Sun City Gaming Promotion Company Limited ("**Sun City Gaming Promotion**"), a company incorporated in Macau with limited liability, is one of the parties to the hotel accommodation procurement agreement dated 6 February 2017 (as revised by the supplemental agreement dated 15 May 2017) (the "**HAP Agreement**") and a ferry ticket supply agreement (the "**Ferry Ticket Supply Agreement**") with Sun Travel Limited, a subsidiary of the Group, in respect of the procurement of hotel accommodation from Sun City Gaming Promotion and Sun Travel Limited's sale of tickets of ferry service between Hong Kong and Macau to Sun City Gaming Promotion for its employees respectively (details of which are set out in the announcements of the Company dated 6 February 2017 and 15 May 2017). As Sun City Gaming Promotion is wholly owned by Mr. Chau, the Chairman of the Company and an executive Director, Mr. Chau is also deemed to have a material interest in the HAP Agreement and the Ferry Ticket Supply Agreement.

Mr. Chau is also the legal and beneficial owner of the Vendor and is also the Guarantor under the Acquisition Agreement.

Save and except for that, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for six months ended 30 June 2017 (the "**2017 Interim Report**") and the announcement of the Company dated 26 July 2017, the Group in July 2017 has received a civil ruling (the "**Judgment**") from a PRC Court relating to the enforcement of a civil claim (the "**Bank Claim**") taken out by a bank (the "**Bank**"). As alleged by the Bank under the Bank Claim, the Bank Claim relates to a loan agreement for a loan with principal amount of RMB120,000,000 (the "Bank Loan") and made between the Bank and a company (the "**Borrower**") established in the PRC as borrower in prior years. Pursuant to the Bank Claim, it was alleged that 深圳紫瑞房地產開發有限公司 ("**Shenzhen Zirui**") and 太陽世紀地產集團有限公司 ("**Sun Century Property**"), both being indirect wholly-owned subsidiaries of the Company, together with other four defendants in the Bank Claim, had been acting as guarantors for the Bank Loan. Pursuant to the Judgment, the assets of the Borrower, Shenzhen Zirui, Sun Century Property and other defendants under the Bank Claim (up to the sum of RMB807,133,353 with interest thereon together with fees and expenses to be incurred under the enforcement) shall be seized or frozen (the "**Frozen Assets**"). As at the date of the 2017 Interim Report, the Frozen Assets comprised bank balances in the aggregate amount of approximately RMB323,000 and inventories of approximately RMB164,622,000.

The Group also received an enforcement notice (the "**Enforcement Notice**") from the PRC court in relation to another civil claim (the "**Consultant Claim**"). Pursuant to the Consultant Claim, an individual (the "**Claimant**") alleged provision of consultancy services to the Borrower relating to the Bank Loan pursuant to a consultancy agreement (the "**Consultancy Agreement**") made between the Claimant and the Borrower in prior years. It was alleged that Shenzhen Zirui, Sun Century Property and another defendant had been acting as guarantors in respect of payment of consultancy fee under the Consultancy Agreement. Pursuant to the Enforcement Notice, certain inventories held by Shenzhen Zirui with value of approximately RMB161,211,000 (the "**Inventories**") shall be disposed of by way of tender to settle the Consultant Claim. In the event that the Inventories were released from the Enforcement Notice, pursuant to the Judgment under the Bank Claim, the Inventories shall be seized or frozen.

As at the Latest Practicable Date, the Company recorded a loss attributable to its equity shareholders of approximately RMB1,056.3 million for the six months ended 30 June 2017 as disclosed in the 2017 Interim Report. The loss was mainly attributed to, including but not limited to, (i) a loss on change in fair value of derivative component of the convertible bonds of approximately RMB697.7 million; (ii) loss arising from and provision for litigations against two indirect wholly-owned subsidiaries of the Company established in the PRC in the aggregate amount of approximately RMB411.8 million; (iii) an increase in income tax expense by approximately RMB99.0 million; and (iv) a gain from the reversal of impairment loss on trade and other receivables of approximately RMB150 million.

As at 30 June 2017, net liabilities of RMB639.2 million were recorded as compared to net assets of RMB392.4 million as at 31 December 2016. The significant deterioration in the financial position of the Company is mainly attributable to the loss of RMB1,056.3 million for six months ended as mentioned above. The significant portion of the liabilities of RMB744.3 million was contributed by derivative component of convertible bonds as a result of fair value change and will have no impact on the operation of the Company. Please refer to the 2017 Interim Report and the announcement of the Company dated 26 July 2017 for further details.

The Directors confirm that, save for the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or any of their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

8. EXPERTS' QUALIFICATION AND CONSENT

Set out below is the qualification of the experts who have given its opinion or letter of advice in this circular:

Name	Qualification
Optima Capital Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Astrum	a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
Deloitte Touche Tohmatsu	Certified public accountant
Grant Sherman	Professional valuer

Each of the above-mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or opinion or report or reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above-mentioned experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above-mentioned experts did not have any direct or indirect interests in any assets which had been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Room 1201-1202, 12/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the Acquisition Agreement;

(ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholder, the text of which is set out on page 42 of this circular;

(iii) the letter from Astrum, the text of which is set out on pages 43 to 97 of this circular;

(iv) the valuation report of the ProjectCo prepared by Grant Sherman, the text of which is set out in Appendix I to this circular;

(v) the report dated 27 July 2017 in relation to the calculations of the discounted future estimated cash flows underlying the valuation report on the ProjectCo set out in Appendix I to this circular issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;

(vi) the letter dated 27 July 2017 in relation to the profit forecasts underlying the valuation report on the ProjectCo set out in Appendix I to this circular issued by Optima Capital Limited, the text of which is set out in Appendix III to this circular;

(vii) the written consents as referred to under the section headed "Experts' qualification and consent" in this appendix;

(viii) the 2017 Interim Report; and

(ix) this circular.

SUNCITY GROUP HOLDINGS LIMITED
太陽城集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**") of Suncity Group Holdings Limited (the "**Company**") to be held at Meeting Room 1-2, 38/F., Holiday Inn Express Hong Kong SoHo, 83 Jervois Street, Sheung Wan, Hong Kong at 3:30 p.m. on 21 November 2017 for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the acquisition agreement dated 27 July 2017 (the "**Acquisition Agreement**") entered into among Gold Summit Limited as the purchaser, Suncity International Holdings Limited as the vendor (the ''**Vendor**'') and Mr. Chau Cheok Wa as the guarantor in relation to, among other things, the sale and purchase of (i) the 50,000 shares in the issued share capital of Star Admiral Limited (the ''**Target**''), which represents the entire issued share capital of the Target; and (ii) the shareholder's loan owed by the Target and the transactions contemplated thereunder be and are ratified, confirmed and approved and the directors of the Company (the "**Directors**") be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and give effect to the Acquisition Agreement and the transactions contemplated thereunder;

(b) the issue of the convertible bonds in the principal amount of HK$297,000,000 (the "**Convertible Bonds**") by the Company to the Vendor (or as it may direct) to settle part of the consideration under the Acquisition Agreement in accordance with the terms and conditions of the Acquisition Agreement and all transactions contemplated be and is hereby approved, confirmed and ratified; and the allotment and issue of new ordinary shares (the "**Conversion Share(s)**") of HK$0.10 each in the share capital of the Company at the initial conversion price of HK$0.90 per Conversion Share which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds to the relevant holder(s) of the Convertible Bonds be and are hereby approved, confirmed and ratified;

(c) subject to the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the "**Specific Mandate**") to allot and issue the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the Acquisition Agreement. The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution; and

(d) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Acquisition Agreement and the transactions contemplated thereunder as he/she/they may in his/her/their absolute discretion consider necessary, desirable or expedient to give effect to the Acquisition Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

By order of the Board
Suncity Group Holdings Limited
Chau Cheok Wa
Chairman

Hong Kong, 1 November 2017

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1201-1202, 12/F.
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Notes:

(i) A Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a Shareholder.

(ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

(iii) In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(iv) The register of members of the Company will be closed from 16 November 2017 to 21 November 2017 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares will be registered during this period. Shareholders whose name appears on the register of members of the Company on 21 November 2017 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 15 November 2017.

As at the date of this notice, the executive Directors are Mr. Chau Cheok Wa, Mr. Lo Kai Bong, Mr. Au Chung On John and Mr. Manuel Assis Da Silva; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.