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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Huge China Holdings Limited (“Company”), you should at once hand this Circular with the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This Circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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# Huge China Holdings Limited

## 匯嘉中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 428)

### PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE AT THE SUBSCRIPTION PRICE OF HK\$2.00 PER RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

AND

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

**Ample Capital Limited**

**AmCap**

*Ample Capital Limited*

豐盛融資有限公司

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

**Hercules**

**Hercules Capital Limited**

Underwriter of the Rights Issue



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Capitalised terms used in this cover page shall have the same meanings as defined in this Circular.

A letter from the Board is set out on pages 9 to 25 of this Circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 26 of this Circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 47 of this Circular.

A notice convening the EGM to be held at Suite 2806, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 9:30 a.m. on Friday, 10 June 2016 is set out on pages EGM-1 to EGM-3 of this Circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

The Shares will be dealt in on an ex-rights basis from Tuesday, 14 June 2016. Dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Tuesday, 28 June 2016 to 4:00 p.m. on Wednesday, 6 July 2016 (both dates inclusive). It is expected that the conditions referred to in the section headed "Termination of the Underwriting Agreement" in this Circular are to be fulfilled on or before 4:00 p.m. on Tuesday, 12 July 2016. If the conditions referred to in that section are not fulfilled, the Underwriting Agreement shall terminate and the Rights Issue will not proceed. Any person contemplating buying or selling Shares from the date of this Circular and up to the date on which all the conditions of the Right Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form from 9:00 a.m. on Tuesday, 28 June 2016 to 4:00 p.m. on Wednesday, 6 July 2016 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her own professional adviser.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the date of the Latest Time for Termination to terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on page 8 of this Circular.

Upon the delivery of the notice of termination, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, save in respect of any antecedent breaches and claims. If the Underwriter exercises such right, the Rights Issue will not proceed.

17 May 2016

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## EXPECTED TIMETABLE

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*The expected timetable for the Rights Issue set out below is indicative only:*

<b>Event</b>	<b>2016 (Hong Kong time)</b>
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the EGM. . . . .	4:30 p.m. on Tuesday, 31 May
Register of members of the Company closes for the EGM (both days inclusive) . . . . .	Wednesday, 1 June to Friday, 10 June
Latest time for lodging proxy form for the EGM . . . . .	9:30 a.m. on Thursday, 9 June
Record date for the EGM . . . . .	Friday, 10 June
Date and time of the EGM . . . . .	9:30 a.m. on Friday, 10 June
Announcement of the results of the EGM . . . . .	Friday, 10 June
Register of members of Company re-opens. . . . .	Monday, 13 June
Last day of dealings in Shares on a cum-rights basis . . . . .	Monday, 13 June
First day of dealings in Shares on an ex-rights basis. . . . .	Tuesday, 14 June
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Wednesday, 15 June
Register of members of the Company closes for the transfer of Shares (both days inclusive). . . . .	from Thursday, 16 June to Wednesday, 22 June
Record Date for the Rights Issue. . . . .	Wednesday, 22 June
Register of members of Company re-opens. . . . .	Thursday, 23 June
Despatch of the Prospectus Documents. . . . .	Friday, 24 June
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Tuesday, 28 June
Latest time for splitting of nil-paid Rights Shares. . . . .	4:30 p.m. on Thursday, 30 June
Last day of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Wednesday, 6 July

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## EXPECTED TIMETABLE

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Event	2016 (Hong Kong time)
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares . . . . .	4:00 p.m. on Monday, 11 July
Latest Time for Termination and Underwriting Agreement becoming unconditional . . . . .	4:00 p.m. on Tuesday, 12 July
Announcement of results of allotment of the Rights Issue . . . . .	Monday, 18 July
Despatch of certificates for fully-paid Rights Shares and refund cheques (if any) . . . . .	on or before Tuesday, 19 July
Commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 20 July

*All times and dates stated in this Circular refer to Hong Kong local times and dates, unless otherwise stated. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.*

### **EFFECT ON BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS SHARES**

The Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place at 4:00 p.m. on Monday, 11 July 2016 if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning, if such circumstances are:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time For Acceptance. The Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place at 4:00 p.m. on the date of the Latest Time for Acceptance, but will be extended to 5:00 p.m. on the same Business Day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time For Acceptance, the Latest Time For Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place on the date of the Latest Time For Acceptance, but will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time For Acceptance and application and payment for excess Rights Shares does not take place at 4:00 p.m. on Monday, 11 July 2016, the dates mentioned this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

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## DEFINITIONS

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*In this Circular, the following expressions have the following meanings, unless the context requires otherwise:*

“Announcements”	the announcements of the Company dated 21 April 2016, 3 May 2016 and 11 May 2016 in relation to the Rights Issue of the Company
“Assets”	all the assets of any description of the Company wherever and howsoever located
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular containing, among other things, further details of the proposed Rights Issue and a notice convening the EGM to be despatched to the Shareholders
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Company”	Huge China Holdings Limited (匯嘉中國控股有限公司), 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
“Conversion Price”	HK\$12.50 per Conversion Share, subject to adjustments as set out and in accordance with terms and conditions of the Convertible Bonds
“Conversion Shares”	the Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds

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## DEFINITIONS

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“Convertible Bonds”	the convertible bonds issued by the Company in the aggregate principal amount of HK\$17,500,000 which entitle the holders to convert up to a maximum of 1,400,000 Shares at the Conversion Price of HK\$12.50 per Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EAF”	the application form(s) for excess Rights Shares proposed to be issued to the Qualifying Shareholders
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and to approve the Rights Issue
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose registered address(es) is/are in a place outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 June 2015 to allot, issue and deal with up to 7,811,722 Shares, being approximately 20% of the issued share capital of the Company as at the date of the said annual general meeting
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “Hercules Capital”	Hercules Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue

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## DEFINITIONS

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“Independent Shareholder(s)”	the Shareholder(s) other than the controlling Shareholder(s) (as defined in the Listing Rules) of the Company and their respective associates or, where there are no controlling Shareholder(s), the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	any party who is independent of, not connected with or acting in concert with any Directors, chief executive or Substantial Shareholder(s) of the Company or any of its subsidiaries or their respective associates
“Investment Manager” or “Tiger Securities”	Tiger Securities Asset Management Company Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation registered under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, the investment manager appointed by the Company
“Last Trading Day”	Thursday, 21 April 2016, being the last trading day for the Shares immediately prior to the release of the announcement of the Company dated 21 April 2016 in relation to the Rights Issue
“Latest Practicable Date”	Thursday, 12 May 2016, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information for inclusion in this Circular
“Latest Time for Acceptance”	the latest time for acceptance for the Rights Shares at 4:00 p.m., on Monday, 11 July 2016 or such other time as the Underwriter may agree in writing with the Company
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Tuesday, 12 July 2016, being the next Business Day following the Latest Time for Acceptance or such later time or date as the Underwriter and the Company may agree in writing
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Net Asset Value”	the net asset value of the Company calculated in accordance with the articles of association of the Company

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## DEFINITIONS

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“New Investment Management Agreement”	the investment management agreement dated 29 February 2016 entered into between the Company and Tiger Securities in relation to the appointment of Tiger Securities as the investment manager of the Company
“Overseas Shareholder(s)”	the Shareholder(s) whose name appear on the register of members of the Company on the Record Date and with registered address(es) as shown on such register in a place outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) representing the Rights Shares proposed to be issued to the Qualifying Shareholders under the Rights Issue
“Posting Date”	Friday, 24 June 2016 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Prospectus”	the prospectus containing details of the Rights Issue to be despatched to the Shareholders
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	the Shareholder(s) whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Wednesday, 22 June 2016, or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue are to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, being the Hong Kong
“Rights Issue”	the proposed issue by way of Rights Issue to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents



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## DEFINITIONS

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“Rights Share(s)”	39,058,614 Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$2.00 per Rights Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Underwriter” or “Gransing Securities”	Gransing Securities Co., Ltd., a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO
“Underwriting Agreement”	the underwriting agreement dated 21 April 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“United States” or “US”	the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriter may terminate the Underwriting Agreement by notice in writing issued to the Company prior to 4:00 p.m. on the Latest Time for Termination if:

- (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the representations, warranties and undertakings in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (B) there shall be:
  - (i) any enactment of new law or regulation, or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (ii) any change in local, national or international financial, political, industrial or economic conditions;
  - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
  - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange;
  - (vi) any suspension in the trading of the Shares on the Stock Exchange for a continuous period of 5 trading days (as defined in the Listing Rules); or
  - (vii) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere;

which is or are, in the reasonable opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole;
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue.

Upon the giving of notice by the Underwriter to the Company to terminate the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties to the Underwriting Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breaches and claims).

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## LETTER FROM THE BOARD

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# Huge China Holdings Limited 匯嘉中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 428)

*Executive Directors:*

Mr. Chau Wai Hing  
Mr. Chu To Jonathan  
Mr. Wu Ming Gai

*Non-executive Directors:*

Mr. William Keith Jacobsen  
Mr. Mak Hing Keung Thomas

*Independent non-executive Directors:*

Mr. Sio Chan In Devin  
Mr. Law Siu Hung Paul  
Mr. Wong Ching Wan

*Registered office:*

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

*Principal place of business:*

Unit 1615, 16th Floor,  
Seapower Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsimshatsui, Kowloon, Hong Kong

17 May 2016

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
ONE (1) RIGHTS SHARE AT THE SUBSCRIPTION PRICE OF  
HK\$2.00 PER RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

### **INTRODUCTION**

Reference is made to the Announcements in which, among others, the Board announced that the Company proposes to raise approximately HK\$78.12 million, before expenses, by issuing 39,058,614 Rights Shares at the Subscription Price of HK\$2.00 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share in issue and held by the Qualifying Shareholders on the Record Date.

The purpose of this Circular is to provide you with, among other things, (i) further details of the proposed Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) a notice convening the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

The Company proposes to raise approximately HK\$78.12 million, before expenses, by way of the Rights Issue, details of which are set out as follows:

#### Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$2.00 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	39,058,614 Shares
Number of Rights Shares	:	39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date)
Number of Rights Shares to be underwritten by the Underwriter	:	39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue	:	78,117,228 Shares

#### The Rights Shares

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the aggregate principal amount of HK\$17,500,000 convertible into 1,400,000 Shares at the prevailing Conversion Price of HK\$12.50 per Share (subject to adjustment). However, since the conversion period of the Convertible Bonds commences on 19 August 2016, being the first anniversary of the date of issue of the Convertible Bonds, the Convertible Bonds will not be convertible into new Shares before the Record Date. Save as disclosed above, the Company has no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the 39,058,614 Rights Shares proposed to be allotted and issued represent: (i) 100.0% of the Company's issued share capital as at the Record Date; and (ii) 50.0% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The Rights Issue is fully underwritten by the Underwriter, which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Board has not received any information from any Substantial Shareholders of their intention to take up the provisional pro-rata entitlements under the Rights Issue.

### Subscription Price

The Subscription Price is HK\$2.00 per Rights Share, which will be payable in full upon application.

The Subscription Price represents:

- (i) a discount of approximately 15.25% to the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.04% to the average closing price of approximately HK\$2.354 per Share as quoted on the Stock Exchange for the last five consecutive trading days ending on the Last Trading Day;
- (iii) a discount of approximately 14.38% to the average closing price of approximately HK\$2.336 per Share as quoted on the Stock Exchange for the last ten consecutive trading days ending on the Last Trading Day;
- (iv) a discount of approximately 8.26% to the theoretical ex-rights price of approximately HK\$2.180 per Share, calculated based on the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 9.91% to the closing price of HK\$2.220 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 84.56% to the Net Asset Value per Share as at 31 March 2016 of approximately HK\$12.95 (which is calculated based on 39,058,614 Shares in issue as at the Latest Practicable Date).

After deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share will be approximately HK\$1.93.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the current market price of the Shares; and (ii) the capital needs of the Group. It has been indicated to the Company that the discount of the Subscription Price to the closing prices of the Shares is necessary to induce the Underwriter to participate in the underwriting of the Rights Shares, which is an essential part of the Rights Issue. The Directors are of the view that in the event that the Subscription Price is increased and the allotment ratio is lowered, the attractiveness to the Qualifying Shareholders to subscribe for the Rights Shares will likely decrease. The Directors also consider that each Qualifying Shareholder will be provisionally allotted for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Given that the Company has funding needs and the discount of the Subscription Price and the basis of one (1) Rights Share for every one (1) existing Share can (i) provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares; and (ii) induce the Underwriter to participate in the underwriting of the Rights Shares, the Directors are of the view that the current structure of the Rights Issue is fair and reasonable.

In addition, the Board considered and noted that the discount structure of the Rights Issue is a commercial decision of the Company which is required to be approved, as part of the terms of the Rights Issue, by the Independent Shareholders at the EGM. The Shareholders' interests are safeguarded by the fact that the Independent Shareholders, before exercising their respective voting rights, will be advised by the Independent Board Committee (comprising all independent non-executive Directors) and the Independent Financial Adviser. The Independent Shareholders can then make an informed decision as to whether to vote in favour of the Rights Issue on the terms proposed. If the Rights Issue is approved at the EGM, it is unlikely that those Independent Shareholders voting in favour of the Rights Issue would subsequently choose not to subscribe for their provisional allotments of the Rights Issue.

The Directors have considered, among other factors, the terms of the Rights Issue and the underwriting arrangement proposed by the underwriters, including but not limited to the underwriting commission, in selecting the underwriter(s) for the proposed Rights Issue. The Directors have approached four other underwriters regarding a proposed rights issue for the Company to raise the required funds and tried to obtain the best available terms for the underwriting of the Rights Issue. However, due to reasons including (i) the size of the Rights Issue, (ii) the Company's business scale and/or (iii) the recent uncertainty in the financial market, only the Underwriter is willing to accept the terms as stipulated under the Underwriting Agreement. In light of the above, the Company considers that the proposed Rights Issue is most preferable and beneficial to the Company and its shareholders as a whole.

### **Basis of provisional allotment**

The basis of the provisional allotment will be one (1) Rights Share (in nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Qualifying Shareholders**

Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered on the register of members of the Company; and (ii) not be the Excluded Shareholders.

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## LETTER FROM THE BOARD

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

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers documents of Shares (together with the relevant share certificates) for registration with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 15 June 2016.

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

The Company's register of members will be closed from Wednesday, 1 June 2016 to Friday, 10 June 2016, both days inclusive, to determine the identity of the Shareholders entitled to attend and vote at the EGM. The Company's register of members will be closed from Thursday, 16 June 2016 to Wednesday, 22 June 2016, both days inclusive, for the purpose of determining the eligibility for the Rights Issue. No transfers of Shares will be registered during the book closure period.

### **Rights of Overseas Shareholders**

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders, if any, may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, according to the register of members of the Company, the Overseas Shareholders have registered addresses in 6 jurisdictions, namely, Australia, British Virgin Islands, Canada, Macau, Malaysia and the United States. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to such Overseas Shareholders.

The Company has obtained advice from legal advisers in Australia, British Virgin Islands and Macau and has been advised that under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdiction; or (ii) the Rights Issue meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval or recognition from and/or registration of the Prospectus Documents with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Rights Issue will be extended to the Overseas Shareholders having registered addresses in Australia, British Virgin Islands and Macau, and such Overseas Shareholders are Qualifying Shareholders.

The Company has also obtained advice from its legal advisers in Canada, Malaysia and the United States. Having considered the circumstances, the Directors have formed the view that, it is necessary or expedient to restrict the ability of Shareholders in Canada, Malaysia and the United States to take up their

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## LETTER FROM THE BOARD

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rights under the Rights Issue due to the time and costs involved in the registration of the Prospectus and/or compliance with the relevant local legal or regulatory requirements in Canada, Malaysia and the United States and/or additional steps the Company and/or Shareholders and/or beneficial owners of the Shares need to take to comply with the local legal requirements in Canada, Malaysia and the United States.

**The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with its legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date. Further information in this connection will be set out in the Prospectus.**

The Company will provisionally allot the Rights Shares which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company will procure that such nominee will endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium. If and to the extent that such rights can be so sold, the nominee will account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any). The Company shall distribute to the Excluded Shareholders the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the nil-paid Rights Shares that would otherwise have been allotted to the Excluded Shareholders pro rata to their shareholdings as at the Record Date (but rounded down to the nearest cent) provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any of such nil-paid Rights Shares which are not sold as aforesaid will be dealt with as Rights Shares not accepted and in accordance with the terms of the Underwriting Agreement.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **Ranking of the Rights Shares**

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

### **Share certificates and refund cheques for the Rights Shares**

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those allotted thereto by ordinary post at their own risk on or before Tuesday, 19 July 2016. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Tuesday, 19 July 2016 by ordinary post at such Shareholders' own risk.



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## LETTER FROM THE BOARD

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### **Application for the Rights Shares**

The PAL in respect of the provisional allotment of the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form and lodging the same with a remittance for the Rights Shares being taken up with the Registrar by the Latest Time for Acceptance.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply for any unsold allotments of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Board will allocate the excess Rights Shares to Qualifying Shareholders who have applied for excess application on a pro-rata basis on the excess Rights Shares applied by them, without involving allocation of any fractional Rights Share.

No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. No reference will be made to the Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Beneficial owners with their Shares held by a nominee company are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owners prior to the Record Date.

For the beneficial owners whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for completion of the relevant registration with the Registrar by 4:30 p.m. on Wednesday, 15 June 2016.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken by excess applications will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

### **Fractions of the Rights Shares**

On the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date, no fractional Share will arise under the Rights Issue.

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## LETTER FROM THE BOARD

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### Application for listing

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 2,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

### UNDERWRITING AGREEMENT

Date of the Underwriting Agreement : 21 April 2016 (after trading hours)

Underwriter : Gransing Securities

Number of Rights Shares to be underwritten : 39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date).

Under the Underwriting Agreement, the Rights Issue is fully underwritten by the Underwriter and the Underwriter shall procure that any subscribers procured by them shall be Independent Third Parties and shall not become Substantial Shareholders holding 10% or more shareholding in the Company immediately after completion of the Rights Issue.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and their ultimate beneficial owners are Independent Third Parties. As at the date of the Underwriting Agreement, the Underwriter is not interested in any Shares.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance any of the Rights Shares have not been taken up (the "Untaken Shares"), the Company shall as soon as practicable thereafter notify or procure the branch share registrar and transfer office of the Company in Hong Kong on behalf of the Company to notify the Underwriter in writing of the number of Rights Shares not taken up. Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:

- (i) the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to be 10.0% or more of the then issued share capital of the Company;
- (ii) the Underwriter shall use all reasonable endeavours to procure that none of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) will become a Substantial Shareholder of the Company as a result of such subscription and such subscriber, together with parties acting in concert with each of them, shall not be holding 10.0% or more of the voting rights of the Company upon the allotment and issue of the Rights Shares;
- (iii) the Underwriter shall use all reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert with and shall not be connected with, the Directors, chief executive or Substantial Shareholders of the Company or any of its subsidiaries and their respective associates; and
- (iv) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

### **Underwriting commission**

The Company will pay the Underwriter an underwriting commission at the rate of 2.0% of the aggregate Subscription Price in respect of the number of Rights Shares agreed to be underwritten by the Underwriters as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition. The Directors (including the independent non-executive Directors who have considered the opinion of the Independent Financial Advisor regarding

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## LETTER FROM THE BOARD

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the Rights Issue) are of the view that the terms of the Underwriting Agreement, including the underwriting commission, are in line with market practice and are fair and reasonable for the Company and the Shareholders as a whole.

### **Termination of the Underwriting Agreement**

Information on the termination of the Underwriting Agreement has been set out in the section headed “Termination of the Underwriting Agreement” in this Circular.

The Directors (including the independent non-executive Directors who have considered the opinion of the Independent Financial Adviser regarding the Rights issue) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable as compared to the market practice and commercially reasonable as agreed between the parties to the Underwriting Agreement.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders at the EGM on or prior to the Posting Date of the relevant resolution to approve, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares;
- (ii) the delivery to the Stock Exchange for authorisation and the registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies (WUMP) Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the Listing Rules;
- (iii) the posting on the Posting Date of the Prospectus Documents to the Qualifying Shareholders;
- (iv) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by no later than the Posting Date and the Listing Committee not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination; and
- (v) compliance with and performance of all the undertakings and obligations by the Company under the terms of the Underwriting Agreement.

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## LETTER FROM THE BOARD

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None of the above conditions is capable of being waived by the Underwriter and the Company other than condition (v) above. The Underwriter may waive condition (v) above in whole or in part by written notice to the Company.

In the event that the above conditions are not fulfilled or waived on or before the Posting Date or in the event that condition (iv) in respect of fully-paid Rights Shares has not been satisfied on or before the Latest Time for Termination (or in each case such other date or dates as may be agreed between the Company and the Underwriter in writing) or if the Underwriting Agreement shall be terminated pursuant to the terms in the Underwriting Agreement, all obligations and liabilities of the parties thereunder shall cease and determine and none of the parties shall have any claim against the other (save in respect of any antecedent breaches and claims).

### **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company is an investment company listed on the main board of the Stock Exchange under Chapter 21 of the Listing Rules. The principal activity of the Company is investment holding and the Group is principally engaged in investments in securities listed on recognised stock exchanges and unlisted investments.

It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities domestically and internationally to achieve financial growth for the Group and to maximise the Shareholders' value.

As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group will continue to focus on investments in listed securities, private equity funds, real property projects and private enterprises with potential prospect. It will also seek opportunities to invest in the PRC, Hong Kong and overseas thereby implement its risk management policy with an aim to achieve stable returns on investments for the Shareholders.

For the year ended 31 December 2015, the Group recorded a revenue of approximately HK\$6.1 million as compared to approximately HK\$3.5 million in the prior year, representing an increase of approximately 74.3%. In addition, the Group recorded a realised gain of approximately HK\$29.0 million on listed securities for the year ended 31 December 2015 as compared to approximately HK\$0.8 million for the year ended 31 December 2014, representing an approximately 3,525.0% increase. With the impact of favourable performance of certain publicly traded securities held by the Group during the year ended 31 December 2015, the Group recorded an unrealised gain of approximately HK\$281.5 million on its publicly traded securities and the derivative financial instruments as compared to an unrealised loss of approximately HK\$35.9 million in the previous year.

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## LETTER FROM THE BOARD

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The Group expects the stock market and economy of the PRC will continue to struggle with continuation of uncertainty in 2016 after the stock market crash and economy slowdown in the PRC. The PRC is the top principal trading partner of Hong Kong, so its economy will definitely affect Hong Kong's economy. Nevertheless, the PRC still is a big market with rapid growth.

Owing to the business nature of the Group, being an investment company, the Group requires extensive cash to grow. Unlike other companies with constant cash income from operations, investment of investment companies under Chapter 21 of the Listing Rules do not necessarily generate extensive cash income. With a view of increasing the size of its investment portfolio and taking into account the net cash position of the Group of approximately HK\$13.3 million as at 31 March 2016, the Board considers that it will be insufficient for the Group to capture suitable investment opportunities which may arise from time to time for expanding its investment portfolio and business and continue the growing performance without funding. As such, the Group would like to raise additional capital to equip itself with a healthier and stronger capital base to further invest in both securities market and for future strategic investment when suitable opportunities arise to produce a satisfactory result.

The gross proceeds of the Rights Issue will be HK\$78,117,228 (assuming no Shares being issued or repurchased by the Company on or before the Record Date) before expenses. The estimated net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$75 million. The net price per Rights Share after deducting the relating expenses of the Rights Issue will be approximately HK\$1.92. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$36.0 million for investment in listed securities in various industries including but not limited to energy, real estate property, electronic products, media and manufacturing;
- (ii) approximately HK\$35.0 million for investment in unlisted securities in various industries including but not limited to financial, beauty and electronic payment service providers; and
- (iii) the remaining balance for general working capital of the Group for the coming year.

On 3 May 2016, the Company entered into a subscription agreement ("**HF Subscription Agreement**") with HF Financial Group (Hong Kong) Limited ("**HFHK**") pursuant to which the Company has agreed to subscribe ("**HF Subscription**") for convertible note in the principal amount not exceeding HK\$20 million to be issued by HFHK ("**HF Convertible Note**"). HFHK, an Independent Third Party, together with its subsidiaries are principally engaged in securities trading, asset management and the provision of appraisal, valuation and marketing services. The HF Subscription is an unlisted equity investment and is conditional upon the delivery by HFHK of a valuation report in respect of the enterprise value of HFHK and its subsidiaries as at 31 March 2016 in form and substance satisfactory to the Company. The final amount of the HF Convertible Note to be subscribed by the Company will be determined by the Company and HFHK based on such enterprise value. If the condition is not fulfilled on or before 31 August 2016 (or such other date as agreed between the parties in writing), the HF Subscription Agreement will be terminated and the deposits which have been paid by the Company to HFHK pursuant to a memorandum of understanding dated 6 August 2015 entered into between the parties (as supplemented by extension agreements dated 5 November 2015 and 3 February 2016) and upon the

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## LETTER FROM THE BOARD

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signing of the HF Subscription Agreement in the aggregate sum of HK\$15 million will be refunded to the Company. The HF Convertible Note will bear interest at the rate of 8% per annum and will mature on the first anniversary of the issue date of the Convertible Note which may be extended at the option of HFHK to a date not later than the date falling on the second anniversary of the issue date of the HF Convertible Note. If the HF Subscription proceeds, the Company may utilise part of the proceeds from the Rights Issue allocated for investments in unlisted securities as mentioned in (ii) above for the payment of the remaining subscription moneys for the HF Convertible Note (which shall not exceed HK\$5 million). Given the principal amount of the HF Convertible Note will not exceed HK\$20 million, the percentage ratios (as defined under the Listing Rules) in respect of the HF Subscription will not exceed 25% and therefore the HF Subscription does not constitute a notifiable transaction for the Company under the Listing Rules. When the Company proposes to exercise any conversion rights attached to the HF Convertible Notes, it will comply with the applicable notifiable transaction requirements for the acquisition of an interest in HFHK under the Listing Rules. In respect of the HF Subscription, (i) the Company will not either on its own or in conjunction with any connected person, take legal, or effective, management control of HFHK or controls more than 30% of the voting rights in HFHK; and (ii) no more than 20% of the Company's net asset value as at the date of completion of the HF Subscription would be invested in HFHK.

Save for the HF Subscription Agreement, as at the Latest Practicable Date, the Group has not entered into any definitive investment agreement in relation to any specific investment target.

The Directors are of the opinion that after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for at least 12 months from the Latest Practicable Date in the absence of unforeseen circumstances. As at the Latest Practicable Date, save for the Rights Issue, the Company did not have any plan to conduct further equity fund raising activity. In the event any equity fund raising activity shall take place, further announcement(s) will be made as and when necessary in accordance with the Listing Rules and other legal and regulatory requirements.

### **Other fund raising alternatives**

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, bank loans and placing of new Shares.

Debt financing or bank loans would result in additional interest burden to and higher gearing ratio of the Group. The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them without any asset pledge or at favourable terms. Therefore, given the fund raising size and the business scale of the Company, the Directors consider it not feasible for the Company to obtain the required amount from bank financing at favourable terms.

Placing of new Shares would only be available to certain places who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company.

## LETTER FROM THE BOARD

Although open offer is similar to rights issue, it would not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their entitled nil-paid rights.

The objective of the Rights Issue is to enable the Shareholders to maintain their proportionate interests in the Company should they wish to do so, ensuring stability in the Company's shareholders' base, and to participate in the Company's future growth and development. The Board therefore considers the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company.

Having considered other fund raising alternatives for the Group as disclosed above, and taking into account the benefits and cost of each of the alternatives, the Directors (including the independent non-executive Directors) are of the view that the Rights Issue is the most appropriate fund raising option to the Company and is in the interest of the Company and the Shareholders as a whole since it offers the Qualifying Shareholders the opportunity to maintain their pro-rata shareholding interests in the Company.

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assuming all the Rights Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Seize Minute Limited ( <i>Note</i> )	8,517,465	21.8	17,034,930	21.8	8,517,465	10.9
The Underwriter	-	-	-	-	39,058,614	50.0
Public Shareholders	30,541,149	78.2	61,082,298	78.2	30,541,149	39.1
	<u>39,058,614</u>	<u>100.0</u>	<u>78,117,228</u>	<u>100.0</u>	<u>78,117,228</u>	<u>100.0</u>

*Note:* Seize Minute Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by MK Investments Limited. MK Investments Limited, a company incorporated in St. Kitts with limited liability, is wholly and beneficially owned by Mr. Kor Sing Mung Michael. Accordingly, Mr Kor Sing Mung Michael and MK Investments Limited are deemed to be interested in the Shares held by Seize Minute Limited under the SFO.

As at the Latest Practicable Date, the existing public Shareholders hold approximately 78.2% of the entire issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the existing public Shareholders will hold approximately 39.1% of the enlarged issued share capital of the Company.



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## LETTER FROM THE BOARD

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Qualifying Shareholders who do not take up the Rights Shares to which they are provisionally allotted and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Rights Shares is approximately 50.0%.

As discussed with the Underwriter, in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules. The Underwriter will use all reasonable endeavours to ensure that each of the subscribers and/or sub-underwriters shall be (i) Independent Third Parties; (ii) will not hold 10% or more of the voting rights in the Company upon completion of the Rights Issue. The Underwriter will also ensure that at least 25% of the total issued share capital of the Company is held by the public at all times such that the public float requirements under Rule 8.08 of the Listing Rules will be complied with by the Company.

### FUND RAISING EXERCISES OF THE COMPANY IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement(s)	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
17 July 2015, 30 July 2015 and 19 August 2015	Placing of Convertible Bonds to not less than six places under the General Mandate. A maximum amount of 1,400,000 Conversion Shares will be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$12.5 per Share.	Approximately HK\$17.0 million	To finance future investment opportunities and/or as general working capital of the Group.	Fully utilised as to approximately (i) HK\$15.0 million for the investment of approximately 143 million shares in China Oil Gangran Energy Group Holdings Limited (stock code: 8132) at a consideration of HK\$0.105 per share; and (ii) HK\$2.0 million for working capital.

### POSSIBLE ADJUSTMENT TO THE CONVERTIBLE BONDS

The conversion period of the Convertible Bonds is the period commencing from the first anniversary of the date of issue of the Convertible Bonds (being 19 August 2016) and ending on the second anniversary of the date of issue of the Convertible Bonds (being 19 August 2017).

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## LETTER FROM THE BOARD

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As a result of the Rights Issue, the Conversion Price of the outstanding Convertible Bonds may be adjusted in accordance with the terms and conditions of the Convertible Bonds. The Company will make further announcements on the appropriate adjustments (if any) and the date they are expected to take effect in due course.

### LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the announcement of the Company dated 21 April 2016 in relation to the Rights Issue, in compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the EGM on which any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling Shareholder (as defined in the Listing Rules) and chief executive. Accordingly, the Directors (excluding independent non-executive Directors) and their respective associates will abstain from voting in favour of the resolution(s) relating to the Rights Issue and the transactions contemplated under at the EGM.

### GENERAL

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, Hercules Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

**Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof.**

**Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

**Shareholders should note that the Rights Shares will be dealt in on an ex-right basis commencing from Tuesday, 14 June 2016 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.**

**Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 4:00 p.m. on Tuesday, 12 July 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing any Shares or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.**

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this Circular. The EGM will be held at Suite 2806, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong, at 9:30 a.m. on Friday, 10 June 2016 for the purpose of, among others, considering and, if thought fit, to approve the proposed Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 24 hours before the time appointed for holding of the EGM. 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 wish and in such event, the proxy shall be deemed to be revoked.

Subject to the Rights Issue being approved at the EGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 26 of this Circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the proposed Rights Issue.

Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed Rights Issue and the principal factors and reasons considered by it in arriving thereat. The text of the letter from the Independent Financial Adviser is set out on pages 27 to 47 of this Circular.

The Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) consider that the terms of the proposed Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the proposed Rights Issue. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this Circular.

Yours faithfully,  
By Order of the Board  
**Huge China Holdings Limited**  
匯嘉中國控股有限公司  
**Chau Wai Hing**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.*

### **Huge China Holdings Limited**

**匯嘉中國控股有限公司**

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

(Stock Code: 428)

17 May 2016

*To the Independent Shareholders,*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE  
AT THE SUBSCRIPTION PRICE OF HK\$2.00 PER RIGHTS SHARE FOR  
EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the Circular of the Company dated 17 May 2016 of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

Hercules Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue and the advice from Hercules Capital, we are of the opinion that the terms of the Rights Issue 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

the Independent Board Committee of

**Huge China Holding Limited**

**匯嘉中國控股有限公司**

**Mr. Sio Chan In Devin**

**Mr. Law Siu Hung Paul**

**Mr. Wong Ching Wan**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding its advice on the Rights Issue prepared for the purpose of incorporation into this circular.*

# *Hercules*

## **Hercules Capital Limited**

1503 Ruttonjee House  
11 Duddell Street  
Central  
Hong Kong

17 May 2016

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE AT THE SUBSCRIPTION PRICE OF HK\$2.00 PER RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the Letter from the Board contained in the circular of the Company dated 17 May 2016 to the Shareholders (the “Circular”), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular, unless the context requires otherwise.

On 21 April 2016, the Company announced that it proposed to raise approximately HK\$78.12 million, before expenses, by issuing 39,058,614 Rights Shares at the Subscription Price of HK\$2.00 per Rights Share on the basis of one Rights Share for every one existing Share in issue and held by the Qualifying Shareholders on the Record Date.

As the Rights Issue would increase the number of issued Shares by more than 50%, in compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the EGM on which any controlling Shareholders (as defined in the Listing Rules) and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, there were no controlling Shareholders (as defined in the Listing Rules) and chief executives. Accordingly, the Directors (excluding independent non-executive Directors) and their respective associates will abstain from voting in favour of the resolution approving the Rights Issue at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Sio Chan In Devin, Mr. Law Siu Hung Paul and Mr. Wong Ching Wan, has been established to advise the Independent Shareholders on the Rights Issue. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, in particular as to whether the terms of the Rights Issue are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Underwriting Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

We have not considered the tax consequences on the Independent Shareholders arising from the subscription for, holding of, or dealing in, the Rights Shares or exercising any right attached thereto or otherwise, since these are particular to their individual circumstances. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional advisers without delay.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Group

The Company is an investment company and its shares have been listed on the main board of the Stock Exchange since 14 December 1993 pursuant to Chapter 21 of the Listing Rules. The principal activity of the Company is investment holding and the Group is principally engaged in investments in securities listed on recognized stock exchanges and unlisted investments, including equity securities and convertible bonds issued by corporate entities.

The audited consolidated financial information of the Group for the two years ended 31 December 2015, as extracted from the annual report of the Company, is summarized as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds from disposal of trading securities	137,186	22,192
Revenue	6,082	3,478
Other revenue	75	147
Other gains and (losses)	324,860	(23,897)
	<hr/>	<hr/>
	331,017	(20,272)
Profit (loss) before income tax expense	316,257	(36,569)
Profit (loss) for the year attributable to owners of the Company	<u>316,286</u>	<u>(36,569)</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>As at 31 December</b> <b>2015</b> <i>HK\$'000</i>
Non-current assets	157
Current assets	510,039
	<hr/>
Total assets	510,196
Non-current liabilities	17,681
Current liabilities	5,334
	<hr/>
Total liabilities	23,015
Net assets	487,181
	<hr/> <hr/>

The revenue of the Group represents interest income from bank deposits, loans receivable and convertible bonds and dividend income from listed investments. For the year ended 31 December 2015, the Group's revenue amounted to approximately HK\$6.1 million, representing an increase of approximately 74.9% as compared to the previous year, which was mainly attributable to the increase in interest income from loans receivable and convertible bonds. Other gains and (losses) of the Group mainly represent net gain (loss) on financial assets at fair value through profit or loss, net gain (loss) on loans and receivables, and net gain in available-for-sale financial assets. Other gains of approximately HK\$324.9 million were recorded for the year ended 31 December 2015 while other losses of approximately HK\$23.9 million were recorded for the year ended 31 December 2014. Such significant improvement was mainly attributable to the recognition of fair value gains on financial assets at fair value through profit or loss (including trading securities and convertible bonds designated as at fair value through profit or loss) of approximately HK\$288.1 million and net realized gain on disposal of trading securities of approximately HK\$29.0 million as a result of favourable performance of certain publicly traded securities held by the Group for the year ended 31 December 2015. After deducting the finance cost of approximately HK\$0.4 million and other operating expenses of approximately HK\$14.3 million, the Group recorded a profit before income tax expense of approximately HK\$316.3 million for the year ended 31 December 2015 as compared to a loss of approximately HK\$36.6 million in the prior year. For the year ended 31 December 2015, profit attributable to owners of the Company amounted to approximately HK\$316.3 million while loss attributable to owners of the Company amounted to approximately HK\$36.6 million were recorded for the last year.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2015, the current assets and current liabilities of the Group amounted to approximately HK\$510.0 million and HK\$5.3 million respectively. Accordingly, the Group had net current assets of approximately HK\$504.7 million and current ratio of approximately 96.2, as calculated as current assets over the current liabilities. The current assets of the Group comprised accounts receivable and prepayments, financial assets at fair value through profit or loss and bank balances and cash, which amounted to approximately HK\$11.6 million, HK\$444.7 million and HK\$53.7 million respectively. The current liabilities of the Group were accounts payable and accruals.

As at 31 December 2015, the Group's non-current assets, being property, plant and equipment, amounted to approximately HK\$0.2 million while the non-current liabilities, being the Convertible Bonds and interest thereon, amounted to approximately HK\$17.7 million. As at 31 December 2015, the Group's total assets and total liabilities amounted to approximately HK\$510.2 million and HK\$23.0 million respectively. Thus, the Group had net assets of approximately HK\$487.2 million and a gearing ratio, representing a percentage of total liabilities over total assets, of approximately 4.5% as at 31 December 2015 (31 December 2014: 4.1%).

In August 2015, the Company issued the Convertible Bonds in an aggregate principal amount of HK\$17.5 million. The net proceeds raised in the amount of approximately HK\$17.0 million has been fully utilized as to approximately HK\$15.0 million for investment in China Oil Gangran Energy Group Holdings Limited (stock code: 8132) and approximately HK\$2.0 million for working capital of the Group. Save as disclosed above, the Company has not conducted any other fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

On 29 February 2016, the Company entered into the New Investment Management Agreement with Tiger Securities, pursuant to which Tiger Securities has agreed to act as the investment manager of the Company and to provide investment management services to the Company for a period of two years commencing from 1 March 2016 and expiring on 28 February 2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Reasons for the Rights Issue and proposed use of proceeds

#### 2.1 *Reasons for the Rights Issue*

The Group is principally engaged in investments in securities listed on recognised stock exchanges and unlisted investments. As set out in the Letter from the Board, it is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities domestically and internationally to achieve financial growth for the Group and to maximize the Shareholders' value.

The latest information released by Hong Kong Exchanges and Clearing Limited revealed that the number of listed companies in Hong Kong had increased from 1,780 in April 2015 to 1,894 in April 2016. In 2015, the average daily turnover and the average number of trades per trading day in the securities market amounted to approximately HK\$105.6 billion and approximately 1.4 million respectively, representing a respective increase of approximately 52.1% and 35.6% as compared to the previous year. The equity funds raised in the securities market in 2015 increased by approximately 17.6% from approximately HK\$942.7 billion in 2014 to approximately HK\$1,109.0 billion in 2015. However, the securities market in Hong Kong experienced a downturn for the first quarter of 2016. The average daily turnover in the securities market decreased to approximately HK\$70.8 billion for the four months ended 30 April 2016, representing a decrease of approximately 37.5% as compared to the prior corresponding period. The average number of trades per trading day in the securities market also decreased to approximately 1.2 million for the four months ended 30 April 2016, representing a decrease of approximately 20.0% as compared to the last corresponding period. The equity funds raised in the securities market for the four months ended 30 April 2016 amounted to approximately HK\$102.7 billion, representing a reduction of approximately 29.6% as compared to the prior corresponding period.

The Group expects the stock market and economy of the PRC will continue to struggle with continuation of uncertainty in 2016 after the stock market crash and economy slowdown in the PRC and considers that the PRC economy will definitely affect the economy of Hong Kong as the PRC is the top principal trading partner of Hong Kong. Nevertheless, the Group takes the view that the PRC is still a big market with rapid growth and suitable investment opportunities may arise from time to time.

As set out in the section headed "1. Information of the Group" above, the Group recorded an increase in revenue by approximately 74.9% to HK\$6.1 million for the year ended 31 December 2015. Meanwhile, a realized gain on listed securities of approximately HK\$29.0 million was recognized for the year ended 31 December 2015 as compared to HK\$0.8 million for the previous year. With the impact of favourable performance of certain publicly traded securities held by the Group during the year ended 31 December 2015, the Group also recorded an unrealised gain of approximately HK\$288.1 million from its publicly traded securities, derivative financial instruments and convertible bonds. In view of the positive financial performance of the Group, the Group would like to prepare itself for the investment opportunities of expanding its investment portfolio and business and continue the growing performance which may arise from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board, the Directors consider that being an investment company under Chapter 21 of the Listing Rules, the Group requires extensive cash to grow its investment portfolio while its investments do not necessarily generate constant cash income from operations. We understand from the management of the Company that the total investment amount made by the Group for the year ended 31 December 2015 amounted to approximately HK\$444.7 million while the net cash position of the Group was approximately HK\$13.3 million as at 31 March 2016. Having considered the Group's strategy of further increasing the size of investment portfolio and its net cash position, the Board considers that the currently available funding will be insufficient for the Group to capture suitable investment opportunities which may arise from time to time for expanding its investment portfolio and continuing the growing performance. Therefore, the Group would like to raise additional capital to equip itself with a healthier and stronger capital base to further invest in the securities market and make future strategic investments when suitable opportunities arise.

Given that (i) the Group only had a net cash balance of approximately HK\$13.3 million as at 31 March 2016; (ii) the Group requires extensive cash to grow its investment portfolio; and (iii) suitable investment opportunities may arise and vanish rapidly in an uncertain and volatile market and thus it is crucial for the Group to have readily available funds for capturing suitable investment opportunities in a timely manner, we concur with the Directors' view that the Group has a genuine need of additional capital for funding their potential investments in listed and unlisted securities and allowing the Group to respond promptly to any suitable investment opportunity and market change.

### *2.2 Use of net proceeds*

Assuming no Shares are issued or repurchased by the Company on or before the Record Date, the gross proceeds and estimated net proceeds (after deducting the estimated expenses directly attributable to the Rights Issue) of the Rights Issue will be approximately HK\$78.1 million and HK\$75.0 million respectively. The Company intends to apply the net proceeds from the Rights Issue as to (i) HK\$36.0 million for investment in listed securities in various industries including but not limited to energy, real estate property, electronic products, media and manufacturing; (ii) approximately HK\$35.0 million for investment in unlisted securities in various industries including but not limited to financial, beauty and electronic payment service providers; and (iii) the remaining balance of approximately HK\$4.0 million for general working capital of the Group for the coming year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Investment in listed and unlisted securities

We noted that approximately 95% of the net proceeds from the Rights Issue will be utilized to invest in listed and unlisted securities in various industries. We have reviewed, and discussed with the management of the Company, the investment policies adopted by the Group as set out in Appendix III to the Circular and noted that the intended use of the net proceeds from the Rights Issue for investments in different industries including, but not limited to, energy, real estate property, electronic products, media, manufacturing, financial, beauty and electronic payment service providers in the form of equity related securities or debt instruments in listed and unlisted companies do not violate the investment objectives and policies of the Group. We have also reviewed, and discussed with the management of the Company, the investment portfolio of the Group as at 31 March 2016 and noted that the Group's investments mainly include securities investments in companies in the energy, electronic products, media, manufacturing, construction and financial sectors. The Directors are of the opinion that applying the proceeds from the Rights Issue on investments in listed and unlisted securities in the industries of real estate property, beauty and electronic payment service providers can further diversify the investment portfolio of the Group and enable the Group to mitigate the effects of any downturn or cyclical change in any particular industry on the Group and reduce its investment risk.

On 3 May 2016, the Company entered into a subscription agreement with HF Financial Group (Hong Kong) Limited ("HFHK"), pursuant to which the Company has agreed to subscribe for a convertible note bearing an interest rate of 8% per annum in a principal amount not exceeding HK\$20 million to be issued by HFHK, an Independent Third Party together with its subsidiaries are principally engaged in securities trading, asset management and the provision of appraisal, valuation and marketing services. We have reviewed the subscription agreement and were advised by the management of the Company that deposits in the amount of HK\$15 million have been paid by the Company to HFHK pursuant to a memorandum of understanding dated 6 August 2015 entered into between the parties (as supplemented by extension agreements dated 5 November 2015 and 3 February 2016). As at the Latest Practicable Date, the subscription has not been completed yet. If the subscription proceeds, the Company may utilize part of the net proceeds from the Rights Issue allocated for investments in unlisted securities for the payment of the remaining subscription moneys for the convertible note, which shall not exceed HK\$5 million.

Given that (i) approximately 95% of the net proceeds from the Rights Issue will be applied for the development of the core business of the Group of investing in securities listed on recognised stock exchanges and unlisted investments; (ii) the proposed investments, including the subscription of convertible note of HFHK, are in line with the investment objectives and policies of the Group; (iii) the proposed investments can increase the size of the Group's investment portfolio to enhance the future profitability of the Group; and (iv) the proposed investments can further diversify the investment portfolio of the Group and reduce its investment risk, we are of the view that it is fair and reasonable to allocate approximately HK\$71 million of the net proceeds from the Rights Issue to investments in listed securities and unlisted securities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### General working capital of the Group

We have reviewed, and discussed with the management of the Company, the budget of the Group for the coming year and noted that the projected operating expenses of the Group for the next year is similar to that for the year ended 31 December 2015. Having considered (i) the net cash position of the Group as at 31 March 2016; (ii) the actual amount of operating expenses incurred for the year ended 31 December 2015; and (iii) the projected operating expenses of the Group for the coming year, we consider that it is appropriate to allocate HK\$4 million of the net proceeds from the Rights Issue for the general working capital of the Group.

Based on the above and the fact that the Rights Issue will give all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company without diluting their corresponding shareholdings and to participate in the long-term growth of the Company at a price lower than the current market level, we concur with the view of the Directors that it is fair and reasonable and in the interest of the Company to conduct the Rights Issue to support the growth of the Group and the intended use of proceeds are reasonable and commercially justifiable.

### **3. Alternative financing methods**

During our discussion with the management of the Company, we were given to understand that apart from the Rights Issue, the Company has also considered other alternative means for fund raising, including but not limited to debt financing, bank loans and placing of new Shares. We were advised by the management of the Company that the Company has attempted to obtain loan financing from its two principal bankers. However, those bankers indicated that it was unlikely for the Company to obtain loan financing from them without any asset pledge or at favourable terms. Given the fund raising size and the business scale of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms and debt financing or bank loans would also result in additional interest burden to the Group. Therefore, the Company abandoned the option of bank financing. Having considered that placing of new Shares would only be available to certain places who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders in the Company while the Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlarged capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, the Board considers that the Rights Issue is a preferred option as compared to share placement.

In light of the above, we concur with the view of the Directors that the Rights Issue is an appropriate means for the Group to obtain the required funding and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Principal terms of the Rights Issue

#### 4.1 Issue statistics

Basis of the Rights Issue:	one Rights Share for every one existing Share held on the Record Date
Subscription Price:	HK\$2.0 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	39,058,614 Shares
Number of Rights Shares:	39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date), representing 100.0% of the Company's issued share capital as at the Record Date and 50.0% of the Company's enlarged issued share capital immediately upon completion of the Rights Issue
Number of Rights Shares underwritten by the Underwriter:	39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date)
Number of Shares in issue upon completion of the Rights Issue:	78,117,228 Shares

As at the Latest Practicable Date, there were outstanding Convertible Bonds in an aggregate principal amount of HK\$17.5 million, which are convertible into 1,400,000 Shares at the prevailing conversion price of HK\$12.5 per Share (subject to adjustment). However, since the conversion period of the Convertible Bonds commences on 19 August 2016, being the first anniversary of the date of issue of the Convertible Bonds, the Convertible Bonds will not be convertible into new Shares before the Record Date. Save as disclosed above, the Company had no other derivatives, outstanding convertible securities, options and warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Rights Issue is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08 of the Listing Rules. The Rights Issue is conditional upon, inter alia, the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the latest time for termination.

### 4.2 *Subscription Price*

The Subscription Price of HK\$2.0 per Rights Share, which will be payable in full upon application, represents:

- (i) a discount of approximately 9.9% to the closing price of HK\$2.220 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 15.3% to the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.0% to the average closing price of approximately HK\$2.354 per Share as quoted on the Stock Exchange for the last five consecutive trading days ending on the Last Trading Day;
- (iv) a discount of approximately 14.4% to the average closing price of approximately HK\$2.336 per Share as quoted on the Stock Exchange for the last ten consecutive trading days ending on the Last Trading Day;
- (v) a discount of approximately 8.3% to the theoretical ex-rights price of HK\$2.180 per Share, calculated based on the closing price of HK\$2.360 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a discount of approximately 84.6% to the Net Asset Value per Share as at 31 March 2016 of approximately HK\$12.95 (which is calculated based on 39,058,614 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among other, (i) the current market price of the Shares; and (ii) the capital needs of the Group.

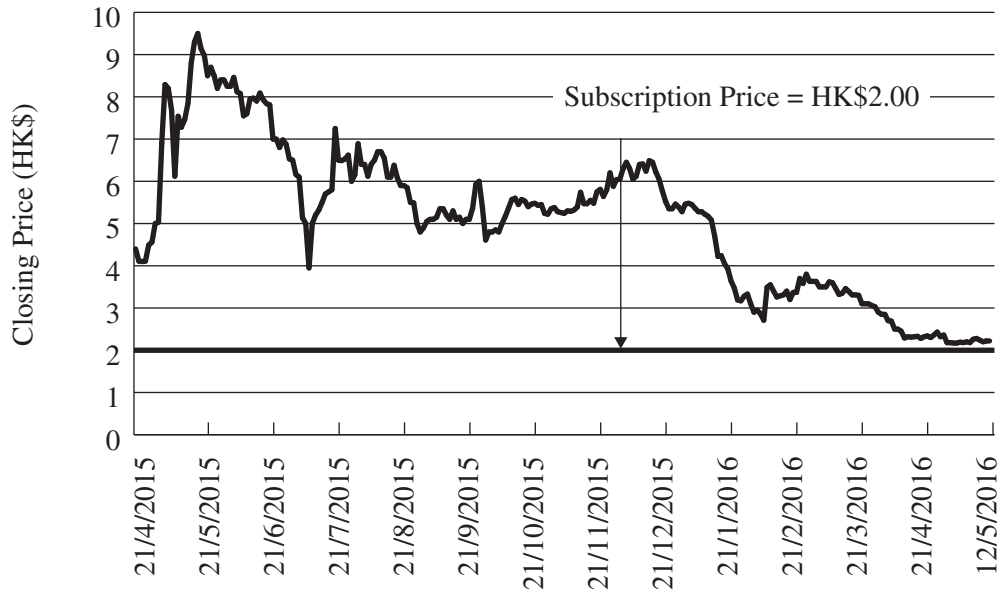
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price of the Shares during the period from 21 April 2015, being 12 months immediately preceding the date of the Underwriting Agreement, to the Latest Practicable Date (the “Review Period”). We consider that a period of 12 months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.

**Chart 1 – Closing price of the Shares during the Review Period**



*Source: the website of the Stock Exchange*

As illustrated in the above chart, the Shares were traded above the Subscription Price throughout the Review Period with an average closing price of the Shares of approximately HK\$5.09. The highest closing price of the Shares and the lowest closing price of the Shares in the Review Period were HK\$9.50 on 19 May 2015 and HK\$2.17 on 26 April 2016 and 27 April 2016 respectively. The Subscription Price represents a discount of approximately 78.9%, 7.8% and 60.7% to the highest, lowest and average closing price of the Shares of the Review Period respectively.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The closing price of the Shares increased from HK\$4.4 on 21 April 2015, being the first day of the Review Period, to HK\$6.91 on 4 May 2015, being the day on which the trading of the Shares was halted with effect from 13:00 pending the release of an announcement in relation to potential inside information of the Company. On the same day, the Company published an announcement regarding unusual price movements stating that a substantial Shareholder holding approximately 18.43% of the then issued share capital of the Company entered into a conditional sale and purchase agreement with a purchaser for the disposal of its interest in the Company. Trading of the Shares resumed on 5 May 2015 with the closing price of the Shares increased to HK\$8.29. Subsequently, the closing price of the Shares dropped to HK\$6.12 on 8 May 2015 and then rebounded to HK\$9.5, being the highest level of the Review Period, on 19 May 2015. After the trading hours on 19 May 2015, the Company announced the change of auditors of the Company. Since then, the closing price of the Shares decreased gradually to HK\$3.95, the short-term lowest level, on 8 July 2015 and followed by a rebound to HK\$5.8 on 17 July 2015. After trading hours of 17 July 2015, the Company published an announcement in relation to the placing of convertible bonds up to an aggregate principal amount of approximately HK\$97.6 million at a conversion price of HK\$12.5. The closing price of the Shares surged to HK\$7.25 on the following trading day and then decreased gradually to HK\$4.8 on 25 August 2015. The closing price of the Shares picked up its upward trend afterwards and fluctuated between HK\$4.61 and HK\$6.45 during 26 August 2015 and 4 December 2015 until it reached HK\$6.49 on 7 December 2015. Since then, the closing price of the Shares decreased continuously to HK\$2.71 on 27 January 2016 although an announcement regarding positive profit alert for the year ended 31 December 2015 was published by the Company on 15 January 2016. After that, the closing price of the Shares fluctuated between HK\$2.28 and HK\$3.8 during the period from 28 January 2016 to the Last Trading Day, being the day on which the Company announced the Rights Issue. Following the publication of the announcement regarding the Rights Issue on 21 April 2016, the closing price of the Shares decreased to HK\$2.18 on 22 April 2016. The closing price of the Shares increased to HK\$2.22 on the Latest Practicable Date.

We have also reviewed the historical trading volume of the Shares during the Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 1 below.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Table 1 – Historical average daily trading volume of the Shares**

<b>Month</b>	<b>Number of trading days</b>	<b>Average daily trading volume</b>	<b>% of average daily trading volume to the total number of Shares <sup>(Note 1)</sup></b>	<b>% of average daily trading volume to the total number of Shares in public hands <sup>(Note 2)</sup></b>
2015				
April <sup>(Note 3)</sup>	8	1,121,576	2.8715%	3.6723%
May	19	1,484,446	3.8006%	4.8605%
June	22	106,745	0.2733%	0.3495%
July	22	148,822	0.3810%	0.4873%
August	21	84,592	0.2166%	0.2770%
September	20	349,868	0.8958%	1.1456%
October	20	318,512	0.8155%	1.0429%
November	21	562,525	1.4402%	1.8419%
December	22	553,582	1.4173%	1.8126%
2016				
January	20	326,318	0.8355%	1.0685%
February	18	43,140	0.1104%	0.1413%
March	21	177,472	0.4544%	0.5811%
April	20	288,122	0.7377%	0.9434%
May <sup>(Note 4)</sup>	8	180,094	0.4611%	0.5897%

*Source: the website of the Stock Exchange*

*Notes:*

1. Calculated based on 39,058,614 Shares in issue as at the Latest Practicable Date.
2. Calculated based on 30,541,149 Shares held in public hands as at the Latest Practicable Date.
3. Represents trading volume for the period from 21 April 2015 to 30 April 2015.
4. Represents trading volume for the period from 1 May 2016 to the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Table 1 demonstrates that during the Review Period, the average daily trading volume of the Shares were in the range of approximately 0.1104% to 3.8006% as to the total number of issued Shares as at the Latest Practicable Date and approximately 0.1413% to 4.8605% as to the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics revealed that the liquidity of the Shares was relatively low.

To further evaluate the fairness and reasonableness of the Rights Issue, we also considered a broad comparison of rights issues conducted by other companies listed on the main board of the Stock Exchange. Based on the information available from the Stock Exchange's website, we have reviewed, so far as we are aware of, all the rights issues announced by the companies listed on the main board of the Stock Exchange, save for the rights issue transactions with the issue of bonus shares or anti-dilution shares, (the "Comparables") during the period from 21 January 2016, being 3 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the "Comparable Period"), which is considered to be exhaustive for comparison purposes. Having considered that the Comparable Period is reasonably long enough to (i) reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) include sufficient number of transactions for comparison purposes; and (iii) allow the Shareholders to have a general understanding of the recent rights issue transactions being conducted in the Hong Kong stock market, we consider that the Comparable Period is adequate given the recent volatility of the Hong Kong stock market.

We noted that the businesses, operations, financial position, funding requirements and prospects of the Comparables are not directly comparable to those of the Company. However, given that the terms of rights issues of the Comparables were determined under similar market conditions and sentiments as those when the terms of the Rights Issue were determined and they reflect the recent trend of the rights issue transactions in the market, we are of the opinion that the Comparables are fair and representative samples for comparison purposes and can serve as a reference for the recent market practice and provide an insight to the reasonableness of the major terms of the Rights Issue. Details of the trading statistics of the Comparables are summarized in Table 2 below:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**Table 2 – Trading statistics of the Comparables**

Company name (stock code)	Date of announcement (DD/MM/YYYY)	Basis of entitlement	Premium/(discount) of subscription price over/(to) the closing price		Commission rate %	Maximum dilution %	Excess application Yes/No
			on the last trading day %	theoretical ex-rights price %			
Coolpad Group Limited (2369)	22/01/2016	3 for 20	(14.7)	(13.4)	4.3 <i>(Note 1)</i>	13.0	Yes
China Oceanwide Holdings Limited (715)	25/01/2016	1 for 2	0.0	0.0	0.0	33.3	Yes
Hanny Holdings Limited (275)	25/01/2016	8 for 1	(68.8)	(19.6)	3.0	88.9	Yes
Synertone Communication Corporation (1613)	05/02/2016	1 for 1	(67.1)	(50.5)	0.0 <i>(Note 2)</i>	50.0	No
Chuang's China Investments Limited (298)	17/03/2016	1 for 2	(34.1)	(25.7)	2.5	33.3	Yes
Ngai Shun Holdings Limited (1246)	24/03/2016	11 for 2	(58.8)	(18.0)	2.5	84.6	Yes
Glorious Sun Enterprises Limited (393)	29/03/2016	1 for 2	(11.8)	(8.2)	0.0 <i>(Note 3)</i>	33.3	Yes
Pacific Basin Shipping Limited (2343)	18/04/2016	1 for 1	(58.3)	(41.2)	2.3 <i>(Note 4)</i>	50.0	Yes
South China Financial Holdings Limited (619)	20/04/2016	1 for 1	(58.2)	(41.1)	2.0	50.0	Yes
Time2U International Holding Limited (1327)	11/05/2016	2 for 1	(49.1)	(24.3)	1.5	66.7	Yes
<b>Maximum</b>			<b>0.0</b>	<b>0.0</b>	<b>4.3</b>	<b>88.9</b>	
<b>Minimum</b>			<b>(68.8)</b>	<b>(50.5)</b>	<b>0.0</b>	<b>13.0</b>	
<b>Average</b>			<b>(42.1)</b>	<b>(24.2)</b>	<b>1.8</b>	<b>50.3</b>	
<b>the Company (428)</b>	<b>21/04/2016</b>	<b>1 for 1</b>	<b>(15.3)</b>	<b>(8.3)</b>	<b>2.0</b>	<b>50.0</b>	<b>Yes</b>

*Source: the website of the Stock Exchange*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The underwriting commission includes: (i) a fixed sum in the amount of HK\$5.07 million, and (ii) 3.1% of the aggregate subscription price of the rights shares underwritten by the underwriter. The commission rate was calculated by dividing the commission amount of HK\$5.07 million by the aggregate subscription price in respect of the number of rights shares underwritten by the underwriter plus 3.1%.
2. The underwriting commission is a fixed amount of HK\$1. The commission rate was calculated by dividing the commission amount of HK\$1 by the aggregate subscription price of the rights shares underwritten by the underwriter.
3. The underwriting commission is a fixed amount of HK\$100,000. The commission rate was calculated by dividing the commission amount of HK\$100,000 by the aggregate subscription price of the rights shares underwritten by the underwriter.
4. Different commission rates were offered to the underwriters of the rights issue. The weighted average commission rate of approximately 2.3% was used for comparison purposes.

We noted from Table 2 that all of the Comparables had set the subscription price of their rights issues equal to or at a discount to the prevailing market price of the relevant shares before the relevant announcements in respect of the rights issues were made. We consider, therefore, it is a normal market practice for companies to set the subscription price of rights issues at a discount to the prevailing market price of the relevant shares so as to encourage the shareholders to participate in the rights issues.

As illustrated in Table 2, the subscription prices of the Comparables were set at a discount ranging from approximately 0.0% to 68.8% as compared to their respective closing prices as quoted on the last trading day prior to the date of the relevant rights issue announcements. The discount of approximately 15.3% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is lower than the average discount of the Comparables of approximately 42.1%.

The subscription prices of the Comparables represent a discount ranging from approximately 0.0% to 50.5% relative to their respective theoretical ex-rights prices as quoted on the last trading day prior to the date of the relevant right issue announcements. The discount of approximately 8.3% of the Subscription Price to the theoretical ex-rights prices of the Shares on the Last Trading Day falls within the range of those of the Comparables and it is lower than the average discount of the Comparables of approximately 24.2%.

Based on the above analysis and the facts that (i) the Shares were traded above the Subscription Price throughout the Review Period; (ii) the liquidity in trading of the Shares was thin during the Review Period; (iii) it is common for the listed companies in Hong Kong to set the subscription price of rights issues at a discount to the market price of the listed shares in order to enhance the attractiveness of the rights issue transactions; (iv) the discounts of the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-rights price fall within the range of the Comparables; (v) the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; and (vi) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market, we consider that the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4.3 *Application for excess Rights Shares*

Qualifying Shareholders may apply for any unsold allotments of the Excluded Shareholders and any Rights Share provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. The Board will allocate the excess Rights Shares to Qualifying Shareholders who have applied for excess application on a pro-rata basis on the excess Rights Shares applied by them, without involving allocation of any fractional Rights Share. No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there are no guarantees that such odd lots of Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. No reference will be made to the Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders. Any Rights Share not taken up by the Qualifying Shareholders and not taken by excess applications will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

As set out in Table 2, 9 out of 10 Comparables have the arrangement for excess application for the qualifying shareholders. With the arrangement of application for excess Right Shares, the Qualifying Shareholders shall be given a pre-emption right to subscribe for excess Rights Shares if they wish to do so. Moreover, the allocation basis adopted by the Company is in line with the normal market practice of other rights issues with arrangement of application for excess rights shares and the shareholding of each Qualifying Shareholder, except those who do not take up their full entitlements or those who apply for excess Right Shares, will be largely maintained after the completion of the Rights Issue. Based on the above, we concur with the Directors that the arrangement of application for excess Rights Shares for the Qualifying Shareholders and the allocation method for the excess Rights Shares are fair and reasonable so far as the Independent Shareholders are concerned.

## 5. **Underwriting arrangement**

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed by the Qualifying Shareholders on a fully underwritten basis, being 39,058,614 Rights Shares (assuming no Shares being issued or repurchased by the Company on or before the Record Date), subject to the terms and conditions of the Underwriting Agreement. The Underwriter shall procure that any subscriber procured by them shall be Independent Third Party and shall not become a Substantial Shareholder holding 10% or more shareholding in the Company immediately after completion of the Rights Issue.

The Company shall pay the Underwriter an underwriting commission of 2.0% of the aggregate Subscription Price in respect of the Rights Shares underwritten by the Underwriter as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market condition.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in Table 2, the underwriting commission of 2.0% to be charged by the Underwriter under the Underwriting Agreement falls within the range of the commission rates of the Comparables of 0% to 4.3% although it is slightly higher than the average commission rate of the Comparables of approximately 1.8%. Based on the above, we are of the view that the underwriting commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We were given to understand that the Underwriter has agreed to ensure that at least 25% of the total issued share capital of the Company would be held by the public at all times such that the public float requirements under Rules 8.08 of the Listing Rules would be complied with by the Company after the Rights Issue. In the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08 of the Listing Rules.

It should also be noted that the Rights Issue will not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are set out in the Termination of the Underwriting Agreement contained in the Circular. We have reviewed the announcements of the Comparables and consider the termination provisions under the Underwriting Agreement are on normal commercial terms and in line with the market practice.

### **6. Dilution effect of the Rights Issue on shareholding interests**

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. As at the Latest Practicable Date, the existing public Shareholders held approximately 78.2% of the total issued share capital of the Company. Upon completion of the Rights Issue (assuming none of the Rights Shares are subscribed for by the Qualifying Shareholders), the shareholding of the existing public Shareholders will be diluted to approximately 39.1%. On the other hand, Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may, subject to availability, apply for excess Rights Shares.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in Table 2, the maximum dilution of the Comparables ranging from approximately 13.0% to approximately 88.9% with an average dilution of approximately 50.3%. For the Excluded Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 50.0%, which fall within the range, and is lower than the average, of the Comparables.

In all cases of rights issues, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issues is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in rights issues in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in section "7. Financial Effects" below, we are of the view that the potential dilution effect on the shareholding which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares is justifiable.

### **7. Financial Effects**

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

#### *7.1 Net tangible asset*

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, had the Rights Issue been completed on 31 December 2015, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders would have increased from approximately HK\$487.2 million to approximately HK\$562.6 million immediately after the completion of the Rights Issue.

#### *7.2 Cash and bank balances*

Upon completion of the Rights Issue, the cash and bank balances of the Group will increase by an amount equivalent to the net proceeds of the Rights Issue, which is estimated to be approximately HK\$75.0 million.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7.3 *Gearing*

The Rights Issue shall increase the total assets of the Group without bringing any change to the total liabilities. As such, the gearing ratio of the Group, as expressed as the ratio of total liabilities to total assets, would decrease after the Rights Issue.

Based on the above analysis, we are of the view that the Rights Issue would have a positive effect on the Group's net tangible assets, cash position and gearing.

### **RECOMMENDATION**

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Rights Issue at the EGM.

Yours faithfully,  
For and on behalf of  
Hercules Capital Limited

**Louis Koo**  
*Managing Director*

**Amilia Tsang**  
*Director*

*Notes:*

1. Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.
2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

**1. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for each of the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 are disclosed in the annual reports of the Company for the years ended 31 December 2013 (pages 36 to 115), 31 December 2014 (pages 36 to 115) and 31 December 2015 (pages 50 to 131). The said annual reports of the Company are published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.huge-china.com.hk](http://www.huge-china.com.hk)).

The annual report for the year ended 31 December 2013 of the Company was published on 29 April 2014 on the Stock Exchange's website, which can be accessed by the following link:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0429/LTN20140429661.pdf>

The annual report for the year ended 31 December 2014 of the Company was published on 28 April 2015 on the Stock Exchange's website, which can be accessed by the following link:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN201504281099.pdf>

The annual report for the year ended 31 December 2015 of the Company was published on 25 April 2016 on the Stock Exchange's website, which can be accessed by the following link:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0425/LTN20160425799.pdf>

**2. STATEMENT OF INDEBTEDNESS****Convertible Bonds**

As at 31 March 2016, the Group had outstanding Convertible Bonds in the aggregate principal amount of HK\$17,500,000 issued by the Company to not less than six Placees on 19 August 2015.

**Operating lease commitments**

As at 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases in respect of the leases for certain of its office premises as follows:

	<b>Total</b> <i>HK\$'000</i>
Within one year	1,835
In the second to fifth years inclusive	643
	<hr/>
	2,478
	<hr/> <hr/>

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at 31 March 2016, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL**

The Directors are of the opinion that after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for at least 12 months from the Latest Practicable Date in the absence of unforeseen circumstances.

**4. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group was made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Company is an investment company and its shares are listed on the main board of the Stock Exchange since 14 December 1993, pursuant to Chapter 21 of the Listing Rules. The Group's principal activities, investment in securities listed on recognised stock exchanges and unlisted investments, will remain unchanged.

The year 2015 was quite a volatile year for investing in the listed securities both Hong Kong and the PRC. The Hong Kong stock market, followed by the stock market in the PRC, jumped to the seven years peak in April 2015. However, Hang Seng Index suffered a big fall to the year-low in September 2015 as a result of the stock market crash in the PRC.

In December 2015, The U.S. Federal Reserve made an announcement to raise its interest rates by 0.25 percentage points creating an unprecedented increase in almost a decade. This move indicated the end of near-zero interest rate regime and it is expected that with US normalising its interest rate cycle in coming future, U.S. currency will be strengthened, triggering a capital outflow from Hong Kong stock market. It also affects the Hong Kong stock market and even the overall economy.

The stock market crash in the PRC in August 2015 undeniably had a snowball effect on economies across the world. The economic slowdown in the PRC was a key concern to the world. The PRC's economic growth fell from 6.9% in the third quarter to 6.8% in the fourth quarter in 2015. In 2015, on the whole in the PRC, its GDP had increased to 6.9%. It had been the slowest pace since 1990 but still stayed within range of the government's target of "approximately 7.0%". The Chinese currency (CNY) remains under pressure due to strong capital outflows and it is estimated to impact the health of the PRC's economy.

The Group expects the stock market and economy of the PRC will continue to struggle with continuation of uncertainty in 2016 after the stock market crash and economy slowdown in the PRC. The PRC is the top principal trading partner of Hong Kong, so its economy will definitely affect Hong Kong's economy. Nevertheless, the Group takes the view that the PRC is still a big market with rapid growth. The Group will continue to focus on listed securities, private equity funds, real estate property projects and private enterprises with potential prospect. It will also seek opportunities to invest in the PRC, Hong Kong and overseas thereby implement its risk management policy with an aim to achieve stable returns on investment for the shareholders of the Company.

According to the management account of the Group, for the three months ended 31 March 2016, the Group recorded an unaudited revenue of approximately HK\$2.1 million as compared to approximately HK\$25,750 in the same period in 2015, representing an increase of approximately 8,055%. In addition, the Group recorded an unaudited realized gain of nil on listed securities for the three months ended 31 March 2016 as compared to approximately HK\$200,000 for the three months ended 31 March 2015.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared in accordance with paragraph 4.29(1) of the Listing Rules set out below to illustrate the effect of the proposed Right Issue on the consolidated net tangible assets of the Group as if they had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the proposed Right Issue been completed as at 31 December 2015 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015, extracted from the published audited report of the Group for the year ended 31 December 2015, with adjustment described below:

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2015 <i>HK\$'000</i>	Audited consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 39,058,614 Rights Shares at subscription price of HK\$2 per Rights Share	487,181	75,383	562,564	12.47	7.20

*Notes:*

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2015 has been extracted from the published annual report of the Company for the year ended 31 December 2015.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$75,383,000 are calculated on 39,058,614 Rights Shares to be issued at the Subscription Price of HK\$2 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,734,000.
- (3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 of approximately HK\$487,181,000 as disclosed in note 1 above, divided by 39,058,614 Shares in issue as at 31 December 2015.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 for the Rights Issue of approximately HK\$562,564,000 divided by 78,117,228 Shares which comprise 39,058,614 Shares in issue as at 31 December 2015 and 39,058,614 Rights Shares to be issued after the completion of the Rights Issue.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2015.

*Set out below is the text of a letter received from Elite Partners CPA Limited, the Independent Reporting Accountants to the Board of Directors in respect of the Rights Issue for the purpose of inclusion in this Circular.*



開元信德會計師事務所有限公司  
ELITE PARTNERS CPA LIMITED  
Certified Public Accountants

The Board of Directors  
Huge China Holdings Limited  
Unit 1615, 16th Floor,  
Seapower Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huge China Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 31 December 2015, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed right issue on the basis of one rights share at the subscription price of HK\$2 per rights share (the “**Rights Share**”) for every one existing share held on the record date (the “**Rights Issue**”) as if the transaction had taken place as at 31 December 2015. As part of this process, information about the consolidated statement of financial position of the Group as at 31 December 2015, as extracted from the published annual report of the Company for the year ended 31 December 2015 dated 30 March 2016.

#### **Directors’ Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of the significant transaction on consolidated net tangible assets of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.



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

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

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,

**Elite Partners CPA Limited**

*Certified Public Accountants*

**Yip Kai Yin**

Practising Certificate Number: P05131

Hong Kong, 17 May 2016

## 1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group.

This Circular, for which the Directors and the directors of the Investment Manager 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 Company. The Directors and the directors of the Investment Manager, 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 (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company, on or before the Record Date) are as follows:

### (i) As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>39,058,614</u>	Shares in issue	<u>39,058,614</u>

### (ii) Immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company, on or before the Record Date):

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid:</i>		
39,058,614	Shares in issue immediately before completion of the Rights Issue	39,058,614
<u>39,058,614</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>39,058,614</u>
<u>78,117,228</u>	Shares in issue immediately after completion of the Rights Issue	<u>78,117,228</u>

All of the Rights Shares to be issued will rank *pari passu* in all respects with each other. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

Saved for the Convertible Bonds in the aggregate principal of HK\$17,500,000 issued by the Company and convertible up to a maximum 1,400,000 Conversion Shares at the Convertible Price with a conversion period commencing from the first anniversary of the date of issue of the Convertible Bonds (being 19 August 2016) and ending on the second anniversary of the date of issue of the Convertible Bonds (being 19 August 2017), since 31 December 2015, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, the Company has no other outstanding warrants, options, derivatives or convertible or exchangeable securities.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, no share or loan capital of the Company or any of its subsidiaries had been put under option, or agreed conditionally or unconditionally to be put under option.

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

### **3. DISCLOSURE OF INTERESTS**

#### **(a) Directors' interests**

As at the Latest Practicable Date, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed under the Takeovers Code.

**(b) Substantial Shareholders' interest**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, 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.

Name	Nature of interest/capacity	Total number of Shares held	Approximate Percentage of the Company's issued share capital (Note 1)
Seize Minute Limited (Note 2)	Beneficial owner	8,517,465(L)	21.81%
MK Investments Limited (Note 2)	Interest of a controlled corporation	8,517,465(L)	21.81%
Kor Sing Mung Michael (Note 2)	Interest of a controlled corporation	8,517,465(L)	21.81%

(L) - Long Position

Notes:

1. The percentage stated represents the percentage of share capital of the Company as stated in the relevant disclosure of interests forms.
2. Seize Minute Limited is a wholly owned subsidiary of MK Investments Limited. MK Investments Limited is wholly owned by Mr. Kor Sing Mung Michael.

Save as disclosed above, the Directors are not aware that there is any other person (other than a Director of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which fall 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 interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

**4. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

## 5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

Save for the investment management agreement dated 29 February 2016 and entered into between the Company and Tiger Securities, of which Mr. Wu Ming Gai, one of the executive Directors, is also the responsible officer and director of Tiger Securities, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement which is significant in relation to the business of the Group.

## 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this Circular:

<b>Name</b>	<b>Qualification</b>
Elite Partners CPA Limited ("Elite Partners")	Certified Public Accountants
Hercules Capital	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of Elite Partners and Hercules Capital (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

**8. LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, (i) the Group was not engaged in any litigation or claims of material importance, and (ii) no litigation or claims of material importance is pending or threatened against the Group.

**9. MATERIAL CONTRACTS**

Within the two years immediately preceding the date of the Rights Issue and up to the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group which are or may be material:

- (a) the placing agreement dated 17 July 2015 entered into between the Company as the issuer and FP Sino-Rich Securities & Futures Limited as the placing agent pursuant to which FP Sino-Rich Securities & Futures Limited has conditionally agreed to procure, on the best effort basis, not less than six placees to subscribe for the Convertible Bonds of up to an aggregate principal amount of HK\$97,646,525 due on 19 August 2017, being the second anniversary of the date of issue of the Convertible Bonds, with the rights to convert at the Conversion Price of HK\$12.50 (subject to adjustments) per Conversion Share;
- (b) the investment management agreement entered into between the Company and Tiger Securities dated 29 February 2016 in relation to the provision of investment management services to the Company for which the Tiger Securities shall be entitled to a management fee of 0.5% per annum on the Net Asset Value as per the management account of the Company of the preceding month, with an annual cap of HK\$1,800,000 (or such other higher limits to be mutually agreed in good faith between the Company and Tiger Securities) for a period of two years commencing from 1 March 2016 and expiring on 28 February 2018; and
- (c) the Underwriting Agreement.

**10. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.7 million, which are payable by the Company.

## 11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

**Board of Directors****Correspondence Address***Executive Directors*

Mr. Chau Wai Hing

Room 1, 19/F, Block 16  
Heng Fa Chuen  
Chai Wan  
Hong Kong

Mr. Chu To Jonathan

Flat B, 1/F, 22 Tung Shan Terrace  
Wanchai  
Hong Kong

Mr. Wu Ming Gai

Flat A, 24/F, Po Tak Mansion  
85 Smithfield  
Kennedy Town  
Hong Kong*Non-executive Directors*

Mr. William Keith Jacobsen

Flat B, 23/F Tower 10  
Larvotto, Ap Lei Chau Praya Road  
Hong Kong

Mr. Mak Hing Keung Thomas

4/F, Cherry Court,  
12 Tai Hang Road  
Hong Kong*Independent Non-executive Directors*

Mr. Sio Chan In Devin

Flat B, 5/F, Victoria Court  
Ville de Cascade,  
Shatin, New Territories  
Hong Kong

Mr. Law Siu Hung Paul

Flat E, 16/F, Block 18  
Wonderland Villas  
Kwai Chung, New Territories  
Hong Kong

Mr. Wong Ching Wan

Flat G, 29/F, Tower 2  
The Waterside,  
15 On Chun Street, Ma On Shan  
New Territories, Hong Kong

**Company Secretary**

Mr. Au Yeung Ming Yin Gordon, CPA  
Room 4, 1/F,  
Oi Wai House, Tsz Oi Court,  
Tsz Wan Shan, Kowloon,  
Hong Kong

**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**

Unit 1615, 16th Floor,  
Seapower Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsimshatsui, Kowloon,  
Hong Kong

**Branch Share Registrar and  
Transfer Office in Hong Kong**

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre, 183 Queen's Road East,  
Wan Chai, Hong Kong

**Principal Bankers**

OCBC Wing Hang Bank Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

**Stock Code**

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**Home page**

[www.huge-china.com.hk](http://www.huge-china.com.hk)

**Principal Share Registrar and  
Transfer Agent**

Codan Trust (Cayman) Limited  
Cricket Square, Hutchins Drive,  
P.O.Box 2681,  
Grand Cayman KY1-1111,  
Cayman Islands

**Authorised Representatives**

Mr. Chu To Jonathan  
Mr. Mak Hing Keung Thomas

**Investment Manager**

Tiger Securities Asset Management Company  
Limited  
Room B3, 29/F., TML Tower,  
3 Hoi Shing Road, Tsuen Wan, N.T.,  
Hong Kong



<b>Underwriter</b>	Gransing Securities Co., Limited Room 805-806, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong
<b>Financial adviser to the Company</b>	Ample Capital Limited Unit A, 14/F., Two Chinachem Plaza, 135 Des Voeux Road Central, Central, Hong Kong
<b>Legal advisers to the Company</b>	<p><b><i>Hong Kong Law</i></b> LF Legal Suite 1502, 15/F., 135 Bonham Strand, Sheung Wan, Hong Kong</p> <p><b><i>Australian Law</i></b> Thomson Geer Level 25, 1 O'Connell Street, Sydney NSW 2000, Australia</p> <p><b><i>British Virgin Islands Law</i></b> Conyers Dill &amp; Pearman 29th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong</p> <p><b><i>Cayman Islands Law</i></b> Conyers Dill &amp; Pearman Cricket Square, Hutchins Drive, P.O.Box 2681, Grand Cayman KY1-1111, Cayman Islands</p> <p><b><i>Canadian Law</i></b> Boughton Law Corporation 700 - 595 Burrard Street, Vancouver, BC V7X 1S8, Canada</p> <p><b><i>Macau Law</i></b> Rato, Ling, Lei &amp; Cortés - Advogados Avenida da Amizade n.º 555, Macau Landmark, Office Tower 23º, Macau</p>

*Malaysian Law*

Rahmat Lim & Partners  
Suite 33.01, Level 33,  
The Gardens North Tower,  
Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur,  
Malaysia

*US Law*

Reed Smith LLP  
Reed Smith Centre  
225 Fifth Avenue,  
Pittsburgh, PA 15222,  
United States

**Auditors and Reporting Accountants**

Elite Partners CPA Limited  
10/F., 8 Observatory Road,  
Tsim Sha Tsui, Kowloon, Hong Kong

**Independent financial adviser to the  
Independent Board Committee and  
the Independent Shareholders**

Hercules Capital Limited  
1503 Ruttonjee House, 11 Duddell Street,  
Central, Hong Kong

**12. PROFILE OF DIRECTORS AND COMPANY SECRETARY****Executive Directors**

**Mr. Chau Wai Hing** (“**Mr. Chau**”), aged 50, was appointed as a non-executive Director and Chairman of the Board on 1 July 2015 and was re-designated to an executive Director on 1 September 2015. He is also the chairman of the nomination committee and a member of the investment committee. Mr. Chau is a fellow member of the Institute of Public Accountants in Australia, a chartered member of the Chartered Institute for Securities & Investment and a member of the Hong Kong Securities and Investment Institute. He obtained his Bachelor Degree in Quantitative Analysis for Business, Postgraduate Certificate in Professional Accounting and Master Degree in Finance from the City University of Hong Kong. He also holds a Master Degree in Professional Accounting from the Southern Cross University in Australia. Mr. Chau was the chairman and an executive director of UBA Investments Limited (stock code: 768) from 2 December 2008 to 30 April 2015. Prior to joining UBA Investments Limited, he possesses over 18 years of experience in banking, finance and wealth management and held senior positions at several international financial institutions including Bank of America (Asia) Limited and Merrill Lynch (Asia Pacific) Limited.

**Mr. Chu To Jonathan** (“**Mr. Chu**”), aged 51, had been a non-executive Director since 29 October 2014 and was re-designated as an executive Director on 20 April 2015. He is also the chairman of the investment committee of the Company since 26 May 2015. He obtained a bachelor degree in science from University of Toronto, Canada in 1986 and completed a Diploma Programme Examination organized by Hong Kong Securities and Investment Institute in 2004.

Mr. Chu has over 27 years of experience in the financial sector and has extensive experience particularly in private equity (including pre-IPO investments) and fund management. Mr. Chu was an independent non-executive director and the chairman of the remuneration committee of Cheung Wo International Holdings Limited (formerly known as China Mandarin Holdings Limited) (stock code: 9) from March 2011 to June 2015. He is currently the chairman and chief executive officer of Metallix Resources Limited (which is principally engaged in mining and processing of lead, zinc and copper ores in Indonesia). Mr. Chu was the director and responsible officer of Colors Securities Limited (a corporation licensed to carry out type 1, 4 and 9 regulated activities), mainly responsible for monitoring its daily operations from September 2012 to January 2015. Mr. Chu was also the deputy managing director and responsible officer of China Everbright Securities (HK) Limited and China Everbright Forex and Futures (HK) Limited from May 2003 to October 2011. He also worked as a sales director of Sun Hung Kai Investment Services Limited (a wholly owned subsidiary of Sun Hung Kai & Co. Limited (stock code: 86)) from June 2001 to December 2001. During the period from August 1987 to June 2001, Mr. Chu has worked in Sun Hung Kai Securities Company Limited (a wholly owned subsidiary of Sun Hung Kai & Co. Limited (stock code: 86)) for various positions. His last position with Sun Hung Kai Securities Company Limited was senior vice president responsible for advising on corporate finance and merger and acquisition transactions.

**Mr. Wu Ming Gai** (“**Mr. Wu**”), aged 40, was appointed as a non-executive Director on 1 July 2015 and was re-designated to an executive Director on 1 March 2016. Mr. Wu is a responsible officer under the Securities and Futures Commission possessing the type 1 (dealing in securities), type 4 (advising on securities) and type 9 (assets management) licenses. He has obtained the Honor Diploma of Accounting from the Hong Kong Shue Yan University in July 1999. He has over 11 years of management experience in fund accounting and asset management. He was the chief operating officer of Tiger Securities from 2007 to 2012 responsible for the overall operation of fund management. Since 2013, he has been the director of the same company responsible for the general management of regulated activities.

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

**Mr. William Keith Jacobsen** (“**Mr. Jacobsen**”), aged 49, is a non-executive Director and member of investment committee of the Company since 17 November 2014. Mr. Jacobsen is the chief executive officer of a licensed corporation to advise on corporate finance matters. Mr. Jacobsen has more than 22 years of experience in corporate finance and business development. Mr. Jacobsen was an executive director of Auto Italia Holdings Limited (formerly known as Wo Kee Hong (Holdings) Limited (stock code: 720) till October 2015 and is an non-executive director of Madex International (Holdings) Limited (stock code: 231), and also an independent non-executive director of abc Multiactive Limited (stock code: 8131), and Sustainable Forest Holdings Limited (stock code: 723), and Cinderella Media Group Limited (stock code: 550). He was also an independent non-executive director of King Stone Energy Group Limited (stock code: 663),

Hycomm Wireless Limited (stock code: 499), Perception Digital Holdings Limited (stock code: 1822) and China Financial Leasing Group Limited (stock code: 2312) for the period from 26 September 2008 to 30 September 2011, from 20 June 2008 to 27 September 2014, and from 7 January 2013 to 29 August 2014, 1 February 2013 to 30 April 2015 respectively. Mr. Jacobsen was appointed as an independent non-executive director of Cinderella Media Group Limited (stock code: 550) effect from 8 September 2015. He obtained a Bachelor of Laws degree from the University of Hong Kong and a Master of Business Administration from the University of British Columbia.

**Mr. Mak Hing Keung Thomas (“Mr. Mak”)**, aged 53, was appointed as an independent non-executive Director on 1 January 2015 and was re-designated to a non-executive Director of the Company on 1 July 2015. He is also a member of the audit committee and remuneration committee of the Company. Mr. Mak holds a Bachelor degree of Commerce from Queen’s University, Canada. Mr. Mak is a member of the Canadian Institute of Chartered Accountants, a member of Hong Kong Business Accountants Association and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Mak is currently the chief operations officer of HF Financial Group (China) Limited. He is also the executive director of Millennium Pacific Group Holdings Limited (stock code 8147). Mr. Mak is an independent non-executive director, the chairman of audit committee and a member of remuneration committee of Tao Heung Holdings Limited (stock code: 573). Mr Mak is also the independent non-executive director, the chairman of audit committee and a member of remuneration committee of China Greenfresh Group Co. Ltd (stock code: 6183). He was also the chief financial officer and company secretary of Heritage International Holdings Limited (stock code: 412) from 6 October 2014 to 11 May 2015. Prior to joining Heritage International Holdings Limited, Mr. Mak was the chief financial officer in various listed and private companies. Mr. Mak has also worked for an international accounting firm in Hong Kong, Singapore and Canada for over seven years.

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

**Mr. Law Siu Hung Paul (“Mr. Law”)**, aged 57, has been an independent non-executive Director since 4 May 2015. He is also a member of the audit committee and the nomination committee of the Company. He obtained a Bachelor degree of Business Administration (BBA) from the American University in 1995. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region. He founded Olympic Motor Group (which operates car dealing business in Hong Kong) in 1980 and has been the chairman of Olympic Motor Group since then. Mr. Law has been a member of the Professional Insurance Brokers Association since 1995, a fellow member of the International Institute of Management, Hong Kong since 1996, member of The Institute of Motor Industry, Britain since 1997, a member of the Society of Automotive Engineers, U.S.A since 1999, a member of the Who’s Who Historical Society since 2001, an executive member of the Hong Kong Institute of Marketing since 2003, a honorary senior fellow of The Professional Validation Centre of Hong Kong Business Sector since 2005, a fellow member of the Institute for Entrepreneurship of the Hong Kong Polytechnic University since 2006, a professional member of the International Chinese Transportation Professionals Association (Hong Kong Chapter) and a professional member of The Association of Hong Kong Professionals since 2012. He was also awarded as Distinguished Chinese by the Chinese Who’s Who Society Evaluation Committee in 2012.

Mr. Law is also active in community services. He has been appointed as the chairman of International Professional Insurance Consulting Association since 2002, the chairman of Hong Kong Motor Vehicles Import and Export Association since 2003, a member of Liaison & Vehicle Inspection Group of Hong Kong Transport Department since 2005, the chairman of Chinese Association of Clan of Law since 2005, a director of The Hong Kong Chinese Importers' & Exporters' Association since 2005, co-chairman of Hong Kong SME Forum since 2006, vice chairman of Hong Kong Auto Parts Industry Association since 2006, a honorable treasurer of the Society of Automotive Engineers since 2006, director of Hong Kong Chiu Chow Chamber of Commerce since 2006, a director of The Lok Sin Tong Benevolent Society Kowloon since 2006, deputy chairman of Hong Kong Brands Protection Alliance since 2006, a member of Traffic and Transportation Committee of Yau Tsim Mong District of the Home Affairs Department since 2007, vice chairman of The Professional Validation Centre of Hong Kong Business Sector since 2007, director of Hong Kong Commerce & Industry Associations since 2008, the vice president of Kowloon West Chaoren Association Limited since 2008, the chairman of Mongkok Service Association since 2009, the president of Great Chinese Martial Artists Association Limited since 2012, the vice chairman of Eternity Love Foundation since 2013 and the president of The Taxi Operators Association Limited since 2013. He was appointed as the chairman of Yau Tsim Mong North Area Committee from 2012 to 2014 and the 1st vice district governor of Lions Clubs International District 303, Hong Kong & Macao, China from 2014 to 2015.

**Mr. Sio Chan In Devin** (“**Mr. Sio**”), aged 30, joined the Company in January 2015. He is an independent non-executive Director, a member of audit committee and remuneration committee of the Company. Mr. Sio is a barrister in Hong Kong. Mr. Sio was called to the Bar of Hong Kong in 2011 and achieved Fellowship of the Chartered Institute of Arbitrators in 2013. He is also a consultant of Shanghai Everbright Law Firm and Shanghai Lingyun Yongran Law Firm. Mr. Sio is a listed arbitrator and mediator of the Hong Kong Bar Association and a panelist mediator of Hong Kong Mediation Accreditation Association Limited.

Mr. Sio obtained a Bachelor of Business Administration in International Business (Japan) from the City University of Hong Kong in 2007. He further pursued a career in Law, and obtained a Juris Doctor degree and Postgraduate Certificate in Laws from the Chinese University of Hong Kong in 2009 and 2010 respectively. Mr. Sio also obtained a Diploma in International Commercial Arbitration from St. Anne's College, Oxford University, a Bachelor of Laws in PRC Laws from the China University of Political Science and Law, and a Master of Laws in Maritime and Transportation Law from the City University of Hong Kong in 2011, 2013 and 2014 respectively.

Mr. Sio is currently a committee member of the Special Committee in Alternative Dispute Resolution, and Special Committee in Greater China Affairs of the Hong Kong Bar Association. He is also the founding council member of the Small and Medium Law Firms Association of Hong Kong, and the founding president of the Chinese University of Hong Kong Law Alumni Association. Mr. Sio is also a committee member of the Shatin District Youth Programme Committee of the Shatin District Council, and is an honourable legal advisor to the Hong Kong Fishermen's Association.

**Mr. Wong Ching Wan (“Mr. Wong”)**, aged 49, joined the Company in May 2015. He is an independent non-executive Director, the chairman of audit committee, a member of nomination committee and the chairman of remuneration committee of the Company. Mr. Wong is a Certified Public Accountant of Australia, Certified Public Accountant of Hong Kong, Certified General Accountant of Canada and fellow member of The Taxation Institute of Hong Kong. He has obtained a Bachelor of Business and Administration from the Chinese University of Hong Kong in 1989 and a Bachelor of Commerce from The University of Southern Queensland in 1992. Also, he has studied in the Professional Master of Business Administration course offered by the Troy State University, USA.

Mr. Wong is the company secretary and authorised representative of China Oil Gangran Energy Group Holdings Limited (stock code: 8132). He is also a director of Network CN, Inc. (stock code: NWCN) listing in USA. Mr. Wong was appointed as an independent non-executive director of On Real International Holdings Limited (stock code: 8245) on 31 March 2016. Mr. Wong was the independent non-executive director of Grand Field Group Holdings Limited (stock code: 115) from December 2008 to January 2009.

Mr. Wong has more than 25 years of experience in audit, internal control, financial control and capital market. He has held various positions in different companies in China, USA and Hong Kong including senior position in multinational companies. He was the chief financial officer and a director of a jewellery company that he assisted to seek IPO in the USA. He was also responsible for US regulatory filings and internal control.

#### **Company Secretary**

**Mr. Au Yeung Ming Yin Gordon (“Mr. Au Yeung”)**, aged 40, has been the company secretary of the Company since 26 May 2015. He is also the chief financial officer of the Company. He has over 19 years of experience in the areas of accounting, taxation, finance and auditing. He is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a degree in Bachelor of Business from RMIT University and post-graduate diploma in professional accounting from the Hong Kong Baptist University. Mr. Au Yeung held a management position in an accounting team in ASR Logistics Holdings Limited (stock code: 1803) from May 2000 to January 2015.

**13. INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS****Investment Objective and Policies**

The investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investments.

The Company has adopted the following investment policies:

- (i) the Company may, at its sole discretion, invest in any securities, listed or unlisted, including warrants, money market instruments, bank deposits, currency investments, commodities, options, convertible securities, futures contracts and precious metals or any other forms of investments in securities which would enable the Company to achieve good income or capital appreciation.
- (ii) the Company may, for hedging purposes only, buy, write or sell warrants, covered warrants, options or traded options on its underlying investments. The Company may also buy or sell futures contracts on stock indices or shares (if any) as a means to hedge against adverse price movements of its investments.
- (iii) in order to hedge against interest rate risks, the Company may enter into forward interest rate agreements, interest rates and US treasury bond futures contracts and interest rate swaps. The Company may also, for hedging purpose only, purchase and write (sell) put or call options or options on futures on interest rates. The Company will only engage in transactions in options and futures which are traded on a recognized securities or futures exchange.
- (iv) cash pending investment, reinvestment or distribution will be placed in bank deposits in any currency, obligations of the United States or Hong Kong governments, their respective agencies or instrumentalities, or securities and other instruments denominated in any currency issued by various governments or international development agencies.

The investment objective as set out above cannot be altered without Shareholders' approval pursuant to the memorandum and articles of association of the Company. All the above investment policies can be altered without Shareholders' approval.

**Investment Restrictions**

The Company may not:

- (i) either on its own or in conjunction with any connected person, take legal, or effective, management control of any company or other entity in which it invests or controls more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity; and
- (ii) invest in any company or other entity if as a result, more than 20% of the Company's Net Asset Value as at the date of such investment would be invested in any one such company or other entity.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time a transaction is effected, later changes will not be considered a violation of the restriction. None of the above limitations will prohibit the Company from investing in wholly-owned subsidiaries of the Company for the purpose of making investments but if the Company establishes any such subsidiaries the limitations will apply on a consolidated basis.

The investment restrictions numbered (i) and (ii) above are required by Rule 21.04(3)(a) and (b) of the Listing Rules, which must not be changed at all while the Company remains listed on the Stock Exchange.

As at the Latest Practicable Date, the Company has no present intention to invest in options, warrants, commodities, future contracts and precious metals.



## 14. INVESTMENT PORTFOLIO

Set out below are the details of all the investments of the Group (which are less than ten investments) as at 31 December 2015, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 31 December 2015. Save for the investments disclosed herein, there are no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 31 December 2015.

Notes	Name of investee company	Nature of securities	Number of Shares involved	Effective holding interest (units held by the Company/ total issued units)	Cost up to 31 December 2015 HK\$'000	Market value as at 31 December 2015 HK\$'000	Revaluation as at 31 December 2015 HK\$'000	Dividend received/ Interest income recognised during the financial year 2015 HK\$'000	Approximate Percentage to net assets of the Company as at 31 December 2015
1.	China Oil Gangran Energy Group Holdings Limited	Listed Securities	178,360,000	1.8%	19,388	29,073	-	-	5.97%
2.	On Real International Holdings Limited	Listed Securities	26,350,000	5.49%	15,111	251,379	-	-	51.60%
3.	Millennium Pacific Group Holdings Limited	Listed Securities	45,240,000	0.87%	20,595	56,097	-	-	11.51%
4.	China 33 Media Group Limited	Listed Securities	5,000,000	0.08%	521	520	-	-	0.11%
5.	Profit Gain Finance Limited	Convertible bonds	-	-	20,000	-	27,093	1,298	5.56%
6.	Cross Consultants Limited	Convertible bonds	-	-	30,000	-	30,349	1,849	6.23%
7.	Openroad Professional Assurance Limited	Convertible bonds	-	-	30,000	-	33,852	1,770	6.95%
8.	Openroad Corporate Services Limited	Convertible bonds	-	-	15,000	-	16,347	1,043	3.36%

As at 31 December 2015, the Group only held eight investments which have been listed above.

*Notes:*

1. China Oil Gangran Energy Group Holdings Limited (stock code: 8132) (“**China Oil**”) and its subsidiaries are principally engaged in the development of liquefied natural gas, compressed natural gas; provision of programming services, web services, mobile marketing solutions and development of mobile phone games; and sales and manufacture of power and data cords. As at 31 December 2015, the Group held 178 million shares in China Oil representing approximately 1.8% interest in the issued share capital of China Oil. Dividends of HK\$NIL were received during 2015. Based on the third quarterly report 2015 of China Oil, the unaudited consolidated loss attributable to equity holders of China Oil was HK\$68 million basic losses per share of HK\$0.71. As at 31 December 2015, the unaudited consolidated net asset of China Oil were approximately HK\$237 million. As at 31 December 2015, the market value of the investment in China Oil was approximately HK\$29 million.
2. On Real International Holdings Limited (stock code: 8245) (“**On Real Int’l**”) and its subsidiaries are principally engaged in the trading and manufacturing of two-way radio, baby monitors and other communication devices. As at 31 December 2015, the Group held 26 million shares in On Real Int’l representing approximately 5.49% interest in the issued share capital of On Real Int’l. Dividends of HK\$NIL were received during 2015. Based on the third quarterly report 2015 of On Real Int’l, the unaudited consolidated loss attributable to equity holders of On Real Int’l was HK\$4 million with basic losses per share of HK\$1.14. As at 31 December 2015, the unaudited consolidated net asset of On Real Int’l were approximately HK\$18 million. As at 31 December 2015, the market value of the investment in On Real Int’l was approximately HK\$251 million.
3. Millennium Pacific Group Holdings Limited (stock code: 8147) (“**Millennium**”) and its subsidiaries are primarily engaged in the research, development, manufacture, and sale of consumer electronic products. As at 31 December 2015, the Group held 45 million shares in Millennium representing approximately 0.87% interest in the issued share capital of On Millennium. Dividends of HK\$NIL were received during 2015. Based on the annual report 2015 of Millennium, the audited consolidated loss attributable to equity holders of Millennium was HK\$17 million with basic losses per share of HK\$0.34. As at 31 December 2015, the audited consolidated net asset of Millennium were approximately HK\$48 million. As at 31 December 2015, the market value of the investment in Millennium was approximately HK\$56 million.
4. China 33 Media Group Limited (stock code: 8087) (“**China 33 Media**”) and its subsidiaries are principally engaged in the operation and provision of advertising services of printed media for railway networks, and outdoor advertising spaces on air traffic control towers at airports, trains and railway stations in the PRC. As at 31 December 2015, the Group held 5 million shares in China 33 Media representing approximately 0.08 % interest in the issued share capital of China 33 Media. Dividends of HK\$NIL were received during 2015. Based on the annual report of 2015 of China 33 Media, the audited consolidated loss attributable to equity holders of China 33 Media was RMB45 million with basic losses per share of RMB2.18. As at 31 December 2015, the audited consolidated net asset of China 33 Media were approximately RMB543 million. As at 31 December 2015, the market value of the investment in China 33 Media was approximately HK\$0.5 million.

5. As at 31 December 2015, the Group held convertible bonds issued by Profit Gain Finance Limited with principal amount of HK\$20 million in a coupon rate of 9% per annum. The maturity date of the bonds is 13 April 2017. The conversion price is HK\$5,000 per share. Interest income of approximately HK\$1.3 million were recognised during 2015.
6. As at 31 December 2015, the Group held convertible bonds issued by Cross Consultants Limited with principal amount of HK\$30 million in a coupon rate of 9% per annum. The maturity date of the bonds is 24 April 2017. The conversion price is HK\$10,000,000 per share. Interest income of approximately HK\$1.8 million were recognised during 2015.
7. As at 31 December 2015, the Group held convertible bonds issued by Openroad Professional Assurance Limited with principal amount of HK\$30 million in a coupon rate of 9% per annum. The maturity date of the bonds is 5 May 2017. The conversion price is HK\$10,000,000 per share. Interest income of approximately HK\$1.8 million were recognised during 2015.
8. As at 31 December 2015, the Group held convertible bonds issued by Openroad Corporate Services Limited with principal amount of HK\$15 million in a coupon rate of 9% per annum. The maturity date of the bonds is 25 March 2017. The conversion price is HK\$5,000,000 per share. Interest income of HK\$1 million were recognised during the 2015.

The Group reviews the fair value of its unlisted equity investment to determine whether there is any indication that those investment has required to make provision. As at 31 December 2015 the Group is not aware that any provision should be made for those investment.

#### **15. DISTRIBUTION POLICY**

The Company's investment objective is to achieve capital appreciation and, accordingly, the Company's investment portfolio is not expected to generate significant income. It is therefore not expected that the Company will have significant (if any) dividend income after expenses available for distribution by way of dividend and therefore the Company does not expect to declare dividend. Any declaration of distributions will be made at the discretion of the Directors and may be either from profit, reserves of the Company (including Share premium account) or any amount lawfully available for distribution.

#### **16. FOREIGN EXCHANGE POLICY**

The Company's investments may be denominated in currencies other than HK Dollars. As such, it may receive income, or make payments in foreign currency and is therefore subject to exchange rate fluctuations. The Group at present does not have any contracts to hedge against its foreign exchange risks. Should the Group consider its exposure and fluctuation in foreign currency justify hedging, the Group may use forward or hedging contracts to reduce the risks.

**17. TAXATION**

The principal taxes on income and capital gains of the Company and its subsidiaries are subject to the fiscal laws and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of the Shares or of exercising any rights attached to them under the laws of the jurisdiction in which they are liable to taxation.

**18. BORROWING POWERS**

The Board may exercise all the powers of the Company to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party, save and except that the aggregate amount of all moneys borrowed by the Company (including the amount of any loan capital and debentures) which remains outstanding from time to time may not exceed an amount representing 50% of the Net Asset Value at the time when a borrowing is made. The above borrowing restriction may be altered by an ordinary resolution of the Company.

**19. INFORMATION OF THE INVESTMENT MANAGER**

- (a) Set out below is the information of the investment manager of the Company:

<b>Name</b>	<b>Address</b>
Tiger Securities Asset Management Company Limited	Room B3, 29/F., TML Tower, 3 Hoi Shing Road, Tsuen Wan, N.T., Hong Kong

Tiger Securities is a company incorporated in Hong Kong with limited liability and a licensed corporation registered under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

- (b) The full names, addresses and descriptions of the directors of Tiger Securities is as follows:

<b>Name</b>	<b>Address</b>
Mr. Wu Ming Gai	Flat A, 24/F, Po Tak Mansion 85 Smithfield Kennedy Town Hong Kong
Ms. Chan Angie	Room G, 17/F, Block 7, Charming Garden, 8 Hoi Ting Road, Kowloon, Hong Kong

The biographies of the directors of Tiger Securities are as follows:

**Mr. Wu Ming Gai (“Mr. Wu”)**, aged 40, is one of the directors and responsible officers of Tiger Securities. Mr. Wu is currently licensed under the SFC to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (assets management) regulated activities accredited to Tiger Securities. He has obtained the Honor Diploma of Accounting from the Hong Kong Shue Yan University in July 1999. He has over 11 years of management experience in fund accounting and asset management. He was the chief operating officer of Tiger Securities from 2007 to 2012 responsible for the overall operation of fund management. Since 2013, he has been the director of the same company responsible for the general management of regulated activities. Mr. Wu was appointed as the non-executive Director of the Company in July 2015 and was re-designated to the executive Director of the Company on 1 March 2016.

**Ms. Chan Angie (“Ms. Chan”)**, aged 42, is one of the directors and responsible officers of Tiger Securities. Ms. Chan is currently licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (assets management) regulated activities under the SFO accredited to Tiger Securities. She has obtained the Diploma in Executive Secretary from Sara Beattie College in 1993 and was registered as the dealer’s representative with the SFC in 1996. Ms. Chan has over 19 years of comprehensive experience in the financial industry. She was the institution officer of Manson Hong Kong Limited from 1996 to 2001. From 2001 to 2014, she was the institution officer of Hani Securities (HK) Limited and was the responsible officer of the same company from 2014 to 2015. Since 2015, she has been the responsible officer of Tiger Securities. She was appointed as the director of Tiger Securities in January 2016.

- (c) None of the Directors, the directors of the investment manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.
- (d) On 29 February 2016, the Company has entered into the New Investment Management Agreement with Tiger Securities, pursuant to which Tiger Securities has agreed to provide investment management services to the Company for a period of two years from 1 March 2016 to 28 February 2018.

The maximum aggregate fee payable by the Company to Tiger Securities under the New Investment Management Agreement will not exceed HK\$1,800,000 per annum.

Tiger Securities will provide investment management services to the Company under the New Investment Management Agreement including: (i) identify and analyze investment opportunities relating to the Assets for the Company; (ii) be responsible for arranging all aspects of the implementation of a decision to invest the Assets in an authorized investment; (iii) monitor and keep under review, or procure suitable persons to monitor and keep under review all the investments relating to the Assets made on behalf of the Company; (iv) calculate the Net Asset Value and with any valuation methods adopted by the Board as at each valuation date, provide such calculation by request to the Board and the shareholders of the Company and arrange for publication of the same in accordance with the requirements of the Listing Rules on or before the fifteenth day after each valuation date; (v) place the liquid Assets of the Company not invested in the authorized investment in time deposits, money market instruments or other instruments Tiger Securities believes would yield a reasonable return at a relatively lower level of risk while offering high liquidity; (vi) if required by the Board, negotiate for borrowing arrangements and, if so authorised by the Board, implement such arrangements; and (vii) keep the Board fully informed as to the discharge of its powers and responsibilities thereunder.

## 20. RISK FACTORS OF INVESTING IN THE COMPANY

Prospective investors should be aware that an investment in the Company involves certain degree of risk. These risks include the following:

- (a) the Company's success is dependent on a number of factors which include the general economic and political conditions in the global capital market and properties market;
- (b) it is expected that a significant part of the Company's investment portfolio can comprise unlisted investments which may not be readily realisable;
- (c) the Group's portfolio comprises significant investments in listed equities in the Hong Kong market and global market. A significant down turn of the Hong Kong stock market or any stock market, or any significant rise in interest rate can considerably impair the value of the Group's equities investments. Strength of other asset class such as commodity and precious metals may also make equities investment less attractive to investors, and hence value in equities;
- (d) the Group has significant investment in bonds issued by Hong Kong issuers denominated in HK\$. Any significant rise in interest rates in Hong Kong and/or the global capital market may considerably impair the value of the Group's bond investments. The Group intends to hold the bonds until the issuers are obligated to repay or redeem them, therefore, any tightening of credit in the Hong Kong or global capital markets may cause default of obligations by the issuers; and
- (e) the Group may purchase real estate properties or interests in real estate properties investment in Hong Kong or other markets in the future. Interest rates at present are at a rather low level, but future rise in interest rates as well as an anticipated rise in unemployment may cause properties value to decline.

**21. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at Unit 1615, 16th Floor, Seapower Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong from the date of this Circular up to and including the date of the EGM and will be displayed on the website of the Company ([www.huge-china.com.hk](http://www.huge-china.com.hk)).

- (a) the memorandum and articles of association of the Company;
- (b) the report on the unaudited pro forma financial information of the Company, the text of which is set out in Appendix II of this Circular;
- (c) the annual reports of the Company for the three financial years ended 31 December 2013, 2014 and 2015;
- (d) the letter from the Independent Financial Adviser;
- (e) the letter from the Independent Board Committee;
- (f) the letter from the Board;
- (g) the material contracts as referred to in the section headed “material contracts” in this appendix;
- (h) the written consents referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (i) this Circular.

**22. MISCELLANEOUS**

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Mr. Au Yeung Ming Yin Gordon.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (d) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (e) The English texts of this Circular and the accompanying form of proxy shall prevail over their Chinese texts in case of inconsistency.

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## NOTICE OF EGM

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# Huge China Holdings Limited

## 匯嘉中國控股有限公司

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

(Stock Code: 428)

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of Huge China Holdings Limited (the “**Company**”) will be held at Suite 2806, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Friday, 10 June 2016 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

### ORDINARY RESOLUTION

“**THAT** subject to and conditional upon (i) the fulfilment or waiver (as applicable) of the conditions set out in the Underwriting Agreement (as defined below); (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of and permission to deal in the Rights Shares (as defined below) in their nil-paid and fully-paid forms; and (iii) filing and the registration of all documents relating to the Rights Issue (as defined below) required to be filed with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding up and Miscellaneous Provisions) Ordinance in Hong Kong:

- (a) the underwriting agreement (the “**Underwriting Agreement**”) dated 21 April 2016 in respect of the Rights Issue (as defined below) and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares (as defined below) by Gransing Securities Co., Limited (the “**Underwriter**”)) entered into between the Company and the Underwriter (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) be and are hereby approved, confirmed and ratified;
- (b) the issue by way of rights of 39,058,614 Shares (the “**Rights Shares**”) at a subscription price of HK\$2.00 per Rights Share (the “**Rights Issue**”) to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register members of the Company at the close of business on 22 June 2016 (the “**Qualifying Shareholders**”), or such other date as the Company and the Underwriter may agree in writing as the record date for determination of the entitlements of the Shareholders to the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Excluded Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the directors of the Company (the “**Directors**”), based on legal opinions provided by legal advisers of the Company, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restriction under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)), on the basis of one (1) Rights Share at the subscription price of HK\$2.00 per Rights Share for every one (1) existing Share held on the Record Date and pursuant to the terms and conditions as set out in the Underwriting Agreement be and is hereby approved;



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## NOTICE OF EGM

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- (c) the board of Directors (“**Board**”) or a committee thereof be and is hereby authorised to allot and issue the Rights Shares (in both nil-paid for and fully-paid form) pursuant to or in connection with the Rights Issue provided that in the case of Excluded Shareholders, the Rights Shares shall not be allotted and issued to the Excluded Shareholders but shall be aggregated and issued to a nominee to be named by the Company and such Rights Shares shall be dealt with on terms set out in the circular dated 17 May 2016 of the Company;
- (d) the Board or a committee thereof be and is hereby authorised to make such other exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient and generally to do such things or make such arrangements as it may think fit to the effect the Rights Issue; and
- (e) any executive Director and/or company secretary of the Company be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Director and/or company secretary in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

By Order of the Board  
**Huge China Holdings Limited**  
匯嘉中國控股有限公司  
**Au Yeung Ming Yin Gordon**  
*Company Secretary*

Hong Kong, 17 May 2016

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## NOTICE OF EGM

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*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*  
Unit 1615, 16th Floor,  
Seapower Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsimshatsui, Kowloon,  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not later than 24 hours before the time for holding the EGM or any adjournment of such meeting (as the case may be).
3. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. To ascertain Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 10 June 2016 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to be entitled to attend and vote at the EGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 31 May 2016.
5. Where there are joint holders of any shares, any one of such holders may vote at the EGM either personally or by proxy in respect of such shares as if he/she was solely entitled thereto provided that if more than one of such joint holders be present at the EGM whether personally or by proxy, the person whose name stands first on the register of members of the Company in respect of such shares shall be accepted to the exclusion of the votes of the other joint holders.
6. The resolution will be voted by way of a poll at the EGM.