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## Sun International Group Limited

太陽國際集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8029)**

### CONNECTED TRANSACTION

The Board is pleased to announce that on 1 September 2008 (after trading hours), the Lender, a wholly-owned subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender would advance the sum of US\$1,000,000 to the Borrower for the Borrower's locating, discovery and exploration of mineral resources in or around Indonesia.

The Borrower is beneficially owned as to 49% by Ms. Yeung So Lai, who is the sister-in-law of Mr. Cheng Ting Kong (a substantial shareholder of a subsidiary of the Company). The Borrower is therefore regarded as a connected person. Since the provision of the Loan to a connected person is regarded as a connected transaction under Chapter 20 of the Listing Rules, entering into the Loan Agreement constitutes a connected transaction on the part of the Company.

As each of the percentage ratios is less than 25% and the total consideration involved is less than HK\$10,000,000, the Loan Agreement is only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 20 of the Listing Rules.

This announcement is made by Sun International Group Limited (the "**Company**"), together with its subsidiaries, the "**Group**") pursuant to Chapters 19 and 20 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

On 1 September 2008 (after trading hours), Galileo Capital Group (BVI) Limited ("**Galileo BVI**" or the "**Lender**"), a company incorporated in the British Virgin Islands ("**BVI**") and a wholly-owned subsidiary of the Company, entered into a loan agreement (the "**Loan Agreement**") with Gold Track Mining and Resources Limited ("**Gold Track**" or the "**Borrower**"), a company incorporated in the BVI which is principally engaged in investment holding. Pursuant to the Loan Agreement, the Lender would advance the sum of US\$1,000,000 (the "**Loan**") to the Borrower for the Borrower's locating, discovery and exploration of mineral resources in or around Indonesia. The Loan will be provided from the internal resources of the Group.

To the best of the knowledge, information and belief of the directors (the "**Directors**") of the Company, the Borrower is beneficially owned as to 49% by Ms. Yeung So Lai, who is the sister-in-law of Mr. Cheng Ting Kong (a substantial shareholder of a subsidiary of the Company). The Borrower is therefore regarded as a connected person. Since the provision of the Loan to a connected person is regarded as a connected transaction under Chapter 20 of the Listing Rules, entering into the Loan Agreement constitutes a connected transaction on the part of the Company.

Other principal terms of the Loan Agreement are disclosed below:

Principal amount: US\$1,000,000, which are secured by the personal guarantee (“**Yeung’s Guarantee**”) provided by Ms. Yeung So Lai and the personal guarantee (“**Cheng’s Guarantee**”) provided by Mr. Cheng Ting Kong, details of which will be provided below.

The Borrower has to give a written notice to the Lender to draw down the Loan within 30 days from the date of the Loan Agreement. Otherwise, the Loan Agreement will lapse, and the Lender shall have no obligations to provide the Loan to the Borrower.

Interest rate: 10% per annum.

Interest shall accrue on the outstanding portion of the entire Loan with effect from the actual date of drawing down the Loan (the “**Drawdown Date**”) daily for the actual days elapsed up to the date of repayment of the entire Loan on the basis of a 365-day year. Interest shall be payable in arrears in one lump sum together with the repayment of the Loan.

The interest was determined with regard to the current prime rate quoted by major commercial banks, Yeung’s Guarantee, Cheng’s Guarantee, and the unique opportunity of stepping into the natural resources business in Indonesia.

Purpose and application of the Loan by the Borrower: The Borrower will solely apply the Loan for the purpose of locating, discovery and exploration of mineral resources in or around the Indonesia.

Repayment Date: Within 12 month after the Drawdown Date

Prepayment: Prepayment of the Loan is allowed if the Borrower has given a 14 days’ prior written notice to the Lender.

The amount of prepayment shall be in the multiples of US\$100,000.

No amounts prepaid may be re-borrowed.

Repayment by capitalisation: Any part of the Loan and the interests accrued thereon shall be repaid and discharged in full by way of the Borrower allotting and issuing its shares (the number of shares and the subscription price to be agreed between the Lender and the Borrower) (the “**Capitalisation**”) to the Lender, if so demanded by the Lender in its sole discretion.

The number of Borrower’s shares to be allotted and the subscription price for each Borrower’s share upon Capitalisation will be negotiated in good faith between the Lender and the Borrower, but in any event, the Lender will be beneficially interested in not less than 51% of the enlarged issued share capital of the Borrower after the Capitalisation of the entire Loan.

The 51% equity interest to be obtained by the Lender after Capitalisation was determined after arms' length negotiation with regard to the business potential of the Borrower and its subsidiaries (if the Borrower and its subsidiaries are able to locate the natural resources in or around Indonesia).

Action required consent of the Lender:

The Borrower shall not carry out, among others, the following actions unless the written consent of the Lender is obtained (such consent shall not be unreasonably withheld):

- a. creation or issue of any shares in the Borrower or the grant of any options over any shares or the uncalled capital of the Borrower (other than by Capitalisation);
- b. winding up of the Borrower;
- c. declaration of dividends;
- d. alteration of the memorandum and articles of association of the Borrower;
- e. entering into any material contracts whose value exceeds US\$50,000;
- f. alteration of the board of directors of the Borrower.

## **INFORMATION ON THE BORROWER**

The Borrower is a company incorporated in the BVI on 16 May 2008 with limited liability. It is a company principally engaged in investment holding. It is now holding 100% equity interest in PT. Tomico Resources (a company incorporated in Indonesia), which in turn is holding 100% equity interest in PT. Kapitalindo Management (a company incorporated in Indonesia). PT. Kapitalindo Management has obtained the governmental approvals and permits in locating and discovering the natural resources in or around Indonesia. Ms. Yeung So Lai has beneficially acquired 49% of the 10,000 issued shares of US\$1.00 of the Borrower at par soon after incorporation. The other 51% of the 10,000 issued shares of the Borrower are beneficially owned by independent third parties.

The Borrower and its subsidiaries are not operational yet, but these companies intends to carry out the business of locating and discovery of the natural resources in or around Indonesia. The target type of resources to be located are iron and coal. The Borrower and its subsidiaries have hired an expert to conduct such business, though no such natural resources have been found at this stage.

All of the Borrower, PT. Tomico Resources and PT. Kapitalindo Management have not commenced operations yet and therefore have not recorded any turnover or profits since their respective dates of incorporation.

The unaudited unconsolidated net assets value of the Borrower, PT. Tomico Resources, and PT. Kapitalindo Management as at the date hereof was approximately HK\$78,000, HK\$3,900,000 and HK\$250,000 respectively.

## REASONS FOR ENTERING INTO THE LOAN AGREEMENT

The Company is principally engaged in providing services to assist clients on various business or management issues, computer hardware and software services, services to assist clients on various funeral customer and activities. It is always the Group's objective to seek new business projects to enhance the financial performance of the Group.

Indonesia has abundant resources to be discovered and explored. It will provide a great potential for the business growth if the Group is able to step into the natural resources business of Indonesia. As the current financial position of the Group is sound, the Board considers it is beneficial to provide the Loan to the Borrower. Firstly, the Group can earn the interests accrued on the Loan, so that the financial resources can be utilized more efficiently. In addition, if the Borrower later is successful in locating the natural resources in Indonesia, the Group will be entitled, at its sole discretion, to capitalize the Loan and the interests accrued thereon into the shares of the Borrower, which may enable the Group to develop a new business. Alternatively, if the Group finds that the Borrower is unable to locate the natural resources or the natural resources located are not satisfactory to the Group, the Group can request repayment of the Loan in order to earn the interest income.

The Borrower has the experience and knowledge in discovery of the natural resources. Moreover, it has been given the necessary approvals by the Indonesian governmental authorities to conduct discovery of natural resources. However, there is no guarantee that the natural resources will be located, and further approvals will be required if such natural resources are going to be extracted and exploited. As such, instead of making an equity investment in the Borrower, the Board considers it is more prudent to simply provide the Loan to the Borrower at this preliminary stage of discovery.

The Directors consider the interest rate of 10% charged by the Lender is fair and reasonable. To the best knowledge, information and belief of the Directors, the current prime interest rate quoted by major commercial banks of Hong Kong is between 5.25% to 5.50% per annum only, while the interest rate of 10% represents a premium of 81.8% to 90.5% of the prime rate. Such premium is imposed to justify the risk to be borne by the Group due to the fact that the Borrower is a venture company which is not operative yet. Moreover, the Group has already obtained Yeung's Guarantee and Cheng's Guarantee, as well as the capitalisation right under the Loan Agreement. Under Yeung's Guarantee and Cheng's Guarantee, Ms. Yeung and Mr. Cheng will be jointly and severally responsible for repayment of the entire Loan and interest accrued thereon if the Borrower defaults in repayment. The Group has a legal right to pursue against Ms. Yeung and Mr. Cheng directly in case the Borrower defaults in payment, without needing to sue the Borrower first. The Group intentionally requires each of Ms. Yeung and Mr. Cheng to provide the personal guarantee, since if one of them is unable to have sufficient financial resources to repay the Loan, the Group still can claim against the other to recover the entire Loan or any outstanding portion thereof. This arrangement of double guarantee has greatly increased the protection of the Group. Though the return of the Loan may simply be 10% interest accrued on the Loan and may be lower than other types of investments, the Board considers that it is interests of the Company to enter into the Loan Agreement since the Loan Agreement provides a unique potential opportunity for the Group to develop the natural resources business in Indonesia, which is not available from other investments like investing in short-term securities or placing the monies in fixed deposit account. In addition, the Group does not want to lose an opportunity which may greatly enhance the value of the shareholders (the "**Shareholder**") of the Company. The upward potential for this transaction is high, with regard to the prospects of the natural resources business in Indonesia. Meanwhile, the risk of loss (i.e. failing to get back the Loan) is controlled to a minimal extent through the arrangement of Yeung's Guarantee and Cheng's Guarantee. The Board therefore considers the 10% interest is acceptable taking into account the above factors.

As it is one of the terms of the Loan Agreement that the Lender will be entitled to acquire not less than 51% of the enlarged share capital of the Borrower upon Capitalisation of the entire Loan, there is sufficient legal protection of the Group to hold at least 51% shareholding of the Borrower, no matter what the exact number of shares of the Borrower to be issued to the Lender and the exact subscription price for each share of the Borrower are. More importantly, by stating the exact percentage shareholding to be acquired by the Lender instead of the number of shares to be obtained, this can avoid the situation that the Group's potential equity interest in the Borrower will be diluted due to issue of new shares by the Borrower to other parties. This indeed provides another protection of the Group to ensure that it will be rewarded as initially intended in case the discovery of natural resources by the Borrower is successful. Since the Borrower is not operational yet and has no proven record of profits, the Group will capitalise the Loan at its discretion (as a result of which it will be beneficially interested in the Borrower and its two Indonesian subsidiaries), or demand immediate repayment of the Loan by the Borrower if the Lender is in the opinion that the Borrower's ability to repay the Loan is adversely affected. Even if the Borrower's ability is adversely affected, the Group will claim against Ms. Yeung and Mr. Cheng for repayment.

With regard to the above, the Directors (including the independent non-executive Directors) consider that the terms of the Loan Agreement are fair and reasonable, are on normal terms comparable to those in the transactions with independent third parties, and are in the interests of the shareholders of the Company and the Company itself as a whole.

The Company will comply with all requirements of the Listing Rules upon the terms of the Capitalisation is agreed between the parties. Further announcement, as and when appropriate, will be made by the Company in connection to the Loan Agreement if required under the Listing Rules.

**Shareholders are reminded that the Borrower may or may not succeed in locating the natural resources and the Group may or may not exercise the right to capitalise the Loan. As such, the Group may or may not step into the natural resources business in Indonesia.**

## **GENERAL**

As each of the percentage ratios is less than 25% and the total consideration involved is less than HK\$10,000,000, the Loan Agreement is only subject to the reporting and announcement requirements and is exempt from the independent Shareholders' approval requirement under Chapter 20 of the Listing Rules

By order of the Board  
**Sun International Group Limited**  
**Chau Cheok Wa**  
*Director*

Hong Kong, 5 September 2008

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Chau Cheok Wa, Mr. Chui Bing Sun, Mr. Lee Chi Shing, Caesar, Ms. Cheng Mei Ching and Mr. Tang Hon Kwong and three independent non-executive Directors, namely Mr. Siu Hi Lam, Alick, Mr. Kwok Kwan Hung and Mr. Chien Hoe Yong.*

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication.*