



SUN INTERNATIONAL GROUP LIMITED 太陽國際集團有限公司

listed on The Stock Exchange of Hong Kong – Stock Code: 8029 香港聯合交易所上市公司 - 股票代碼 : 8029

Executive Directors:

Mr. CHENG Ting Kong (*Chairman*)
Ms. CHENG Mei Ching
Mr. LUI Man Wah
Mr. CHIM Tak Lai
Mr. CHOI Hon Keung Simon

Registered office:

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

Independent non-executive Directors:

Mr. CHAN Tin Lup, Trevor
Mr. TOU Kin Chuen
Mr. JIM Ka Shun

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

Room 03, 26/F
One Harbour Square
No. 181 Hoi Bun Road
Kwun Tong
Hong Kong

11 October 2021

To the Independent Shareholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
RED SUN CAPITAL LIMITED
FOR AND ON BEHALF OF FRESH SUCCESS INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
SUN INTERNATIONAL GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
FRESH SUCCESS INVESTMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.



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As disclosed in the Joint Announcement, the Company was informed by First Cheer and the Offeror that on 30 August 2021, after the trading hours, First Cheer and the Offeror entered into the Sale and Purchase Agreement pursuant to which First Cheer has agreed to sell and the Offeror has agreed to purchase an aggregate of 1,435,009,040 Sale Shares, representing approximately 62.82% of the total issued share capital of the Company as at the date of the Joint Announcement. The consideration for the Sale Shares is HK\$143,500,904, which is equivalent to HK\$0.10 per Sale Share. Completion took place immediately upon the signing of the Sale and Purchase Agreement on 30 August 2021.

As at the Latest Practicable Date, the Company has 2,284,254,768 Shares in issue and 29,219,400 outstanding Share Options which entitle the holders thereof to subscribe for 29,219,400 new Shares and are not transferable. Save for the Share Options, the Company does not have any outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or other securities which are convertible or exchangeable into Shares. Save for the Shares and the Share Options, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in a total of 1,435,009,040 Shares, representing approximately 62.82% of the total issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Pursuant to the Undertakings, all the Optionholders have irrevocably and unconditionally undertaken to and covenant with the Offeror (i) not to exercise the conversion rights attached to the Share Options held by them; and (ii) not to accept the Offer if made by the Offeror in respect of the Share Options held by them. The Undertakings will cease upon the close of the Offer. In view of the Undertakings and all the Share Options being not transferable, the Offer will not be extended to the Share Options.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Group, the Offeror and the Offer; (ii) the letter from Red Sun Capital containing details of the Offer; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the Offer; and (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and on acceptance in respect of the Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or which is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.



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The Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

As disclosed in the Joint Announcement, Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

THE OFFER

The following information about the Offer is extracted from the “Letter from Red Sun Capital” contained in this Composite Document.

The Offer

Red Sun Capital is making the Offer, on behalf of the Offeror, in compliance with the Takeovers Code on terms to be set out below:

For each Offer Share. HK\$0.10 in cash

The Offer Price of HK\$0.10 per Offer Share under the Offer is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer is unconditional in all respects when made. The Offer Shares to be acquired under the Offer shall be free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, (a) no dividends or distributions have been declared but unpaid; and (b) there is no intention for the Company to make, declare or pay any dividends or distributions before the close of the Offer.

The Offer Price of HK\$0.10 represents:

- (i) a discount of approximately 82.76% to the closing price of HK\$0.5800 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 80.00% to the closing price of HK\$0.5000 per Share as quoted on the Stock Exchange on the Last Trading Day;



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- (iii) a discount of approximately 80.35% to the average of the closing prices as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5090 per Share;
- (iv) a discount of approximately 81.29% to the average of the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5345 per Share;
- (v) a discount of approximately 81.45% to the average of the closing prices as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.5392 per Share;
- (vi) a premium of approximately 269.00% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.0271 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 31 March 2021, being the date to which the latest published audited financial results of the Group were made up; and
- (vii) a premium of approximately 45.77% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.0686 per Share (based on the total number of the issued Shares as at the Latest Practicable Date) as at 30 June 2021.

Highest and lowest trading prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.570 per Share (on 9 April 2021) and HK\$0.420 per Share (on 6 August 2021), respectively.

Further details of the Offer

Further details of the Offer, including, among other things, its extension to the Overseas Shareholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Red Sun Capital” and “Appendix I – Further Terms and Procedures of Acceptance of the Offer” to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on the GEM of the Stock Exchange (stock code: 8029). The Group is principally engaged in money lending, securities and futures brokerage, assets management services, properties investment, digital currency mining and investment in stallions.

Financial and general information in relation to the Group are set out in Appendices II and III to this Composite Document.



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SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	Approximate % of the issued Shares
The Offeror (<i>Note</i>)	1,435,009,040	62.82
Other public Shareholders	849,245,728	37.18
	<u>2,284,254,768</u>	<u>100.00</u>

Note: The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Cheng.

PROFIT WARNING ANNOUNCEMENT AND PROFIT FORECAST

Reference is made to the Profit Warning Announcement whereby, among others, it was announced that based on the assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2021, the Group is expected to record a loss attributable to owners of the Company for the six months ended 30 September 2021, as compared to a profit attributable to owners of the Company of approximately HK\$12.1 million for the period ended 30 September 2020 (the “**Profit Warning**”).

Following the commencement of its cryptocurrency mining activities in Kazakhstan in July 2021, the Group has successfully mined Bitcoin through its cryptocurrency mining activities. As at the date of the Profit Warning Announcement, the Group has disposed of part of Bitcoin mined. Notwithstanding the increase in revenue from disposal of Bitcoin, the Group is expected to record a loss attributable to owners of the Company for the six months ended 30 September 2021 mainly attributable to following factors:

- (i) the Group is expected to recognise an impairment loss for expected credit losses on trade receivables during the six months ended 30 September 2021 instead of the reversal of impairment losses for expected credit losses on trade receivables of approximately HK\$16.2 million for the six months ended 30 September 2020;
- (ii) the Group established the cryptocurrency mining segment during the six months ended 30 September 2021 and the Group incurred non-recurring expenses of approximately HK\$7.8 million during the relocation of the equipment for cryptocurrency mining from the People’s Republic of China to Kazakhstan. As a result, it is preliminarily expected that the cryptocurrency mining segment of the Group would incur a segment loss of approximately HK\$6.4 million for the six months ended 30 September 2021; and
- (iii) the overall decrease in total revenue from financial and equine services segment for the six months ended 30 September 2021 comparing with the six months ended 30 September 2020.



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As disclosed in the Profit Warning Announcement, following the publication of the Joint Announcements, the Profit Warning included in the Profit Warning Announcement constitutes a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the Company's auditors and financial advisers pursuant to Rule 10.4 of the Takeovers Code. The Profit Warning has been reported on by HLB Hodgson Impey Cheng Limited (“**HLB**”), the auditors of the Company, and Astrum Capital Management, the Independent Financial Adviser to the Company. HLB has reported that, so far as the accounting policies and calculations are concerned, the Profit Warning has been properly compiled in accordance with the bases adopted by the Board as set out in this announcement and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group and used in the preparation of the audited consolidated financial statements of the Group for the year ended 31 March 2021. Astrum Capital Management is satisfied that the Profit Warning has been made by the Board with due care and consideration.

Your attention is drawn to the reports issued by HLB and Astrum Capital Management on the statement in the Profit Warning Announcement set out in Appendix V to this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intention of the Offeror regarding the Group” in the “Letter from Red Sun Capital” in this Composite Document. The Board is aware of the intention of the Offeror in respect of the Group and the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. The Offeror also intends to continue the existing principal business of the Group immediately following Completion.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Offeror has not indicated any intention to change the composition of the Board.

Any changes to the Board will be made in compliance with the Takeovers Code, the GEM Listing Rules and the articles of the Company and further announcement will be made by the Company as and when appropriate.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.



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As stated in the “Letter from Red Sun Capital” in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the Closing Date. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares, such as disposal of Shares held by the Offeror or parties acting in concert with it and/or issue of additional Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

CONFLICT OF INTEREST

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Cheng, being an executive Director and the chairman of the Board. To avoid any conflict of interest, Mr. Cheng will not join with the remainder of the Board in the expression of its views on the Offer.

RECOMMENDATIONS

None of the members of the Independent Board Committee is interested in or involved in the Offer.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders in respect of the Offer; and (ii) the letter from the Independent Financial Adviser set out on pages 23 to 51 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it before arriving at its recommendations.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully “Further terms and procedures of acceptance of the Offer” set out in Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

In considering what action to take in connection with the Offer, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

By order of the Board of
SUN INTERNATIONAL GROUP LIMITED

Chim Tak Lai
Executive Director