
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Universe International Financial Holdings Limited, you should at once hand this Circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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

UNIVERSE

寰宇

UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS LIMITED 寰宇國際金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE OF HK\$0.60 PER RIGHTS SHARE AND NOTICE OF SPECIAL GENERAL MEETING

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



Underwriter of the Rights Issue



Capitalised terms used in this cover have the same meanings as those defined in 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 42 to 60 of this Circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 41 of this Circular.

A notice convening the SGM to be held at 18/F, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 29 August 2016 at 12:00 noon is set out on pages SGM-1 to SGM-3 of this Circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjustment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 31 August 2016. Dealings in the Rights Shares in their nil-paid form will take place from 9:00 a.m. on Tuesday, 13 September 2016 to 4:00 p.m. on Wednesday, 21 September 2016 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. on Thursday, 29 September 2016 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, at any time prior to the Latest Time for Termination, the right to terminate its obligations thereunder on the occurrence of certain events as more particularly described in the section headed "Termination of the Underwriting Agreement" in this Circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

12 August 2016

CONTENTS

	<i>Page</i>
Definitions	1
Termination of the Underwriting Agreement	7
Expected Timetable	9
Letter from the Board	12
Letter from the Independent Board Committee	41
Letter from the Independent Financial Adviser	42
Appendix I – Financial and Other Information of the Group	I-1
Appendix II – Unaudited Pro Forma Financial Information of the Group ..	II-1
Appendix III – General Information	III-1
Notice of SGM	SGM-1

DEFINITIONS

In this Circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 12 July 2016 in relation to, among other things, the Rights Issue
“associate”	has the meaning as ascribed thereto under 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 open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	this circular containing, among other things, further details of the Rights Issue
“close associate”	has the meaning ascribed thereto under the Listing Rules
“Company”	Universe International Financial Holdings Limited (寰宇國際金融控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1046)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“core connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter

DEFINITIONS

“Excluded Shareholder(s)”	the Overseas Shareholder(s) to whom the Directors based on legal opinions provided by legal advisers and 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, considers it necessary or expedient not to offer the Rights Shares
“Globalcrest”	Globalcrest Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which held 5,673,951 Shares as at the Latest Practicable Date
“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”	the independent board committee of the Board comprising all the independent non-executive Directors, including Mr. Lam Wing Tai, Mr. Choi Wing Koon and Mr. Lam Chi Keung established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the controlling shareholder of the Company (if any) and its associates or, where there is no such controlling shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party independent of the Company and its subsidiaries and not connected with any connected persons of the Company or any of their respective associates
“Last Trading Day”	12 July 2016, being the date of the Announcement
“Latest Practicable Date”	9 August 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

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Monday, 26 September 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day (i) at anytime before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; and (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be extended to the next 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.
“Latest Time for Termination”	4:00 p.m. on Thursday, 29 September 2016, being the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Option Holders’ Undertakings”	the irrevocable and conditional undertakings given by the core connected persons of the Company in respect of the Undertaken Share Options in favour of the Company and the Underwriter in relation to the non-exercise of the subscription rights attached to the Undertaken Share Options
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of the business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders under the Rights Issue
“PRC”	the People’s Republic of China, and for the purpose of this Circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Pre-Consolidated Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company prior to the capital reorganisation becoming effective on 18 March 2016, which involved (i) share consolidation of 10 Pre-Consolidated Shares into 1 share of HK\$0.10; and (ii) the reduction of the share capital of the Company whereby the par value of each of the then issued consolidated shares of HK\$0.10 each was reduced from HK\$0.10 to HK\$0.01 each
“Prospectus”	the prospectus to be issued by the Company in connection with the Rights Issue and expected to be dated the Prospectus Posting Date
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 9 September 2016 or such later date as the Underwriter may agree with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) is/are registered on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Thursday, 8 September 2016, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	not less than 355,548,184 Shares and not more than 367,399,760 Shares to be allotted and issued pursuant to the Rights Issue

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 18/F, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 29 August 2016 at 12:00 noon for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Share Options”	the share options granted by the Company under the Share Option Scheme which entitle the holders thereof to subscribe for up to an aggregate of 13,951,897 new Shares as at the date of the Underwriting Agreement, of which 2,100,509 share options lapsed on 20 July 2016 and 11,851,388 share options remained outstanding as at the Latest Practicable Date
“Share Options Scheme”	the share option scheme of the Company adopted on 2 December 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.60 per Rights Share
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Undertaken Share Options”	the Share Options which are held by the core connected persons of the Company and entitle the holders thereof to subscribe for up to an aggregate of 6,928,701 new Shares as at the date of the Underwriting Agreement, of which 1,003,101 share options lapsed on 20 July 2016 and 5,925,600 share options remained outstanding as at the Latest Practicable Date
“Underwriter”	Astrum Capital Management Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 12 July 2016 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue (as varied and supplemented by the supplemental agreement dated 9 August 2016 and entered into by the same parties)
“Underwritten Shares”	the Rights Shares (i.e. not less than 355,548,184 Shares and not more than 369,594,576 Shares), being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may terminate the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 20 consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus in connection with the Rights Issue when published contain information (either as to the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to apply for its provisional allotment of Rights Shares under the Rights Issue.

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company served prior to the Latest Time for Termination to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings given by the Company contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

In the event the Underwriter exercises its right to terminate or rescind the Underwriting Agreement as described above, the Rights Issue will not proceed.

EXPECTED TIMETABLE

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

Event	2016 (Hong Kong Time)
Latest time for lodging transfers of Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Monday, 22 August
Register of members closes	Tuesday, 23 August to Monday, 29 August (both dates inclusive)
Latest time for lodging the form of proxy for the SGM	12:00 noon on Saturday, 27 August
Record date for attendance and voting at the SGM	Monday, 29 August
Expected date and time of the SGM	12:00 noon on Monday, 29 August
Announcement of the results of the SGM	Monday, 29 August
Register of members of Company re-opens	Tuesday, 30 August
Last day of dealing in the Shares on cum-rights basis	Tuesday, 30 August
First day of dealing in the Shares on ex-rights basis	Wednesday, 31 August
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 1 September
Register of members closes	Friday, 2 September to Thursday, 8 September (both dates inclusive)

EXPECTED TIMETABLE

Record Date for the Rights Issue	Thursday, 8 September
Register of members re-opens	Friday, 9 September
Despatch of the Prospectus Documents to the Qualifying Shareholders	Friday, 9 September
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 13 September
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Thursday, 15 September
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 21 September
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Monday, 26 September
Latest Time for Termination of the Underwriting Agreement	4:00 p.m. on Thursday, 29 September
Announcement of the allotment results of the Rights Issue	Wednesday, 5 October
Despatch of certificates for fully-paid Rights Shares and refund cheque	Thursday, 6 October
Expected first day of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 7 October

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

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above:

- i. in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on Monday, 26 September 2016. The Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- ii. in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on Monday, 26 September 2016. The Latest Time for Acceptance will be extended to the next 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 does not take place on Monday, 26 September 2016, the dates mentioned in the “Expected Timetable” section in this Circular may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD

UNIVERSE

| 寰宇 |

UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS LIMITED
寰宇國際金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

Executive Directors:

Mr. Lam Shiu Ming, Daneil (*Chairman*)
Ms. Cheng Hei Yu
Mr. Hung Cho Sing
Mr. Lam Kit Sun

Non-executive Director:

Mr. Chan Shiu Kwong Stephen

Independent non-executive Directors:

Mr. Lam Chi Keung
Mr. Choi Wing Koon
Mr. Lam Wing Tai

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

18th Floor
Wyler Centre Phase II
192-200 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

12 August 2016

To the Shareholders,

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE
OF HK\$0.60 PER RIGHTS SHARE**

INTRODUCTION

Reference is made to the Announcement. The Board proposed to put forward to the Shareholders the Rights Issue on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.60 per Rights Share to raise not less than approximately HK\$213.3 million and not more than approximately HK\$220.4 million before expenses by issuing not less than 355,548,184 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 367,399,760 Rights Shares (assuming all the remaining Share Options, other than the Undertaken Share Options, being exercised in full and the Shares are issued pursuant thereto on or before the Record Date). The Rights Issue is fully underwritten by the Underwriter.

LETTER FROM THE BOARD

The purpose of this Circular is to provide you with, among other things, (i) further details of the 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 setting out its recommendation in respect of the Rights Issue; and (iv) the notice of the SGM.

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$213.3 million and not more than approximately HK\$220.4 million, before expenses, by way of the Rights Issue and details of such are set out as follows:

Issue statistics

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.60 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date:	177,774,092 Shares
Share Options as at the Latest Practicable Date:	The Share Options granted by the Company under the Share Option Scheme entitle the holders thereof to subscribe for an aggregate of 13,951,897 new Shares as at the date of the Underwriting Agreement. As 2,100,509 Share Options lapsed on 20 July 2016, the remaining outstanding Share Options entitled the holders thereof to subscribe for an aggregate of 11,851,388 new Shares as at the Latest Practicable Date. As a condition precedent to the Rights Issue, the Company has procured the core connected persons of the Company, holding in aggregate Share Options entitling them to subscribe for up to an aggregate of 6,928,701 Shares (of which 1,003,101 Share Options lapsed on 20 July 2016 and 5,925,600 Share Options remained outstanding as at the Latest Practicable Date), to undertake to the Company and the Underwriter that they would not exercise any of their Share Options on or before the Record Date. Accordingly, the maximum number of Shares falling to be allotted and issued by the Company upon exercise of the Share Options (other than the Undertaken Share Options) in full on or before the Record Date shall be 5,925,788 Shares.

LETTER FROM THE BOARD

Number of Rights Shares:	Not less than 355,548,184 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 367,399,760 Rights Shares (assuming all the remaining Share Options, other than the Undertaken Share Options, being exercised in full and the Shares are issued pursuant thereto on or before the Record Date). The Rights Issue is fully underwritten by the Underwriter.
Number of Shares in issue upon completion of the Rights Issue:	Not less than 533,322,276 Shares and not more than 551,099,640 Shares

Save for the Share Options as disclosed above, the Company had no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the 355,548,184 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 200.00% of the existing issued share capital of the Company; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Assuming all the Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options) were exercised in full and Shares have been issued pursuant thereto on or before the Record Date, the 367,399,760 Rights Shares proposed to be allotted and issued represents (i) approximately 206.67% of the existing issued share capital of the Company; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Subscription Price

The Subscription Price is HK\$0.60 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

LETTER FROM THE BOARD

The Subscription Price represents:

- (a) a discount of 25.00% to the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 24.24% to the average closing price of HK\$0.792 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day;
- (c) a discount of approximately 25.19% to the average closing price of HK\$0.802 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Last Trading Day;
- (d) a discount of approximately 10.04% to the theoretical ex-rights price of approximately HK\$0.667 based on closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 22.08% to the closing price of HK\$0.770 per share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 88.56% to the Group's unaudited consolidated net asset value of approximately HK\$5.247 per Share ("NAV"), based on the unaudited consolidated net asset value of the Group of approximately HK\$777,318,000 as at 31 December 2015 as disclosed in the interim report of the Company for the six months ended 31 December 2015 and 1,481,490,921 Shares in issue as at 31 December 2015 taking into account the capital reorganisation of the Company becoming effective from 18 March 2016 (details of which are disclosed in the announcements of the Company dated 29 January 2016 and 17 March 2016 and the circular of the Company dated 23 February 2016).

Based on the Subscription Price of HK\$0.60, the estimated gross proceeds of the Rights Issue will be approximately HK\$213.3 million (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date). The minimum net proceeds from the Rights Issue to be received by the Company is expected to be approximately HK\$204.9 million. Based on the minimum net proceeds of approximately HK\$204.9 million, after deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share is approximately HK\$0.58.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the historical market prices of the Shares which have represented discounts to the NAV ranging from 77.13% to 89.33% for the recent six months prior to the Last Trading Day,

LETTER FROM THE BOARD

and in particular a discount of approximately 84.75% to the NAV as represented by the closing price of HK\$0.8 per Share on the Last Trading Day; and (iii) the capital needs of the Group. The Directors (including the independent non-executive Directors) consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which was set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that (i) the discount of the Subscription Price and the basis of two (2) Rights Shares for every one (1) existing Share can (a) provide an incentive for the Qualifying Shareholders to subscribe for the Rights Shares; and (b) induce the Underwriter to participate in the underwriting of the Underwritten Shares; and (ii) the Company has funding needs as disclosed in the section headed “Reasons for the Rights Issue and use of proceeds” below, the Directors (including the independent non-executive Directors) are of the view that the current structure of the Rights Issue is fair and reasonable.

Basis of provisional allotment

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) existing Share held by 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

The Rights Issue is only available to the Qualifying Shareholders. Subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the SGM 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 and the Prospectus (without the PAL and EAF), for information only, to the Excluded Shareholders.

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 an Excluded Shareholder.

LETTER FROM THE BOARD

Shareholders 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. Shareholders 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 of the Shares (together with the relevant share certificates) with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 1 September 2016.

Closure of register of members

The Company's register of members will be closed from Tuesday, 23 August 2016 to Monday, 29 August 2016, both dates inclusive, to determine the identity of the Shareholders to attend and vote at the SGM.

The Company's register of members will be closed from Friday, 2 September 2016 to Thursday, 8 September 2016, both dates inclusive, to determine the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

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 on the Record Date, if any, may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the Latest Practicable Date, the Company had two Shareholders whose addresses were located in the PRC. In this regard, and in compliance with Rule 13.36 of the Listing Rules, the Company has made enquiries as to whether the issue of Rights Shares to such Shareholders and if there are other Overseas Shareholders whose names appear on the register of members of the Company on the Record Date, the Company will also make enquiries as to whether the issue of Rights Shares to such other Overseas Shareholders may contravene the applicable securities legislation of the PRC or (where applicable) other relevant overseas places or the requirements of the relevant regulatory body or stock exchange and details and results of such enquiries will be included in the Prospectus. Based on the preliminary legal advice of the Company's legal adviser as to the laws of the PRC, barring unforeseen circumstances as at the Latest Practicable Date, the Rights Issue will likely to be extended to the Overseas Shareholders whose addresses are located in the PRC.

LETTER FROM THE BOARD

Further information in this connection will be set out in the Prospectus. The Company will despatch the Prospectus (without the PAL and EAF) to the Excluded Shareholders for their information only.

The Company shall 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 shall procure that such nominee shall 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 (nil-paid). If and to the extent that such rights can be so sold, the nominee of the Company shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), which shall be distributed by the Company in Hong Kong dollars to the Excluded Shareholders pro rata provided that rounded down amounts of less than HK\$100 shall not be so distributed but shall be retained for the benefit of the Company. Any unsold entitlement of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders.

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.

Status of the Rights Shares

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

Fractions of the Rights Shares

On the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional Rights Shares will arise under the Rights Issue.

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 entitled thereto by ordinary post at their own risk on or before Thursday, 6 October 2016. If the Rights Issue is terminated, refund cheques in respect of wholly or partially unsuccessful application for excess Rights Shares (if any) will be despatched on or before Thursday, 6 October 2016 by ordinary post at the respective Shareholders' own risk.

LETTER FROM THE BOARD

Application for the Rights Shares

The PAL relating to 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, by way of excess application, for any unsold entitlements 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 of Shares to whole board lots of Shares. 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.

Shares held by nominees

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually. 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.

LETTER FROM THE BOARD

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 Thursday, 1 September 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.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be allotted and issued pursuant to the Rights Issue. 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. Dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges (if any) in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 5,000.

LETTER FROM THE BOARD

UNDERWRITING AGREEMENT

Date of the Underwriting Agreement:	Original agreement – 12 July 2016 Supplemental agreement – 9 August 2016
Underwriter:	Astrum Capital
Number of Rights Shares to be underwritten by the Underwriter:	Not less than 355,548,184 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 369,594,576 Rights Shares (assuming all the remaining Share Options, other than the Undertaken Share Options, being exercised in full and Shares have been issued pursuant thereto on or before the Record Date) by the Underwriter. The Rights Issue is fully underwritten.

The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable as compared to the market practice.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owners were Independent Third Parties and the Underwriter did not hold 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 ("**Untaken Shares**"), the Company shall as soon as practicable thereafter notify or procure the Registrar 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 29.9% or more of the then issued share capital of the Company;

LETTER FROM THE BOARD

- (ii) the Underwriter shall ensure that none of the subscribers of the Untaken Shares will become a Substantial Shareholder as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital 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 subunderwriters) shall be third party independent of, not acting in concert with and not connected with any connected person of the Company and their respective associates and close associates;
- (iv) the Underwriter shall procure the sub-underwriter(s) to procure independent subscribers to take such number of Underwritten Shares as necessary to ensure sufficient public float be maintained upon the allotment and issue of the Rights Shares in compliance with Rule 8.08 of the Listing Rules; and
- (v) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon the allotment and issue of the Rights Shares 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 of 3.0% of the aggregate Subscription Price in respect of the actual number of the Underwritten Shares. 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.

Irrevocable undertakings given by the core connected persons of the Company

As at the date of the Underwriting Agreement, the Share Options entitled the holders thereof to subscribe for up to an aggregate of 13,951,897 Shares. It is a condition precedent to the Underwriting Agreement that the holders of the Undertaken Share Options (being the core connected persons of the Company) will irrevocably undertake to the Company and the Underwriter not to exercise the subscription rights attached to the Undertaken Share Options held by them respectively from the date of the Underwriting Agreement up to and including the Record Date.

As at the Latest Practicable Date, all Option Holders' Undertakings have been delivered to the Company and the Underwriter.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter may terminate the Underwriting Agreement by notice in writing given to the Company on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature (whether or not ejusdem generic with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole; or
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) the imposition of any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise; or
 - (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 20 consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

LETTER FROM THE BOARD

- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus in connection with the Rights Issue when published contain information (either as to the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to apply for its provisional allotment of Rights Shares under the Rights Issue.

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company served prior to the Latest Time for Termination to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings given by the Company contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

In the event the Underwriter exercises its right to terminate or rescind the Underwriting Agreement as described above, the Rights Issue will not proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (1) the passing by the Independent Shareholders at the SGM of an ordinary resolution to approve the Rights Issue by no later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (2) the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date and the Stock Exchange not having withdrawn or revoked such listings and permission on or before the Latest Time for Termination;
- (3) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) by no later than the Prospectus Posting Date;
- (4) the posting of the Prospectus Documents to Qualifying Shareholders by the Prospectus Posting Date;
- (5) the compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement by the Latest Time for Termination;
- (6) the delivery to the Company and the Underwriter on or before the despatch date of this Circular the Option Holders' Undertakings duly executed by all the core connected persons of the Company who are holding the Undertaken Share Options;
- (7) compliance with and performance of all the undertakings and obligations of the signatory of the Option Holders' Undertakings; and
- (8) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

The Company shall use all reasonable endeavours to procure the fulfillment of all the above conditions precedent (save for conditions (6) and (7) above) by the respective dates specified above.

None of the parties to the Underwriting Agreement may waive any of the above conditions precedent other than condition precedent (5) above. The Underwriter may waive condition precedent (5) above in whole or in part by written notice to the Company.

As at the Latest Practicable Date, the condition (6) above has been fulfilled.

LETTER FROM THE BOARD

If the above conditions are not satisfied and/or waived in whole or in part by the respective dates set out above (or such other time and/or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and (save in respect of any provisions relating to, among other matters, fees and expenses, confidentiality, indemnity, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in securities brokerage and margin financing, money lending, properties and securities investment, film distribution and exhibition, licensing and sub-licensing of film rights, trade, wholesale and retail of optical products, watch and jewellery products.

The Group intends to strengthen its existing businesses and continue identify different investment opportunities in various business sectors with enormous potentials to further diversify its business and broaden the income sources to maximise the return to the Shareholders.

As disclosed in the annual report of the Group for the year ended 30 June 2015 (“**FY2015**”), films are produced on a project basis and the revenue generated thereunder are not stable, causing the fluctuation of the revenue and income and also the profitability of the Group. The income on film exhibitions and licensing and sub-licensing of films rights decreased from approximately HK\$174.4 million for the year ended 30 June 2014 (“**FY2014**”) to approximately HK\$34.2 million for FY2015, representing a decrease of approximately 80.4%. Therefore, it is the intention of the Group to expand its revenue and income stream through further development of securities brokerage and margin financing and money lending business of the Group.

Also, as disclosed in the section headed “Reasons for the change of company name” in the announcement of the Company dated 25 May 2016, the Group intends to further develop its securities brokerage margin financing and money lending businesses by leveraging on the expertise of the management in the licensed corporations held by the Group.

Margin financing business

As announced by the Company on 21 August 2015, the Group entered into an agreement to acquire 100% equity interest in Win Fung Securities Limited (“**Win Fung**”), a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. The principal activities of Win Fung are provision of brokerage services and securities margin financing to clients. Completion of the aforesaid acquisition took place in November 2015.

LETTER FROM THE BOARD

For the six months ended 31 December 2015 (“FP2015”), the Group recorded a revenue of approximately HK\$0.7 million and a profit of approximately HK\$0.5 million from the securities brokerage and margin financing segment as disclosed in the interim report of the Group for FP2015. It accounted for approximately 0.9% of the Group’s consolidated revenue.

As disclosed in the Financial Review of the Securities Industry for the year ended 31 December 2015 and the Yearly Financial Review of the Securities Industry in relation to the year of 2006 published by the Securities and Futures Commission, the total number of active margin clients in Hong Kong increased from approximately 80,000 in 2006 to approximately 242,000 in 2015, representing a compound annual growth rate (“CAGR”) of approximately 13.1% and the amount receivable from margin clients in Hong Kong increased from approximately HK\$20.6 billion in 2006 to approximately HK\$145.3 billion in 2015, representing a CAGR of approximately 24.2%. The upward trend of both total number of active margin clients in Hong Kong and amount receivable from margin clients in Hong Kong indicate a continuous growing market for margin financing in Hong Kong. Accordingly, the Company is of the view that the margin financing market in Hong Kong is expected to grow in the future.

The Group has been approached by Win Fung’s existing clients and other new clients asking for margin financing facilities from Win Fung in aggregate for more than HK\$150 million. In view of the increasing trend of the business segment and the recent expected growth in demand from Win Fung’s clients and other new clients, it is expected that the proceeds from the Rights Issue of approximately HK\$150.0 million will be fully utilised for further development of the margin financing business within six months upon completion of the Rights Issue. The Group intends to continue to apply the existing resources of Win Fung as well as the aforesaid proceeds of approximately HK\$150.0 million from the Rights Issue for this business segment on a revolving basis, considering that margin calls are made by Win Fung on demand.

Please refer to the section headed “Financial and trading prospects of the Group” in Appendix I to this Circular for, among other things, the business model of and management experience in relation to this business segment.

Money lending business

The Group started its money lending business in December 2013 and achieved a significant growth in interest income and segment profit. As disclosed in the annual report of the Company for FY2015, the Group recorded an interest income of approximately HK\$5.2 million from its money lending business, representing a year-on-year growth of approximately 173.7% compared to the interest income of approximately HK\$1.9 million in FY2014. The segment profit of the money lending business increased from approximately HK\$1.3 million in FY2014 to approximately HK\$2.5 million in FY2015, indicating a year-on-year growth of approximately 92.3%. No borrower has defaulted in repayment that has result in bad debts in respect of the Group’s loan portfolio since FY2014.

LETTER FROM THE BOARD

It is expected that the money lending market in Hong Kong will continue to grow in the near future. As disclosed in the Monthly Statistical Bulletin published by the Hong Kong Monetary Authority in July 2016, the total loans and advances of all authorized money lending institutions in Hong Kong increased from approximately HK\$2,467.8 billion in 2006 to approximately HK\$7,534.5 billion in 2015, representing a CAGR of approximately 13.2%. The increasing trend of total loans and advances indicates a rising demand in the money lending market in Hong Kong. Accordingly, the Group intends to continue to expand the money lending business, including potential acquisition of listed and unlisted shares of money lending companies, to effectively utilise the Group's cash resources and to increase the income sources of the Group.

As stated in the section headed "Fund raising activities of the Company in the past 12 months" below in this letter, the proceeds from the previous fund raising activities by the Company in the past 12 months totaling HK\$85.0 million has been fully utilised for the money lending business. Accounting for repayments of certain loans previously granted by the Group, the outstanding balance of the loan portfolio was HK\$48.0 million as at 30 June 2016. The Company intends to continue to apply the aforesaid proceeds of HK\$85.0 million (including the HK\$37.0 million which has been repaid to the Group) to this business segment on a revolving basis, considering that the loans granted by the Group are usually of short terms of six months to 18 months. The Group has been approached by existing customers and other new customers seeking for loan facilities from the Group in aggregate for more than HK\$80 million. Based on the growing demand for loan facilities by the existing customers and other new customers, the Group expects that the HK\$37.0 million from the previous fund raising activities along with the proceeds of HK\$45.7 million from the Rights Issue will be utilised in full for the money lending business within six months upon completion of the Rights Issue. Therefore, the Directors consider that conducting fund raising by way of the Rights Issue to finance the money lending business is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Debts repayment

As disclosed in the annual report of the Group for FY2015, the Group has an unsecured loan note with principal amounted to HK\$9.2 million issued on 8 April 2015 (the "**Coupon Note**"), which bears fixed interest rate at 6.5% per annum due on 8 October 2016. Accordingly, the Directors are of the view that it is reasonable to allocate HK\$9.2 million to repay the principal of the Coupon Note or other loans of the Group (if applicable).

LETTER FROM THE BOARD

In view of the above, the Board considers that the Rights Issue will enable the Group to strengthen its capital base for future expansion of its existing business and enhance its financial position. Furthermore, the Rights Issue will offer the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Company. As such, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds of the Rights Issue will be approximately HK\$213.3 million (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) before expenses. The estimated minimum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$204.9 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

1. approximately HK\$150.00 million for expansion of margin financing business;
2. approximately HK\$45.7 million for expansion of money lending business, including potential acquisition of listed and unlisted shares of money lending companies; and
3. HK\$9.2 million for repayment of the principal of the Coupon Note or other loans of the Group (if applicable).

Having considered (i) the proceeds from the Company's previous fund raising activities applied to the margin financing business and the money lending business respectively on a revolving basis as set out in the section headed "Fund raising activities of the Company in the past 12 months" below; and (ii) the existing resources of the Company and the proceeds from the Rights Issue, the Directors are of the view that as at the Latest Practicable Date, barring unforeseen circumstances, the Company will have sufficient capital to satisfy its funding needs for its existing operations for the coming next 12 months and does not has any plan to conduct any further fund raising activities to fund its existing operations after completion of the Rights Issue.

LETTER FROM THE BOARD

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, placing of new Shares and open offer. Among different fund raising methods, the Directors have focused on evaluating the possibilities of carrying out fund raising through rights issue and open offer as they are relatively larger in scale as compared to placing of new shares under a general mandate. In respect of debt financing, the Board considers that the expected finance costs for such large sum of fund are high and additional borrowings will deteriorate the gearing position of the Group. An open offer is similar to a rights issue but would not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares.

Taking into account that (i) the Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (ii) the Qualifying Shareholders who do not wish to take up their provisional allotments may sell the nil-paid Rights Shares in the market; (iii) the Rights Issue provides an opportunity for the Qualifying Shareholders to increase their shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability) or applying through excess applications for Rights Shares; (iv) the Rights Issue offers 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; and (v) the Rights Issue will not increase the future finance costs of the Group, the Directors are of the view that raising funds by way of the Rights Issue is a better option over the other alternative fund-raising methods as described above.

Dilution impact of the Rights Issue

Assuming that (i) no Qualifying Shareholder takes up his provisional allotment under the Rights Issue; (ii) all the Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options) being exercised in full and Shares have been issued pursuant thereto on or before the Record Date; and (iii) there is no other change to the issued share capital on or before the Record Date, the shareholdings of the existing Independent Shareholders will be decreased from approximately 96.81% as at the Latest Practicable Date to 32.30% upon completion of the Rights Issue. Qualifying Shareholders who do not elect to subscribe for their provisional allotment under the Rights Issue in full will have their shareholding interests in the Company being diluted for a maximum of approximately 66.67% upon completion of the Rights Issue. In addition, based on (i) the closing price of HK\$0.800 per Share on the Last Trading Day; and (ii) the theoretical ex-rights price of approximately HK\$0.667 per Share calculated based on closing price of HK\$0.800 per Share on the Last Trading Day, the dilution effect of the Rights Issue on the Share price is approximately 16.63%.

LETTER FROM THE BOARD

Having considered: (i) the Rights Issue would provide the funds required for the Group to pursue its business development plans as detailed above; (ii) the Rights Issue would strengthen the capital base of the Group; (iii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allow the Qualifying Shareholders to participate in the growth of the Company; (iv) the inherent dilutive nature of Rights Issue if the existing Shareholder did not take up his/her/its provisional allotment under the Rights Issue in full; and (v) the discount of the Subscription Price was necessary to encourage the Qualifying Shareholders to participate in the Rights Issue, the Board considers the possible dilution effect on the Independent Shareholders to be acceptable.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Rights Issue to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

Scenario 1:

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date:

	<u>Immediately after completion of the Rights Issue</u>					
	As at the Latest Practicable Date		Assuming all the Rights Shares are subscribed by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed 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>
Globalcrest Enterprises Limited <i>(Note 1)</i>	5,673,951	3.19	17,021,853	3.19	5,673,951	1.06
Public Shareholders	172,100,141	96.81	516,300,423	96.81	172,100,141	32.27
Underwriter or subscribers procured by it or its sub- underwriters <i>(Note 2)</i>	—	—	—	—	<u>355,548,184</u>	<u>66.67</u>
Total	<u>177,774,092</u>	<u>100.00</u>	<u>533,322,276</u>	<u>100.00</u>	<u>533,322,276</u>	<u>100.00</u>

LETTER FROM THE BOARD

Scenario 2:

Assuming all the Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options) being exercised in full and Shares have been issued pursuant thereto on or before the Record Date:

	<u>Immediately after completion of the Rights Issue</u>								
	Immediately after all the remaining outstanding Share Options (other than the Undertaken Share Options) are exercised in full and Shares have been issued pursuant thereto on or before the Record Date				Assuming all the Rights Shares are subscribed by the Qualifying Shareholders		Assuming none of the Rights Shares are subscribed by the Qualifying Shareholders		
	As at the Latest Practicable Date		No. of Shares		Approximate %		No. of Shares		Approximate %
Globalcrest Enterprises Limited (Note 1)	5,673,951	3.19	5,673,951	3.09	17,021,853	3.09	5,673,951	1.03	
Public Shareholders	172,100,141	96.81	178,025,929	96.91	534,077,787	96.91	178,025,929	32.30	
Underwriter or subscribers procured by it or its sub-underwriters (Note 2)	-	-	-	-	-	-	367,399,760	66.67	
Total	<u>177,774,092</u>	<u>100.00</u>	<u>183,699,880</u>	<u>100.00</u>	<u>551,099,640</u>	<u>100.00</u>	<u>551,099,640</u>	<u>100.00</u>	

Notes:

1. These 5,673,951 Shares are held by Globalcrest Enterprises Limited, which is wholly owned by Central Core Resources Limited. Central Core Resources Limited is the trustee of a discretionary trust founded by Mr. Lam Shiu Ming, Daneil, an executive Director and the chairman of the Board. As such, Mr. Lam Shiu Ming Daneil is deemed to be interested in all the 5,673,951 Shares held by Globalcrest Enterprises Limited. Certain immediate family members of Mr. Lam Shiu Ming, Daneil are discretionary objects of the aforesaid discretionary trust.
2. 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 29.9% or more of the then issued share capital of the Company;
 - (ii) the Underwriter shall ensure that none of the subscribers of the Untaken Shares will become a Substantial Shareholder as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company upon the allotment and issue of the Rights Shares;

LETTER FROM THE BOARD

- (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-underwriter), shall be third party independent of, not acting in concert with and not connected with any connected person of the Company and their respective associates and close associates; and
- (iv) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon the allotment and issue of the Rights Shares 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.

As at the Latest Practicable Date, as advised by the Underwriter, the Underwriter has entered into six sub-underwriting agreements with six securities firms which are Independent Third Parties in respect of the sub-underwriting of an aggregate of 216,000,000 Underwritten Shares as detailed below:

Sub-underwriters	Date of sub-underwriting agreements	Number of Underwritten Shares sub-underwritten
CSL Securities Limited	12 July 2016	50,000,000
Fordjoy Securities and Futures Limited	12 July 2016	50,000,000
Well Honest Securities Ltd	12 July 2016	33,000,000
Resources Securites Limited	12 July 2016	17,000,000
Jun Yang Securities Company Limited	20 July 2016	50,000,000
Pacific Foundation Securities Limited	20 July 2016	16,000,000

For disclosure purpose only, Mr. Lam Wing Tai, one of the independent non-executive Directors, is also an independent non-executive director of Jun Yang Financial Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 397)), the holding company of Jun Yang Securities Company Limited.

The 216,000,000 Underwritten Shares agreed to be sub-underwritten by the abovementioned six sub-underwriters in aggregate represent approximately 39.19% of the enlarged share capital of the Company immediately after completion of the Rights Issue, assuming that all Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options) are exercised in full and Shares have been issued pursuant thereto on or before the Record Date.

It is a term of the Underwriting Agreement that none of the sub-underwriters/subscribers of the Untaken Shares will become a Substantial Shareholder as a result of such subscription and such subscriber, together with parties acting in concert with it, shall not be holding 29.9% or more of the issued share capital of the Company upon the allotment and issue of the Rights Shares. Each of the subscribers of the Underwritten Shares (including any direct and indirect sub-underwriters), shall be third party independent of, not acting in concert with and not connected with any connected person of the Company and their respective associates and close associates.

3. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES 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	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
23 March 2016 and 13 April 2016	Placing of 29,625,000 Shares at the placing price of HK\$0.779 per placing Share under the general mandate granted to the Directors at the annual general meeting of the Company held on 30 November 2015	Approximately HK\$22.2 million	General working capital of the Group	Approximately HK\$22.2 million was used as intended
26 May 2015 and 13 August 2015	Rights issue of 596,760,614 new Pre-Consolidated Shares at the issue price of HK\$0.202 per each such pre-Consolidated Share on the basis of two rights shares for every one share in issue held on 13 July 2015, being the record date	Approximately HK\$114.8 million	Approximately HK\$114.8 million, of which: (i) not more than approximately HK\$50.0 million was intended for the development of money lending business; (ii) not more than approximately HK\$43.4 million for the existing business of holding and sponsoring stage performance, concerts and other cultural events as well as the entertainment business in Hong Kong and PRC; and (iii) not less than approximately HK\$21.4 million for the working capital of the Group.	The Group has applied as intended: (i) approximately HK\$50.0 million for the development of money lending business; (ii) approximately HK\$43.4 million for the film production in Hong Kong and PRC; and (iii) approximately HK\$12.0 million for the general working capital of the Group.

The remaining unutilised proceeds of approximately HK\$9.4 million will be utilised as intended.

LETTER FROM THE BOARD

Date of announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 May 2015, 28 July 2015, 27 August 2015 and 5 May 2016	Placing of 586,350,000 new Pre-Consolidated Shares at a price of HK\$0.3411 per each such Pre-Consolidated Share under specific mandate	Approximately HK\$192.5 million	<p>Approximately HK\$192.5 million, of which:</p> <p>(i) approximately HK\$20.0 million was intended for the development of its existing business in trading, wholesale and retail of watch and jewellery products, or if the acquisition of 79.99% of the enlarged share capital of Winston Asia Limited is not approved by the Shareholders or does not proceed, for the money lending business of the Group;</p> <p>(ii) not less than approximately HK\$36.75 million was intended for the possible acquisition of a target company principally engaged in film and advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and other cultural events in Hong Kong, Taiwan and the People's Republic of China. If such acquisition does not proceed, the Company would seek other investment opportunities in the same industry (“Item (II)”);</p>	<p>The Group has applied as intended:</p> <p>(i) approximately HK\$20.0 million for the development of its existing business in trading, wholesale, and retail of watch and jewellery products;</p> <p>(ii) approximately HK\$36.75 million to acquire 49% of the issued share capital of Glory International Entertainment Limited principally engaged in film and advertising production, provision of public relations services, holding and sponsoring stage performance, concerts and other cultural events in Hong Kong, Taiwan and the People's Republic of China as disclosed in the Company's announcement dated 27 August 2015;</p>

LETTER FROM THE BOARD

Date of announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
			(iii) not less than approximately HK\$55.0 million was intended for the possible acquisition of a group of companies principally engaged in the production of frames for eyeglasses and optical products. If such acquisition does not proceed, the Company would seek for other investment opportunities in the same industry (“ Item (III) ”);	(iii) approximately HK\$55.0 million to Cassia Investments Limited Partnership I, with the option granted to the Group to subscribe up to 15.45% of the issued capital of Cassia Optical Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which owned 85% equity interest in a group of companies which are principally engaged in the production, supply and distribution of frames for eyeglasses and other optical products as announced on 5 October 2015;
			(iv) not more than approximately HK\$35.0 million was intended for the development of money lending business; and	(iv) approximately HK\$35.0 million for the development of money lending business; and
			(v) approximately HK\$45.75 million was intended for the working capital of the Group.	(v) approximately HK\$45.75 million as general working capital of the Group.

To the best of the Directors’ knowledge, information and relief, the net proceeds from the Rights Issue and the internal funding of the Company can satisfy the Company’s expected funding needs relating to the Group’s existing operations for the next 12 months from the Latest Practicable Date.

The Company will provide updated information in its annual reports and interim reports regarding the actual use of proceeds from the Rights Issue (including but not limited to the status of development of the money lending and margin financing business as disclosed under the section headed “Reasons for the Rights Issue and use of proceeds” above) as well as previous fund raising activities conducted in the current financial year.

LETTER FROM THE BOARD

ADJUSTMENT TO THE SHARE OPTIONS

Adjustments to the number of Shares falling to be issued upon the exercise of the subscription rights attached to the Share Options and the related exercise price are required under the relevant rules of the share option scheme of the Company, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 (the “**Supplementary Guidance**”) upon the issue of the Rights Shares.

Pursuant to the Supplementary Guidance, adjustment factor shall be:

$$F = \frac{\text{CUM}}{\text{TEEP}}$$

where:

- “F” means the adjustment factor;
- “CUM” means the closing price as quoted on the Stock Exchange on the last day of dealing in Shares on a cum-rights basis; and
- “TEEP” means the theoretical ex-entitlement price.

The exercise prices of the Share Options shall be adjusted by dividing the adjustment factor, while the number of Share Options shall be adjusted by multiplying the adjustment factor.

For illustration purpose only, based on the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day, (i) the adjustment factor will be 1.2; (ii) the exercise price of the Share Options granted on 30 September 2015 will be adjusted from HK\$1.69 per Share to HK\$1.4083 per Share; and (iii) the exercise price of the Share Options granted on 4 March 2016 will be adjusted from HK\$0.92 per Share to HK\$0.7667 per Share.

Assuming full subscription, the total number of Shares falling to be allotted and issued after the adjustment of subscription price of the Share Options will be 14,221,666 Shares, representing approximately 2.7% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The actual adjustment will be calculated based on the closing price per Share as quoted on the Stock Exchange on the last day of dealing in Shares on a cum-rights basis, which is expected to be Tuesday, 30 August 2016. Such adjustment will become effective on the date of allotment and issue of the Rights Shares. Further announcement will be made by the Company in this regard.

LETTER FROM THE BOARD

WARNING OF THE RISKS 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 Shares will be dealt in on an ex-rights basis commencing from Wednesday, 31 August 2016 and that dealings in the Rights Shares in the nil-paid form will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled.

Any Shareholder or other person dealing in the nil-paid Rights 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 Thursday, 29 September 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 and/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.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholder of the Company and its associates or, where there is no such controlling shareholder, the Directors (excluding the 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, (i) the Company had no controlling shareholder; (ii) Globalcrest held 5,673,951 Shares, representing approximately 3.19% of the entire issued share capital of the Company, and Globalcrest is wholly owned by Central Core Resources Limited, the trustee of a discretionary trust, under which certain immediate family members of Mr. Lam Shiu Ming, Daneil, an executive Director and the chairman of the Board, are discretionary objects; and (iii) save as aforesaid, none of the Directors and the chief executive of the Company and their respective associates held any Shares. Save for Globalcrest and their respective associates, no other Shareholder will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the SGM.

LETTER FROM THE BOARD

GENERAL

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue. Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be held for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue. A notice convening the SGM to be held at 18/F, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 29 August 2016 at 12:00 noon is set out on pages SGM-1 to SGM-3 of this Circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish. In such event, the instrument appointing a proxy will be deemed to be revoked.

The Company's register of members will be closed from Tuesday, 23 August 2016 to Monday, 29 August 2016, both dates inclusive, to determine the identity of the Shareholders entitled to attend and vote at the SGM. No transfer of Shares will be registered during the above book closure periods.

In compliance with the Listing Rules, the resolution as set out in the notice of SGM will be voted on by way of a poll at the SGM.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM and the registration of the Prospectus Documents in accordance with the applicable legislation and the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Friday, 9 September 2016 whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

LETTER FROM THE BOARD

RECOMMENDATION

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on page 41 and pages 42 to 60 respectively of this Circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue to be proposed at the SGM.

Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution approving the Rights Issue at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this Circular.

On behalf of the Board
Universe International Financial Holdings Limited
Lam Shiu Ming, Daneil
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this Circular, from the Independent Board Committee setting out its recommendation to the Independent Shareholders regarding the Rights Issue.



UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS LIMITED 寰宇國際金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

12 August 2016

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE
OF HK\$0.60 PER RIGHTS SHARE**

We refer to the circular dated 12 August 2016 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings used herein.

We have been appointed by the Board 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 at the SGM. Donvex Capital has been appointed as the Independent Financial Advisor to advise you and us in this respect.

Having taken into account the advice and recommendation of Donvex Capital as set out in its letter of advice to you and us on pages 42 to 60 of the Circular, we consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,

The Independent Board Committee

Mr. Lam Wing Tai
*Independent non-executive
Director*

Mr. Choi Wing Koon
*Independent non-executive
Director*

Mr. Lam Chi Keung
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 1305, 13th Floor
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

12 August 2016

*The Independent Board Committee and the Independent Shareholders of
Universe International Financial Holdings Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE
HELD ON THE RECORD DATE AT THE SUBSCRIPTION PRICE
OF HK\$0.60 PER RIGHTS SHARE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 August 2016 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

On 12 July 2016, the Company announced that it proposed to raise not less than approximately HK\$213.3 million and not more than approximately HK\$220.4 million before expenses by way of issue of not less than 355,548,184 and not more than 367,399,760 Rights Shares pursuant to the Rights Issue on the basis of two Rights Shares for every one Share held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.60 per Rights Share.

The Share Options granted by the Company under the Share Option Scheme entitle the holders thereof to subscribe for an aggregate of 13,951,897 new Shares as at the date of the Underwriting Agreement. As 2,100,509 Share Options lapsed on 20 July 2016, the remaining outstanding Share Options entitled the holders thereof to subscribe for an aggregate of 11,851,388 new Shares as at the Latest Practicable Date. As a condition precedent to the Rights Issue, the Company has procured the core connected persons of the Company, holding in aggregate Share Options entitling them to subscribe for up to an aggregate of 6,928,701 Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(of which 1,003,101 Share Options lapsed on 20 July 2016 and 5,925,600 Share Option remained outstanding as at the Latest Practicable Date), to undertake to the Company and the Underwriter that they would not exercise any of their Share Options on or before the Record Date. Accordingly, the maximum number of Shares falling to be allotted and issued by the Company upon exercise of the Share Options (other than the Undertaken Share Options) in full on or before the Record Date shall be 5,925,788 Shares.

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders at which any controlling shareholder of the Company and its associates or, where there is no such controlling shareholder, the Directors (excluding the 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, (i) the Company had no controlling shareholder; (ii) Globalcrest holds 5,673,951 Shares, representing approximately 3.19% of the entire issued share capital of the Company, and Globalcrest is wholly owned by Central Core Resources Limited, the trustee of a discretionary trust, under which certain immediate family members of Mr. Lam Shiu Ming, Daneil, an executive Director and the chairman of the Board, are discretionary objects; and (iii) save as aforesaid, none of the Directors and the chief executive of the Company and their respective associates hold any Shares. Save for Globalcrest and their respective associates, no other Shareholder will be required to abstain from voting in favour of the resolution to approve the Rights Issue at the SGM.

The Independent Board Committee, comprising Mr. Lam Wing Tai, Mr. Choi Wing Koon and Mr. Lam Chi Keung, all being independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and as so voting in respect thereof at the SGM. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and accordingly, were qualified to advise the Independent Board Committee and the Independent Shareholders with respect to the Rights Issue. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter from the Board contained in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Qualifying Shareholders as a result of the Rights Issue.

Our opinion is 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 our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Company

Principal business

The Group is principally engaged in securities brokerage and margin financing, money lending, properties and securities investment, film distribution and exhibition, licensing and sublicensing of film rights, trade, wholesale and retail of optical products, watch and jewelry products.

Historical financial information

Set out below is a summary of the audited consolidated financial results of the Group for the two financial years ended 30 June 2015 as extracted from the annual report of the Company for the financial year ended 30 June 2015 (the “**Annual Report 2014/15**”) and for the six months ended 31 December 2014 and 2015 as extracted from the interim report of the Company for the six months ended 31 December 2015 (the “**Interim Report 2015/16**”).

	For the year ended 30 June		For the six months ended 31 December	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000
Revenue and income	233,215	300,208	11,490	(58,048)
Profit/(loss) for the year/period	(24,327)	160,930	(30,387)	(94,918)
				As at 31
		As at 30 June	December	2015
		2014	2015	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents		87,178	102,834	184,158
Net assets		299,899	572,267	777,318

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) For the financial year ended 30 June 2015

The revenue and income of the Group increased from approximately HK\$233.2 million for the year ended 30 June 2014 to approximately HK\$300.2 million for the year ended 30 June 2015. As stated in the Annual Report 2014/15, the increase in revenue and income for the year ended 30 June 2015 was mainly due to the fair value change on securities investment from approximately HK\$35.9 million for the year ended 30 June 2014 to approximately HK\$229.9 million for the year ended 30 June 2015.

The Group recorded a net profit of approximately HK\$160.9 million for the year ended 30 June 2015, compared to a net loss of approximately HK\$24.3 million for the year ended 30 June 2014. The significant increase in the profit of the Group was due to the positive performance of the Company's investment portfolio, as a result of the positive investing market environment during the year according to the Annual Report 2014/15.

As stated in the Annual Report 2014/15, the Group had net assets of approximately HK\$572.3 million as at 30 June 2015 while the cash and cash equivalents contributed approximately HK\$102.8 million.

(ii) For the six months ended 31 December 2015

The revenue and income of the Group decreased from approximately HK\$11.5 million for the six months ended 31 December 2014 to approximately HK\$(58.0 million) for the six months ended 31 December 2015. According to the Interim Report 2015/16, the decrease in the revenue and income was due to the significant increase of the fair value loss on the investment securities from approximately HK\$18.7 million for the six months ended 31 December 2014 to approximately HK\$133.0 million for the six months ended 31 December 2015. Accordingly the net loss was recorded from approximately HK\$30.4 million for the six months ended 31 December 2014 to approximately HK\$94.9 million for the six months ended 31 December 2015.

The Group had net assets of approximately HK\$777.3 million as at 31 December 2015 of which approximately HK\$184.2 million was cash and cash equivalents.

With reference to the above financial information of the Group, in particular the negative performance of the Company's investment portfolio in the second half of 2015, we are advised by the management of the Company that the existing cash resources of the Group will be reserved for the other current principal businesses of the Group such as film distribution and exhibition, licensing and sub-licensing of film right, properties and securities investment and the trading, wholesale and retails of optical products, watch and jewelry products.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for the Rights Issue and use of proceeds

The gross proceeds of the Rights Issue will be approximately HK\$213.3 million (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) before expenses. The estimated minimum net proceeds of the Rights Issue, after deducting all relevant expenses are estimated to be approximately HK\$204.9 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

1. approximately HK\$150.0 million for expansion of margin financing business;
2. approximately HK\$45.7 million for expansion of money lending business, including potential acquisition of listed and unlisted shares of money lending companies; and
3. HK\$9.2 million for repayment of the principal of an unsecured loan note of the Group issued on 8 April 2015 (the “**Coupon Note**”) or other loans of the Group (if applicable).

With reference to our discussion with the management of the Company and information obtained in respect of the use of proceeds, we have taken into consideration of the following:

(a) Margin financing business

As disclosed in the announcement by the Company on 21 August 2015, the Group has entered into an agreement to acquire 100% equity interest in Win Fung Securities Limited (“**Win Fung**”), a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. The principal activities of Win Fung are provision of brokerage services and securities margin financing to clients. Completion of the aforesaid acquisition took place in November 2015.

For the six months ended 31 December 2015, the Group recorded a revenue of approximately HK\$0.7 million and a profit of approximately HK\$0.5 million from the securities brokerage and margin financing segment as disclosed in the interim report of the Group for the six months ended 31 December 2015. It accounted for approximately 0.9% of the Group’s consolidated revenue.

As disclosed in the Financial Review of the Securities Industry for the year ended 31 December 2015 and the Yearly Financial Review of the Securities Industry in relation to the year of 2006 published by the Securities and Futures Commission, the total number of active margin clients in Hong Kong increased from approximately 80,000 in 2006 to approximately 242,000 in 2015, representing a compound annual growth rate (“**CAGR**”) of approximately 13.1% and the amount receivable from margin clients in Hong Kong increased from approximately HK\$20.6 billion in 2006 to approximately HK\$145.3 billion in 2015, representing a CAGR of approximately 24.2%. The upward trend of both total number of active margin clients in Hong Kong and amount receivable from margin clients

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in Hong Kong indicate a continuous growing market for margin financing in Hong Kong. Accordingly, the Company is of the view that the margin financing market in Hong Kong is expected to grow in the future.

The Group has been approached by Win Fung's clients and other new clients asking for margin financing facilities from Win Fung in aggregate for more than HK\$150 million. In view of the increasing trend of the business segment and the recent expected growth in demand from Win Fung's clients and other new clients, it is expected that the proceeds from the Rights Issue of approximately HK\$150.0 million will be fully utilised for further development of the margin financing business within six months upon completion of the Rights Issue.

We understand that the Company proposes to use approximately HK\$150.0 million raised from the Rights Issue for its margin financing business, representing approximately 73% of the net proceeds from the Rights Issue. After taken into account (i) the high growth potential of the margin financing business in Hong Kong as stated in the section headed "Financial and trading prospects of the Group" in relation to its business model and development plan in Appendix I to the Circular; (ii) the necessary risk management procedures that the Company has adopted to minimize the credit risk; and (iii) the Group would require additional working capital for the newly acquired business of Win Fung as development costs to further expand its client base in Hong Kong, we consider that a substantial amount of net proceeds from the Rights Issue to be allocated for expansion of the Group's margin financing business is fair and reasonable.

(b) Money lending business

The Group started its money lending business in December 2013 and achieved a significant growth in interest income and segment profit. As disclosed in the annual report of the Company for the year ended 30 June 2015, the Group recorded an interest income of approximately HK\$5.2 million from its money lending business, representing a year-on-year growth of approximately 173.7% compared to the interest income of approximately HK\$1.9 million for the year ended 30 June 2014. The segment profit of the money lending business increased from approximately HK\$1.3 million for the year ended 30 June 2014 to approximately HK\$2.5 million for the year ended 30 June 2015, indicating a year-on-year growth of approximately 92.3%. There was no borrower that defaulted in repayment in respect of the Group's loan portfolio for the year ended 30 June 2015.

It is expected that the money lending market in Hong Kong will continue to grow in the near future. As disclosed in the Monthly Statistical Bulletin published by the Hong Kong Monetary Authority in July 2016, the total loans and advances of all authorized money lending institutions in Hong Kong increased from approximately HK\$2,467.8 billion in 2006 to approximately HK\$7,534.5 billion in 2015, representing a CAGR of approximately 13.2%. The increasing trend of total loans and advances indicates a rising

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

demand in the money lending market in Hong Kong. Accordingly, the Group intends to continue to expand the money lending business, including potential acquisition of listed and unlisted shares of money lending companies, to effectively utilize the Group's cash resources and to increase sources of the Group.

As stated in the section headed "Fund raising activities of the Company in the past 12 months" in the Circular, the proceeds from the previous fund raising activities by the Company in the past 12 months was approximately HK\$329.5 million in total, of which HK\$85.0 million has been fully utilised for the money lending business. Accounting for repayments of certain loans previously granted by the Group, the outstanding balance of the loan portfolio was HK\$48.0 million as at 30 June 2016. The Company intends to continue to apply the aforesaid proceeds of HK\$85.0 million (including the HK\$37.0 million which has been repaid to the Group) to this business segment on a revolving basis. The Group has been approached by existing customers and other new customers seeking for loan facilities from the Group in aggregate for more than HK\$80 million. Based on the growing demand for loan facilities by the existing customers and other new customers, the Group expects that the HK\$37.0 million from the previous fund raising activities along with the proceeds of HK\$45.7 million from the Rights Issue will be utilised in full for the money lending business within six months upon completion of the Rights Issue. Therefore, the Directors consider that conducting fund raising by way of the Rights Issue to finance the money lending business is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(c) *Debts repayment*

As disclosed in the Annual Report 2014/15, the Group has the Coupon Note, which bears fixed interest rate at 6.5% per annum due on 8 October 2016. Accordingly, the Directors are of the view that it is reasonable to allocate HK\$9.2 million to repay the principal of the Coupon Note or other loans of the Group (if applicable).

As advised by the management of the Company, we understand that the newly acquired business of Win Fung was making profit for the six months ended 31 December 2015. Money lending business has been a key growing and expansion strategy of the Group. We were also advised by the Company that, as at 30 June 2016, the cash on hand of the Company was approximately HK\$100.4 million, of which HK\$37.0 million will be utilised in full for the money lending business within six months upon completion of the Rights Issue. The actual cash on hand of the Company approximately HK\$63.4 million will be utilized for the ongoing operating activities including the film production and distribution, trade, wholesale and retail of optical products, watch and jewelry. As all the cash is reserved in full, the proceeds of the Rights Issue will be substantially applied to the expansion of the Group's margin financing and money lending business. As such, we consider that the Rights Issue would provide the Group with necessary financing to capture the growth potential of Group's margin financing and money lending business, which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the above, the Board considers that the Rights Issue will enable the Group to strengthen its capital base for future expansion of its existing business and enhance its financial position. Furthermore, the Rights Issue offers the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth and development of the Company. By this way, we consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Other fund raising alternatives

Among different fund raising methods that the Board have taken into account, including Rights Issue, debt financing, placing of new Shares and open offer, the Company have focused on evaluating the possibilities of carrying out fund raising through rights issue and open offer as they are relatively larger in scale as compared to placing of new shares under a general mandate.

In respect of the debt financing method, the Company considered that the relevant finance cost is substantial compared to the profitability of the Company, and additional borrowings will further deteriorate the gearing position of the Group. An open offer is similar to a rights issue but would not provide an additional option to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares.

Considering that (i) the Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (ii) the Qualifying Shareholders who do not wish to take up their provisional allotments may sell the nil-paid Rights Shares in the market; (iii) the Rights Issue provides an opportunity for the Qualifying Shareholders to increase their shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability) or applying through excess applications for Rights Shares; (iv) the Rights Issue offers 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; and (v) the Rights Issue will not increase the future finance costs of the Group, we concur with the Directors' view that raising funds by way of the Rights Issue is a better option over the other alternative fund-raising methods as described above.

4. Principal terms of the Rights Issue

The Company proposes to allot and issue not less than 355,548,184 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 367,399,760 Rights Shares (assuming all the remaining Share Options, other than the Undertaken Share Options, being exercised in full and the Shares are issued pursuant thereto on or before the Record Date). The Rights Issue is fully underwritten by the Underwriter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis of determining the Subscription Price

The Subscription Price for the Rights Issue is HK\$0.60 per share and represents:

- (i) a discount of 25.00% to the closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.24% to the average closing price of HK\$0.792 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 25.19% to the average closing price of HK\$0.802 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Last Trading Day;
- (iv) a discount of approximately 10.04% to the theoretical ex-rights price of approximately HK\$0.667 based on closing price of HK\$0.80 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 22.08% to the closing price of HK\$0.770 per share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 88.56% to the Group's unaudited consolidated net asset value of approximately HK\$5.247 per Share ("NAV"), based on the unaudited consolidated net asset value of the Group of approximately HK\$777,318,000 as at 31 December 2015 as disclosed in the interim report of the Company for the six months ended 31 December 2015 and 1,481,490,921 Shares in issue as at 31 December 2015 taking into account the capital reorganisation of the Company becoming effective from 18 March 2016 (details of which are disclosed in the announcements of the Company dated 29 January 2016 and 17 March 2016 and the circular of the Company dated 23 February 2016).

Based on the Subscription Price of HK\$0.60, the estimated gross proceeds of the Rights Issue will be approximately HK\$213.3 million (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date). The minimum net proceeds from the Rights Issue to be received by the Company is expected to be approximately HK\$204.9 million. Based on the minimum net proceeds of approximately HK\$204.9 million, after deducting all relevant expenses relating to the Rights Issue, the net price per Rights Share is approximately HK\$0.58.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, (i) the prevailing market price of the Shares prior to the Last Trading Day and the theoretical ex-rights price; and (ii) the capital needs of the Group.

To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with reference to (a) the recent price performance of the Shares; (b) the trading liquidity of the Shares; and (c) the market comparable analysis, as set out below.

(a) *Recent price performance of the Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for the period from 2 July 2015, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the Latest Practicable Date (the "**Review Period**"). During the Review Period, the Company had completed share consolidation with every ten shares consolidated into one consolidated share. The chart below illustrates the comparison between daily theoretical closing price of the Shares and the Subscription Price of HK\$0.60 during the Review Period (adjustment to the price of the Shares has been made taking into account of the share consolidation):



Source: The Stock Exchange

As the above chart shows, it can be seen that the trend of the closing price has been decreasing during the Review Period. The highest closing price and the lowest closing price were HK\$5.21 on 2 July 2015 and HK\$0.56 on 11 February 2016 respectively. Therefore the Subscription Price is lower than highest price during the Review Period representing a discount of approximately 88.48%; on the other hand the Subscription Price is slightly higher than the lowest price during the Review Period representing a premium of approximately 7.14%. However the Subscription Price was set as lower the average of closing price of approximately HK\$1.44 during the Review Period, equivalent to a discount of approximately 58.33% to it.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also noted that the Subscription Price was set and maintained at a significant discount to the past and recent closing prices in order to induce and encourage the Qualifying Shareholders to participate in the Rights Issue and maintain their respective pro-rata shareholding interests for the future growth of the Company.

(b) Trading liquidity of the Shares

Regarding the trading liquidity of the Shares, for illustrative purpose, a table showing the average daily volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares as at the end of the month/period is stated as below:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Number of issued Shares as at the end of the month/ period	Percentage of average daily trading volume to total number of issued Shares as at the end of month/ period
2015					
July (since 2 July)	750,357,452	22	34,107,157	884,730,307	3.9%
August	679,772,562	21	32,370,122	1,481,490,921	2.2%
September	205,463,132	20	10,273,157	1,481,490,921	0.7%
October	553,776,941	20	27,688,847	1,481,490,921	1.9%
November	174,486,656	21	8,308,888	1,481,490,921	0.6%
December	426,109,145	22	19,368,598	1,481,490,921	1.3%
2016					
January	161,457,068	20	8,072,853	1,481,490,921	0.5%
February	1,284,108,692	18	71,339,372	1,481,490,921	4.8%
March (before share consolidation)	451,875,965	13	34,759,690	1,481,490,921	2.3%
March (after share consolidation)	13,896,651	8	1,737,081	148,149,092	1.2%
April	87,291,988	20	4,364,599	177,774,092	2.5%
May	44,550,130	21	2,121,435	177,774,092	1.2%
June	5,215,470	20	260,774	177,774,092	0.1%
July (up to and including the Last Trading Day)	786,912	7	112,416	177,774,092	0.1%

Source: The Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated from the above table, average daily trading volume as a percentage of the total issued Shares is in the range from approximately 0.1% to 4.8%. It shows the average trading volume of the shares only represented less than 4.8% which is only a small portion of the total issue shares at the end of each month since July 2015. It means the trading of the Shares is not considered as active therefore setting the Subscription Price at a discount could encourage more interests for the Qualifying Shareholders to participate in the Rights Issue. Based on the above, we therefore concur with the Directors' view that setting the Subscription Price at a discount could enhance attractiveness of the Rights Issue.

(c) Comparison with other rights issues

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we compare the terms of the Rights Issue to other rights issues conducted by other companies. We have reviewed all the proposed rights issues initially announced by other listed companies on the Stock Exchange in the six-month period ended on the date of the Underwriting Agreement from 13 February 2016 to 13 July 2016 and identified an exhaustive list of 15 proposed rights issue transactions which (i) have subscription ratios above and equal to 1-for-2 and therefore would be subject to shareholders' approval which is the case of the Rights Issue; and (ii) do not offer bonus shares or bonus warrant in the rights issue transactions (the "**Rights Issue Comparables**").

We consider that a review period of six-month period ended on the date of the Underwriting Agreement is appropriate because the Rights Issue Comparables are considered for the purpose of providing a general reference for the recent market practice in relation to the subscription price of other proposed rights issue as compared to the relevant prevailing market share prices under the recent market conditions and sentiments. However, given the differences between the listed issuers of the Rights Issue Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Rights Issue Comparables might not constitute an absolute close reference to the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name	Stock Code	Date of initial announcement	Basis of entitlement	Discount of issue price to the closing price on last trading day (%) (Note 1)	Excess application (Y/N)	Underwriting commission (%)	Maximum dilution (%)
Wai Yuen Tong Medicine Holdings Ltd	897	08/07/2016	3 for 1	48.81	Y	2.50	75.00
GT Group Holdings Limited	263	10/06/2016	2 for 1	48.98	Y	3.00	66.67
Xiao Nan Guo Restaurant Holdings Ltd	3666	08/06/2016	1 for 2	18.00	Y	2.00 and 0.50 (Note 2)	33.33
China Properties Investment Holdings Limited	736	24/05/2016	4 for 1	42.21	Y	2.50	80.00
Unity Investments Holdings Limited	913	23/05/2016	2 for 1	25.37	Y	1.50	66.67
Time2U International Holding Limited	1327	11/05/2016	2 for 1	49.09	Y	1.50	66.67
Huge China Holdings Limited	428	21/04/2016	1 for 1	15.25	Y	2.00	50.00
South China Financial Holdings Limited	619	20/04/2016	1 for 1	58.23	Y	2.00	50.00
Pacific Basin Shipping Holdings Limited	2343	18/04/2016	1 for 1	58.30	Y	0.40 and 3.60 (Note 3)	50.00
Ngai Shun Holdings Limited	1246	24/03/2016	11 for 2	58.75	Y	2.50	84.62
Focus Media Network Limited	8112	16/03/2016	5 for 1	83.41	Y	2.50	83.33

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company Name	Stock Code	Date of initial announcement	Basis of entitlement	Discount of issue price to the closing price on last trading day (%) (Note 1)	Excess application (Y/N)	Underwriting commission (%)	Maximum dilution (%)
Winsway Enterprise Holdings Limited	1733	13/03/2016	3 for 1	76.00	Y	Nil (Note 4)	75.00
DX.com Holdings Limited	8086	01/03/2016	1 for 1	49.80	Y	3.00	50.00
IR Resources Limited	8186	24/02/2016	10 for 1	87.00	N	3.00	90.91
Union Asia Enterprise Holdings Limited (Note 5)	8173	15/02/2016	8 for 1	66.67	Y	3.00	88.89
Maximum				87.00		4.00	90.91
Minimum				15.25		Nil	33.33
Average				52.39			
The Company		12/07/2016		25.00		3.00	66.67

Source: the website of the Stock Exchange

Notes:

1. Based on the figure disclosed in the initial announcement of the Rights Issue Comparables respectively.
2. The company will pay the underwriter an underwriting commission of an amount equal to:
 - (i) 2.00% of the subscription price of the number of rights share less the committed shares; and
 - (ii) 0.50% of the aggregate subscription price of the committed shares.
3. The 4.00% underwriting commission consists of 3.60% for an underwriting commission and 0.40% for a management fee respectively of the aggregate rights share subscription price of their respective underwritten shares as determined on the record date.
4. Nil to the underwriter who is a connected person of the company.
5. The company has changed its name from “Pan Asia Mining Limited” to “Union Asia Enterprise Holdings Limited” with effect from 11 April 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table of the Rights Issue Comparables, the subscription prices of all of the Rights Issue Comparables are set at a discount to relevant market price, ranging from a discount of approximately 15.25% to a discount of approximately 87.00%, with an average discount of approximately 52.39%. The discount rate of the Subscription Price to the closing price of the Shares on the Last Trading Day of approximately 25.00% is lower than the average discount of the Rights Issue Comparables and falls within the range of that of the Rights Issue Comparables.

As set out in the section headed “Recent price performance of the Shares”, we note that the closing price of the Shares exhibited a decreasing trend during the Review Period but then remained relatively stable since March 2016, which results in a relatively low discount being recorded on last trading day prior to the Announcement, we therefore consider that the discount of the Subscription Price to the recent closing prices of the Shares has the effect of encouraging the Qualifying Shareholders to take up their entitlements.

Having considered that (i) the needs of the funding to raise to further develop the Company’s businesses and improve its financial position as discussed in the above section headed “Reasons for the Rights Issue and use of proceeds”; (ii) the discount of Subscription Price was set at certain degree to the prevailing market price to attract and encourage existing Shareholders to participate in the Rights Issue; (iii) the set discount rate of subscription price falls within the range of 15 other recent Rights Issue Comparables; (iv) low trading liquidity of the Shares in the past 12 months; and (v) the Rights Issue is fair and reasonable comparing to other alternatives as stated above in this letter, we consider it is reasonable for the Company to set the Subscription Price at a discount in order to enhance the attractiveness of the Rights Issue to the Qualifying Shareholders and induce the Underwriter to participate in the underwriting of the Rights Issue.

5. Underwriting Agreement

The Company will pay the Underwriter an underwriting commission of 3.0% of the aggregate Subscription Price in respect of the actual number of the Underwritten Shares. 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.

As illustrated in the analysis set out in paragraph headed “Comparison with other rights issues” of this letter, the underwriting commission was charged by the respective underwriters of the selected companies ranged from nil to 4.00% on funds raised. The commission rate charged by the Underwriter of 3.00% falls within the range despite of approaching at the higher end of it. Furthermore, to the best of the Directors’ knowledge and information after having made all

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). Therefore, we do not see any incentive for the Company to negotiate terms that are unfavorable to itself or the Group for the Underwriter's benefit. We are of the view that the underwriting commission paid to the Underwriter is fair and reasonable.

6. Potential dilution effect on the interests of the Independent Shareholders

As the Rights Issue is offered to all Qualifying Shareholders on the same basis, Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Rights Issue in full. As set out under the section headed "Shareholding Structure of the Company" in the Letter from the Board, assuming that (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date; (ii) none of the Rights Shares are subscribed by the Qualifying Shareholders; and (iii) all the remaining Share Options (other than the Undertaken Share Options) are exercised in full and Shares have been issued pursuant thereto on or before the Record Date, the shareholdings of the existing Independent Shareholders will be decreased from approximately 96.81% as at the Latest Practicable Date to 32.30% upon completion of the Rights Issue.

As illustrated from above scenario it shows the maximum of the dilution effect by the Rights Issue will be approximately 66.67%. However we consider such maximum dilution is unlikely to happen as it assumes that (i) the Independent Shareholder have voted in favour of the Rights Issue at the SGM; however (ii) no Qualifying Shareholder would take up their entitlements under the Rights Issue. This is a complete misalignment between the voting behaviour of the Independent Shareholders and their subscription for the Rights Issue.

Despite the dilution effect by the Rights Issue of a maximum of approximately 66.67%, taking the following facts into account: (i) the Rights Issue would provide the funding for the business development of the Group; (ii) the Rights Issue would strengthen the capital base of the Group; (iii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company; and (iv) the discount of the Subscription Price was attractive to encourage the Qualifying Shareholders to participate in the Rights Issue, we consider the possible dilution effect (maximum of approximately 66.67%) on the Independent Shareholders is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Financial effects of the Rights Issue

Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the consolidated net tangible assets of the Group as at 31 December 2015 was approximately HK\$667.8 million. The unaudited pro forma adjusted consolidated net tangible assets of the Group would increase to (i) approximately HK\$872.8 million as at 31 December 2015 on the basis that a minimum of 355,548,184 Rights Shares to be issued; and (ii) approximately HK\$879.7 million as at 31 December 2015 on the basis that maximum of 367,399,760 Right Shares to be issued.

Working capital

Upon the completion of the Rights Issue, the cash and cash equivalents of the Group will be increased as a result of the net proceeds from and the Rights Issue. Accordingly, the working capital and liquidity position of the Group will be improved as a result of Rights Issue.

In light of above, we consider the Rights Issue are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the above-mentioned principal factors and reasons, which include:

- (a) financial information of the Group including the current cash position and indebtedness;
- (b) the use of proceeds from the Rights Issue is consistent with the principal businesses and development plan of the Group;
- (c) the Rights Issue are the most viable fund raising method as compared to debt financing;
- (d) the discount of the Subscription Price to the market price is necessary to encourage the Qualifying Shareholders to participate in the Rights Issue due to past share price performance of the Company;
- (e) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company; and
- (f) the underwriting commission of the Rights Issue is fair and reasonable,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Rights Issue to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Vily Leung
Director

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information and management discussion and analysis of the Group for each of the three years ended 30 June 2015, 2014, 2013 and the six months ended 31 December 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.uih.com.hk/>).

The unaudited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the six months ended 31 December 2015 has been set out in pages 2 to 71 and pages 72 to 79 respectively of the interim report 2015 of the Company which are incorporated by reference into this Circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the interim report 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0317/LTN20160317285.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 30 June 2015 has been set out in pages 70 to 246 and pages 6 to 24 respectively of the annual report 2015 of the Company which are incorporated by reference into this Circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1028/LTN20151028283.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 30 June 2014 has been set out in pages 70 to 214 and pages 8 to 25 respectively of the annual report 2014 of the Company which are incorporated by reference into this Circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1016/LTN20141016216.pdf>

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 30 June 2013 has been set out in pages 60 to 186 and pages 10 to 19 respectively of the annual report 2013 of the Company which are incorporated by reference into this Circular and are available on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1031/LTN20131031155.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 June 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had total borrowings of approximately HK\$13,318,000, comprising (i) the obligations under non-interest bearing finance leases of approximately HK\$98,000; (ii) bank overdrafts of approximately HK\$4,020,000 secured by trading securities held by the former shareholder of a subsidiary and corporate guarantee of the Company; and (iii) an unsecured loan note of approximately HK\$9,200,000 which is interest bearing at 6.5% per annum.

Litigations and Contingent Liabilities

As at the close of business on 30 June 2016, the Group has the following material litigations and contingent liabilities:

- (a) A court action was commenced in the Court of First Instance of the Hong Kong Special Administrative Region on 17 April 2002 by The Star Overseas Limited (“**Star**”), an independent third party, against Universe Entertainment Limited (“**UEL**”), an indirect wholly-owned subsidiary of the Company.

By the above action, Star alleges that a sum of US\$935,872 (equivalent to HK\$7,299,799) was payable by UEL to Star as its share of the revenue of the movie entitled “Shaolin Soccer” (the “**Movie**”).

Pursuant to an order (the “**Order**”) made by the High Court of Hong Kong on 21 February 2003, UEL was ordered and had paid to Star a sum of HK\$5,495,700, being part of the licence fee of the Movie received by UEL from Miramax Films (being the licensee of the Movie) and which was also part of the sum claimed by Star. Pursuant to the Order, UEL is also liable to pay Star interest in the sum of HK\$350,905 and some of the costs of the application leading to the making of the Order, all of which have been settled. As the Order has not disposed of all the claims of US\$935,872 (equivalent to HK\$7,299,799) by Star, UEL is entitled to continue to defend the claim by Star for recovering the remaining balance in the sum of approximately HK\$1,804,099 (HK\$7,299,799 less HK\$5,495,700).

On 30 April 2002, UEL issued a Writ of Summons against Star for the latter’s wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover all losses and damages suffered by UEL as a result of the wrongful exploitation.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

On 9 September 2002, Universe Laser & Video Co. Limited (“ULV”), an indirect wholly owned subsidiary of the Company, issued a Writ of Summons against Star for the latter’s infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all loss and damages suffered by ULV as a result of the said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the said claim against UEL will have no material financial impact on the Group as at 30 June 2016.

- (b) On 1 September 2008, Koninklijke Philips Electronics N.V. (“KPE”) issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Video Compact Disc owned by KPE.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim made against the Company, ULV and Mr. Lam Shiu Ming, Daneil. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made as at 30 June 2016.

- (c) On 8 January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Digital Video Disc owned by KPE.

In June 2012, the action was discontinued against the Company and Mr. Lam Shiu Ming, Daneil. The claim made against ULV has been agreed with KPE and settled by ULV and appropriate legal costs provision was recognised accordingly in the consolidated financial statements for the year ended 30 June 2012.

No additional provision has been made as at 30 June 2016. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

- (d) Universe Artiste Management Limited (“UAM”) commenced Court of First Instance Action against Kwong Ling and Oriental Prosperous Int’l Entertainments Limited (collectively the “Defendants”) on 30 June 2014 claiming *inter alia* for a declaration that UAM is entitled to extend/renew the

term of the Artist Management Contract of the Defendants with UAM (the “**Artist Management Contract**”) for 5 years as from 3 May 2014 to 2 May 2019.

The Defendants filed their defence and counterclaim on 29 September 2014. By such counterclaim, the Defendants claiming against UAM *inter alia* for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM is liable to account to the Defendants and an order for payment of all sums found to be due by UAM to the Defendants.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against UAM. The Board considers that the amounts of counterclaim by the Defendants against UAM is insignificant to the Group as a whole.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal accruals and other payables in the ordinary course of the business, as at the close of business on 30 June 2016, the Group did not have other outstanding mortgages, charges, or other loan capital, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material changes in the indebtedness and contingent liabilities of the Group since 30 June 2016 and up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing internal resources available to the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements for at least next 12 months from the date of this Circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As stated in the announcement of the Company dated 4 July 2016, the Group is expected to record a net loss for the year ended 30 June 2016 as compared with a net profit of approximately HK\$160.9 million for the year ended 30 June 2015. Such loss mainly attributable to the fair value loss arising from the investment securities of approximately HK\$142.0 million during the year ended 30 June 2016. For the year ended 30 June 2015, the Group recorded a fair value gain arising from the investment securities of approximately HK\$229.9 million. As the Company is still in the process of finalising the final results for the year ended 30 June 2016, the aforesaid loss is based only on the preliminary assessment by the management according to the information available to it and is not based on any figures or information that has been audited or reviewed by the auditors or the audit committee of the Board and may be subject to change.

Save for the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 30 June 2015, being the date to which the latest published audited financial statements of the Group was made up.

5. BUSINESSES ACQUIRED AFTER 30 JUNE 2015

On 7 May 2015, Fragrant River Entertainment Culture (Holdings) Limited, a wholly-owned subsidiary of the Company, as purchaser, Victor Meg Limited, Ng Tang and Most Profitable Investment Ltd., collectively, as vendors and Ng Tang and Lo Lai Kuen, collectively, as guarantors entered into a sale and purchase agreement in relation to the acquisition of approximately 79.99% of the enlarged share capital of Winston Asia Limited, a company incorporated in the British Virgin Island with limited liabilities after its restructuring, at a maximum consideration of HK\$64,000,000 (subject to adjustments). Winston Asia Limited holds a group of companies which are principally engaged in business activities including the trading of watches, trademark holding, wholesales and retail of watches in Hong Kong and PRC. Completion of such acquisition took place on 31 July 2015. Details of such acquisition are disclosed in the announcement of the Company dated 7 May 2015. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Winston Asia Limited (in their respective capacity as directors of such company) have not been varied in consequence of such acquisition.

On 21 August 2015, Rising Fame International Limited, a wholly-owned subsidiary of the Company, as purchaser and Ms. Cheng Hei Yu and Mr. Fang Pei Wei as vendors entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of Win Fung Securities Limited, a company incorporated in Hong Kong with limited liability, at a consideration of HK\$73,000,000. Win Fung Securities Limited is a licensed corporation under the SFO with the following regulated activities: (i) Type 1: Dealing in securities; and (ii) Type 4: Advising on securities, the principal activities of which are provision of brokerage services and securities margin financing to clients. Completion of such acquisition took place on 15 November 2015. Details of such acquisition are disclosed in the announcement of the Company dated 27 August 2015. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Win Fung Securities Limited (in their respective capacity as directors of such company) have not been varied in consequence of such acquisition.

On 24 June 2016, Honest Novel Holdings Limited 穎誠控股有限公司, a wholly-owned subsidiary of the Company, as purchaser and two Independent Third Parties as vendors entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of Ample Capital Limited 豐盛融資有限公司 (“**Ample Capital**”), a company incorporated in Hong Kong with limited liability, at a consideration of HK\$30,000,000. Ample Capital is licensed under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. As at the Latest Practicable Date, completion of such acquisition has not yet taken place. Details of such acquisition are disclosed in the announcement of the Company dated 24 June 2016. The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Ample Capital are not expected to be varied in consequence of such acquisition.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group recorded a net loss of approximately HK\$94.9 million for the six months ended 31 December 2015 (the “**Period**”), representing an increase of approximately 3.12 times as compared to the net loss of approximately HK\$30.4 million for the corresponding period in 2014, which is mainly due to the significant increase of the fair value loss arising from the investment securities from approximately HK\$18.7 million during the six months ended 31 December 2014 to approximately HK\$133.0 million during the Period.

The Group’s unaudited consolidated revenue (excluding the fair value changes in investment securities, the “**Consolidated Revenue**”) for the Period was HK\$75.0 million, representing an increase of approximately 2.48 times as compared to the Consolidated Revenue of approximately HK\$30.2 million for the corresponding period in 2014. The increase in the Consolidated Revenue was mainly due to the completion of the acquisition of 79.99% equity interest of Winston, which are principally engaged in trading, wholesale and retails of watches and jewellery products, in July 2015. The Group recorded revenue from Winston of approximately HK\$32.9 million during the Period.

Films distribution and exhibition, licensing and sub-licensing of film rights

Revenue from this business segment during the Period was approximately HK\$28.6 million, representing an increase of approximately 12.6% as compared to approximately HK\$25.4 million in the corresponding period in 2014. It accounted for approximately 38.1% (2014: approximately 84.3%) of the Group’s Consolidated Revenue during the Period. The growth of revenue from this business segment was mainly due to the increase in the number of new titles of films/television drama distributed in various videogram formats during the Period.

Segmental profit of approximately of HK\$5.0 million was recorded during the Period against a segmental loss of approximately HK\$1.2 million for the corresponding period in 2014, which is mainly due to (i) the increase of gross profit contribution from the new titles of films/television drama distributed in various videogram formats during the Period and (ii) higher gross contribution from film exhibition, licensing and sub-licensing of film rights business as a result of the stringent cost control on the film production cost implemented during the Period.

Due to high production, advertising and distribution cost, the business environment of this segment is more challenging than before and the Group will continue to adopt a cautious and prudent approach to identify new opportunities and streamline the cost structure of this business segment.

Trade, wholesale and retail of optical, watches and jewellery products

Revenue from this business segment during the Period was approximately HK\$36.5 million (2014: Nil), which included the revenue of approximately HK\$3.6 million from trade, wholesales and retail of optical products from 2 optical retail shops under the name of “茂昌眼鏡 Hong Kong Optical” in Hong Kong and the revenue of approximately HK\$32.9 million from Winston, which are principally engaged in trading, wholesale and retails of watches and jewellery products in Hong Kong and the PRC. It accounted for approximately 48.7% (2014: Nil) of the Group’s Consolidated Revenue during the Period.

Segmental profit of approximately of HK\$8.5 million was recorded during the Period, which is mainly contributed by Winston during the Period. Due to the weakening of the retails market in Hong Kong and PRC in 2016, the business outlook of this segment is very challenging. In view of the downward trend of the retail market in Hong Kong and PRC in coming year, the Group will adopt a tight cost control. The Group will review the performance of each retail shops and close down those shops with lower profitability in order to maintain the competitiveness of this business segment. In particular, (i) the rental agreements of the aforementioned 2 optical retails shops will be expired in September to October 2016. Negotiations for renewal are ongoing and the Company may close down these shops if rental costs are high; (ii) the number of retail shops for watches and jewellery products have been reduced from around 31 shops to around 16 shops in the PRC, and from two shops to one shop in Hong Kong.

Securities investments and leasing of investment properties

As at 31 December 2015, the carrying value of the securities investments (recorded as the financial assets at fair value through profit or loss in the unaudited condensed consolidated balance sheet) was approximately HK\$194.0 million. It included the Group’s investment portfolio and consists of nine (30 June 2015: seven) investment items, all of which are shares of companies listed on the Stock Exchange. Three of the aforesaid investment items held by the Group, i.e., the shares of (i) Town Health International Medical Group Limited (“**Town Health**”); (ii) China Jicheng Holdings Limited (“**China Jicheng**”); and (iii) Jiu Rong Holdings Limited (“**Jiu Rong**”) were valued at approximately HK\$62.2 million, approximately HK\$52.4 million and approximately HK\$27.7 million respectively, which represented approximately 5.3%, approximately 4.4% and approximately 2.3% of the Group’s total asset value as at 31 December 2015 respectively and approximately 30.9%, approximately 26.0% and approximately 13.7% of the value of the Group’s financial assets at fair value through profit or loss as at 31 December 2015 respectively.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

As at 31 December 2015, the total market value of the aforesaid three investment items was approximately HK\$142.3 million, representing (i) approximately 12.1% of the Group's total asset value and (ii) approximately 70.6% of the total financial assets at fair value through profit or loss of the Group respectively.

Town Health and its subsidiaries are principally engaged in (i) healthcare business investments; (ii) provision and management of medical, dental and other healthcare related services; and (iii) investments and trading in properties and securities. As at 31 December 2015, the Group held 38,900,000 shares (30 June 2015: same) of Town Health, representing approximately 0.5% of the total issued shares of Town Health of 7,469,631,786 shares.

China Jicheng and its subsidiaries are principally engaged in manufacturing and sale of POE umbrellas and nylon umbrellas and umbrella parts such as plastic cloth and shaft to its customers. As at 31 December 2015, the Group held 38,250,000 shares (30 June 2015: same) of China Jicheng, representing approximately 0.3% of the total issued shares of China Jicheng of 15,000,000,000 shares.

Jiu Rong and its subsidiaries are principally engaged in (i) design, assembly and installation of water meter; and (ii) TV business. As at 31 December 2015, the Group held 180,000,000 shares (30 June 2015: same) of Jiu Rong, representing approximately 4.7% of the total issued shares of Jiu Rong of 3,800,000,000 shares.

The Group's recorded fair value loss on changes on investment securities of approximately HK\$133.0 million (2014: approximately HK\$18.7 million) during the Period. Such loss was mainly attributable to the volatile and unfavourable market sentiment in the stock market in Hong Kong in the second half of 2015 which led to the substantial decrease in the market price of the investments of the Group.

The investments in the shares of Town Health, China Jicheng and Jiu Rong recorded fair value loss of approximately HK\$18.3 million, approximately HK\$27.2 million and approximately HK\$43.4 million respectively, and together contributed to approximately 66.8% of the total fair value loss on changes on investment securities of the Group for the Period.

As at 31 December 2015, the Group's securities investments portfolio included the shares of companies listed on the Stock Exchange and engaged in different industries such as entertainment services, manufacturing, financial advisory business, asset management, solar energy, healthcare and wholesale business etc. The Group will continue reviewing its investment portfolios, so as to achieve a better return to the Group.

The rental income from leasing of investment properties remained stable during the Period. The Group recorded rental income of approximately HK\$0.5 million during the Period.

The overall segment loss of this business segment was approximately HK\$132.5 million during the Period.

Money lending business

As at 31 December 2015, the Group had loans receivable of approximately HK\$98.1 million and recognised interest income of approximately HK\$3.8 million (2014: approximately HK\$2.9 million). It accounted for approximately 5.1% (2014: 9.8%) of the Group's Consolidated Revenue during the Period. There was no default event happened in respect of the Group's loans receivable during the Period (2014: Nil). The segment profit of this business segment was approximately HK\$1.3 million (2014: approximately HK\$1.7 million) during the Period.

It is expected the money lending market in Hong Kong will be stable and continue to grow in the nearly future. The Group will continue to expand the money lending business to effectively utilise the Group's cash resources and to diversify the sources of the Group's income.

Securities brokerage and margin financing

In November 2015, the Group completed the acquisition of 100% equity interest in Win Fung, the principal activities of which are provision of brokerage services and securities margin financing to clients. The acquisition of Win Fung during the Period enabled the Company to diversify its business into the financial services industry and broaden revenue sources of the Group in the coming financial period.

Business model

Since November 2015, the Group has carried out its margin financing business through Win Fung (which established its margin financing business in the second half of 2010) to meet specific risk return needs of its clients and as a complementary service to its securities brokerage services. Under this business segment, credit facilities are offered by Win Fung to its clients under careful due diligence, including but not limited to whether they will take a bullish or bearish view on the Hong Kong stock market or other securities market around the world. In addition, Win Fung would review and assess the volatility risk of the underlying assets to which clients are interested to purchase on the market on a margin basis. Such credit facilities offer funding flexibility to clients side by side bolstering Win Fung's commission income at the end. All financings extended to Win Fung's clients, excluding initial public offering ("IPO") financing, would be put on pledge of those securities purchased under clients' names and also enhanced by personal guarantee agreement if it is necessary. On top of margin financing services, Win Fung also provides IPO financing services on a smaller scale to provide funding to clients for application of shares in IPOs. Interest incomes are generated from these financings to clients, where the interest rates are determined based on a margin over the Hong Kong dollar prime rate with reference to the credit standing of the relevant clients and the quality of the collaterals.

Credit risk management

Responsible officers of Win Fung (who are licensed to carry on regulated activities under the SFO (the "**Responsible Officer(s)**")) are responsible for approving credit limit of clients. In general, they will review the risk tolerance of each individual client based on such client's investment exposure in securities and his/her/its own financial background and trading

relationship with Win Fung over the past two years. Win Fung accepts only securities listed on the Stock Exchange for margin loans as collaterals. Whenever a margin shortfall occurs during trading day, a margin call will be made and Win Fung would pay due consideration to the discounted values of clients' securities to assess their credit exposure. Based on the credit exposure, Win Fung will consider to initiate immediate collection of collaterals and/or to amend the list of securities acceptable as collaterals.

A margin call form is maintained for recording the updated status of each margin client which shows his/her/its outstanding amounts, margin calls amounts, and history of margin call. Responsible Officers of Win Fung are required from time to time to monitor the values of underlying collaterals and make margin calls with assistance of supporting staffs when margin shortfall occurs. Necessary actions are taken to avoid financial losses caused by clients' defaults. In particular, all replies from clients and actions are taken in chronological order and recorded and, depending on whether there is repayment deposit, Win Fung may decide to proceed with follow up actions such as pursuing legal proceedings and/or sending out warning letters.

Taking into account that (i) there are sets of criteria for determining the risk tolerance and hence credit limits of clients; (ii) securities listed on the Stock Exchange as collaterals are required, the acceptance list of which are subject to amendments due to market values; and (iii) Responsible Officers of Win Fung are required from time to time to monitor value of underlying collaterals and make margin call when margin shortfall occurs, the Directors consider that the existing policies are adequate to minimize credit risk.

Business development

Win Fung generated an unaudited interest income of approximately HK\$4.1 million for the six months ended 30 June 2016. In view of the increasing trend of the business segment and the recent expected growth in demand from Win Fung's existing clients and new clients, it is expected that the proceeds from the Rights Issue of approximately HK\$150.0 million will be fully utilised for further development of the margin financing business within six months upon completion of the Rights Issue. The Group intends to continue to apply the existing resources of Win Fung as well as the aforesaid HK\$150.0 million for this business segment on a revolving basis, considering that margin calls are made by Win Fung on demand.

Management experience

As at the Latest Practicable Date, Mr. Chan Chi Fung (“**Mr. Chan**”), Mr. Hung Lum, Leon (“**Mr. Hung**”) and Mr. Fang Pei Wei, Vincent (“**Mr. Fang**”), being the Responsible Officers of Win Fung, oversee the securities trading and margin financing business. Mr. Chan has over 12 years of experience in relation to securities trading and has been one of the executive directors of Win Fung since late 2013. Mr. Hung has been a dealer since 2004 and has become a dealing director of Win Fung since mid-2011. Mr. Fang also has over 15 years of experience in the Hong Kong securities market, being responsible officers of various securities firms from time to time, and has become a Responsible Officer of Win Fung since 2012.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

In view of the above, the Directors consider that the experience of the management team of the Group responsible for overseeing and operating its securities trading business are competent for managing and overseeing the Group's margin financing business.

During the Period, the Group has successfully acquired three new business, namely, (i) trade, wholesale and retails of watches and jewellery; (ii) securities brokerage and margin financing; and (iii) advertising production, provision of public relations services, holding and sponsoring stage performance, concerts, film production and other cultural events. These diversified the Group's business in different industries enabling the Group to broaden the sources of revenue.

In addition, the Group will continue to identify different investment opportunities in other business sectors with enormous potentials. This allows the Group to further diversify its businesses and broaden the income sources and therefore maximising the return to the Shareholders.

The Group is currently in discussion with Mr. Lam Shiu Ming, Daneil, an executive Director and the Chairman of the Company, and hence a connected person (as defined under the Listing Rules) of the Company, for a possible disposal of certain of the Group's intellectual property rights to him ("**Possible Disposal**"). The aforesaid intellectual property rights of the Group consists of approximately 500 feature films, non-feature films, television services, telemovies, documentaries and Chinese opera ("**Film Library**"), which were produced or first released in or before year 2013. The cost of the Film Library has been fully amortised in previous years and therefore the carrying value of the Film Library is zero. The Group considers that the Possible Disposal, if materialised, is in the interests of the Company and the Shareholders as a whole, and in particular it would allow the Group to realise a one-off gain from the Film Library. Assuming the Possible Disposal materialises, the remaining assets of the Group's film related business would include feature films, non-feature films and etc. produced or first released in or after year 2014 and the films in progress which are self-producing by the Group. The Group will continue its films distribution and exhibition, licensing and sub-licensing of film rights business. The Possible Disposal will not result in cessation of the Group's existing business including film distribution, exhibition, licensing and sub-licensing of film rights.

The Possible Disposal, if materialised, will constitute a connected and notifiable transaction of the Company under the Listing Rules. As at the Latest Practicable Date, no definitive agreement has been signed between the parties in respect of the Possible Disposal. The Possible Disposal may or may not proceed. Further announcements will be published by the Company if and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether expressed and implied, and negotiation and intention to dispose of the existing businesses of the Group.

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Rights Issue as if the Rights Issue had been completed on 31 December 2015. The pro forma financial information has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial position on the completion of the Rights Issue.

A. UNAUDITED PRO FORMA FINANCIAL STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group if the Rights Issue had been completed on 31 December 2015. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 as extracted and derived from the Group's consolidated financial statements for the six months ended 31 December 2015 included in the published interim financial report of the Group and is adjusted for the effect of the Rights Issue.

SCENARIO 1: MINIMUM NUMBER OF 355,548,184 RIGHTS SHARES TO BE ISSUED

Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 <i>(Note a)</i> <i>HK\$'000</i>	Estimated net proceeds from Rights Issue <i>(Note b)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue <i>HK\$'000</i>	Consolidated net tangible assets of the Group attributable to owners of the Company per share <i>(Note d)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share <i>(Note e)</i> <i>HK\$</i>
667,813	204,949	872,762	0.45	0.48

SCENARIO 2: MAXIMUM NUMBER OF 367,399,760 RIGHTS SHARES TO BE ISSUED

Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 <i>(Note a)</i> HK\$'000	Estimated net proceeds from Rights Issue <i>(Note c)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue HK\$'000	Consolidated net tangible assets of the Group attributable to owners of the Company per share <i>(Note d)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share <i>(Note f)</i> HK\$
667,813	211,847	879,660	0.45	0.48

Notes:

- a) The amount of consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 represents the equity attributable to owners of the Company of approximately HK\$777,739,000 as extracted and derived from the published interim financial report of the Group for the six months ended 31 December 2015 after deducting the Group's goodwill of HK\$86,819,000 and other intangible assets of HK\$23,107,000 as at 31 December 2015.
- b) The estimated net proceeds from the Rights Issue of approximately HK\$204,949,000 are calculated based on the minimum number of 355,548,184 Rights Shares to be issued at the subscription price of HK\$0.60 per Rights Shares and after deduction of underwriting commission of approximately HK\$6,400,000 and other estimated related expenses of approximately HK\$1,980,000.
- c) The estimated net proceeds from the Rights Issue of approximately HK\$211,847,000 are calculated based on the maximum number of 367,399,760 Rights Shares to be issued at the subscription price of HK\$0.60 per Rights Shares and after deduction of underwriting commission of approximately HK\$6,613,000 and other estimated related expenses of approximately HK\$1,980,000.
- d) The number of shares used for the calculation of this amount is 1,481,490,921, representing 1,481,490,921 shares in issue as at 31 December 2015 prior to completion of Rights Issue.
- e) The number of shares used for the calculation of this amount is 1,837,039,105, representing 1,481,490,921 shares in issue as at 31 December 2015 as if the Rights Issue (based on the minimum number of 355,548,184 Rights Shares) has been completed as at 31 December 2015.
- f) The number of shares used for the calculation of this amount is 1,848,890,681, representing 1,481,490,921 shares in issue as at 31 December 2015 as if the Rights Issue (based on the maximum number of 367,399,760 Rights Shares) has been completed as at 31 December 2015.

- g) Pursuant to the Company's announcement dated 29 January 2016 and the Company's circular dated 23 February 2016, the Company proposed to implement the reorganisation of the share capital of the Company involving the consolidation of every 10 issued and unissued pre-consolidated shares of HK\$0.01 each in the share capital of the Company into 1 consolidated share of par value of HK\$0.10 in the share capital of the Company (the "**Share Consolidation**"). The Share Consolidation became effective on 18 March 2016. The effect on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company per share as if the effect of the Share Consolidation had been completed on 31 December 2015 are as follows:

Consolidated net tangible assets of the Group attributable to the owners of the Company per share after implementation of the Share Consolidation and prior to the completion of the Rights Issue

Based on 148,149,092 shares, assuming the Share Consolidation had been completed on 31 December 2015, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share will become HK\$4.51.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share after implementation of the Share Consolidation and after the completion of the Rights Issue

Based on 503,697,276 shares, comprising (i) 148,149,092 consolidated shares and (ii) minimum number of 355,548,184 Rights Shares to be issued, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share will become HK\$1.73.

Based on 515,548,852 shares, comprising (i) 148,149,092 consolidated shares and (ii) maximum number of 367,399,760 Rights Shares to be issued, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per share will become HK\$1.71.

- h) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

**B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL STATEMENT OF
ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of a report received from the auditor of the Company, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group for the purpose of incorporation in this investment circular.



國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE
PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS
LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Universe International Financial Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2015 and related notes as set out on pages II-1 to II-3 to the investment circular issued by the Company dated 12 August 2016 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue as defined in the Circular on the Group's net tangible assets as at 31 December 2015 as if the Rights Issue had taken place at 31 December 2015. As part of this process, information about the Group's net tangible assets attributable to owners of the Company has been extracted by the Directors from the Group's consolidated financial statements for the six months ended 31 December 2015, on which no audit or review report has been published.

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**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express 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 pro forma financial information beyond that owed to 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 accountant 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 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 pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 events or transactions as 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 accountant's judgement, have regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- a) The unaudited pro forma financial information has been properly compiled on the basis stated;
- b) Such basis is consistent with the accounting policies of the Group; and
- c) The adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Kwok Cheuk Yuen

Practising Certificate Number P02412

Hong Kong, 12 August 2016

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(I) The authorised and issued share capital of the Company

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company up to the Record Date); and (iii) immediately following the completion of the Rights Issue (assuming the Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options), were exercised in full and the Share have been issued pursuant thereto on or before the Record Date) is as follows:

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000.00</u>

(ii) Immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company up to the Record Date)

<i>Issued and fully paid/to be issued:</i>	<i>HK\$</i>
177,774,092 Shares in issue as at the Latest Practicable Date	1,777,740.92
<u>355,548,184</u> Rights Shares to be issued	<u>3,555,481.84</u>
<u>533,322,276</u> Shares in issue and fully paid immediately upon completion of the Rights Issue	<u>5,333,222.76</u>

(iii) Immediately following the completion of the Rights Issue (assuming the Share Options which remained outstanding as at the Latest Practicable Date (other than the Undertaken Share Options), were exercised in full and the Share are issued pursuant thereto on or before the Record Date)

Issued and fully paid/to be issued:		HK\$
177,774,092	Shares in issue as at the Latest Practicable Date	1,777,740.92
5,925,788	Shares to be issued pursuant to the full exercise of the remaining outstanding Share Options, other than the Undertaken Share Options	59,257.88
<u>367,399,760</u>	Rights Shares to be issued	<u>3,673,997.60</u>
<u>551,099,640</u>	Shares in issue and fully paid immediately upon completion of the Rights Issue	<u>5,510,996.40</u>

All the Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the existing Shares in issue as at the respective date of their allotment and issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in the Rights Shares (in both their nil-paid and fully-paid forms). No part of the share capital or any other securities 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 the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

(II) The Share Option Scheme

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Name/Category of Participants	Date of grant	Exercise period	Exercise price per Share HK\$	Number of underlying Shares as at the Latest Practicable Date
Directors	4 March 2016	4 March 2016 to 3 March 2018	0.92	5,925,600
Employees	4 March 2016	4 March 2016 to 3 March 2018	0.92	3,853,700
Employees	30 September 2015	30 September 2015 to 29 September 2017	1.690	2,072,088
				11,851,388
				11,851,388

Adjustments to the exercise prices of the Share Options and/or the number of Shares to be allotted and issued upon exercise of the Share Options will be made in accordance with the rules of the Share Option Scheme and the Listing Rules as a result of the Rights Issue. Holders of the Share Options will be notified about the adjustments to the Share Options after completion of Rights Issue.

As at the Latest Practicable Date, save for 11,851,388 Share Options, the Company had no outstanding convertible securities, options or warrants in issue which confer any right in subscribe for, convert or exchange into Shares and rights to subscribe for, convert or exchange into Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer contained in the Listing Rules (“**Model Code**”) were as follows:

Interests in Shares – Long positions

Name of Director or chief executive of the Company	Capacity	Number of shares and underlying shares of the Company held	Subtotal number of shares and underlying shares of the Company held by each Director/chief executive of the Company	Approximate percentage of the total issued share capital of the Company (note iii)
Mr. Lam Shiu Ming, Daneil	founder of a discretionary trust	5,673,951 (note i)	5,673,951	3.19%
Mr. Hung Cho Sing	beneficial owner	1,481,400 (note ii)	1,481,400	0.83%
Mr. Lam Kit Sun	beneficial owner	1,481,400 (note ii)	1,481,400	0.83%
Mr. Chan Shiu Kwong Stephen	beneficial owner	1,481,400 (note ii)	1,481,400	0.83%
Ms. Cheng Hei Yu	beneficial owner	1,481,400 (note ii)	1,481,400	0.83%

Notes:

- (i) These 5,673,951 Shares are held by Globalcrest Enterprises Limited, which is wholly owned by Central Core Resources Limited. Central Core Resources Limited is the trustee of a discretionary trust founded by Mr. Lam Shiu Ming, Daneil, the chairman of the Board and an executive Director. As such, Mr. Lam Shiu Ming Daneil is deemed to be interested in all the 5,673,951 Shares held by Globalcrest Enterprises Limited. Certain immediate family members of Mr. Lam Shiu Ming, Daneil are discretionary objects of the aforesaid discretionary trust.

- (ii) These interests are underlying shares of the Company in respect of share options granted by the Company to each of Mr. Hung Cho Sing, Ms. Cheng Hei Yu, Mr. Lam Kit Sun and Mr. Chan Shiu Kwong Stephen.
- (iii) The percentage holding is calculated based on the issued share capital of the Company as at the Latest Practicable Date comprising 177,774,092 Shares.

Save as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

4 OTHER INTERESTS OF THE DIRECTORS

(i) Interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or terminable by any member of the Group within one year without payment of compensation, other than statutory compensation).

(ii) Interests in assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 30 June 2015, being the date to which the latest 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 by or leased to any member of the Group.

(iii) Interests in contracts or arrangements

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company based on the disclosure of interest notices filed with the Company, the following persons (not being Directors or chief executive of the Company) had an interests or short positions in the Shares or underlying shares of the Company 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 issued voting shares of any other member of the Group:

Long positions in Shares/underlying shares of the Company

Name	Capacity	Number of Shares and underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company <i>(Note 6)</i>
Astrum Capital Management Limited <i>(Note 1)</i>	Other	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Major Harvest Investments Limited <i>(Note 1)</i>	Interest of a controlled corporation	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Astrum Financial Holdings Limited <i>(Note 1)</i>	Interest of a controlled corporation	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Autumn Ocean Limited <i>(Note 1)</i>	Interest of a controlled corporation	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Pan Chik <i>(Note 1)</i>	Interest of a controlled corporation	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Liu Ming Lai Lorna <i>(Note 1)</i>	Interest of spouse	369,594,576 (L) 216,000,000(S)	66.67% 38.96%
Yeung Wing Yee	Beneficial owner	20,847,000 (L)	11.73% <i>(Note 7)</i>

Name	Capacity	Number of Shares and underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company (Note 6)
CSL Securities Limited (Note 2)	Other	50,000,000 (L)	9.02%
Convoy Financial Holdings Limited (Note 2)	Interest of a controlled corporation	50,000,000 (L)	9.02%
Fordjoy Securities and Futures Limited (Note 3)	Other	50,000,000 (L)	9.02%
Fordjoy Holdings Company Limited (Note 3)	Interest of a controlled corporation	50,000,000 (L)	9.02%
Trendluck Limited (Note 3)	Interest of a controlled corporation	50,000,000 (L)	9.02%
Yuen Shu Ming (Note 3)	Interest of a controlled corporation	50,000,000 (L)	9.02%
Jun Yang Securities Company Limited (Note 4)	Other	50,000,000(L)	9.02%
Jun Yang Financial Holdings Limited (Note 4)	Interest of a controlled corporation	50,000,000(L)	9.02%
Well Honest Securities Limited (Note 5)	Other	33,000,000 (L)	5.95%
Well Honest Group Holdings Limited (Note 5)	Interest of a controlled corporation	33,000,000 (L)	5.95%

Name	Capacity	Number of Shares and underlying shares of the Company held	Approximate percentage of the total issued share capital of the Company (Note 6)
Lee Tak Fai (Note 5)	Interest of a controlled corporation	33,000,000 (L)	5.95%
Chan Sui Sheung (Note 5)	Interest of spouse	33,000,000 (L)	5.95%

Notes:

- The long position in respect of 369,594,576 Shares are the Rights Shares which Astrum Capital Management Limited as the Underwriter is interested in under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue. The short position in respect of 216,000,000 Shares represent the number of Shares sub-underwritten by Astrum Capital Management Limited to various sub-underwriters as at the Latest Practicable Date. Astrum Capital Management Limited is a wholly-owned subsidiary of Major Harvest Investments Limited, which is in turn wholly owned by Astrum Financial Holdings Limited, and is in turn a owned as to 66% by Autumn Ocean Limited. Autumn Ocean Limited is wholly owned by Pan Chik, whose spouse is Liu Ming Lai Lorna.
- The long position in respect of 50,000,000 Shares are the Rights Shares which CSL Securities Limited as the sub-underwriter procured by the Underwriter is interested in on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue. CSL Securities Limited is a wholly-owned subsidiary of Convoy Financial Holdings Limited.
- The long position in respect of 50,000,000 Shares are the Rights Shares which Fordjoy Securities and Futures Limited as the sub-underwriter procured by the Underwriter is interested in on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue. Fordjoy Securities and Futures Limited is a wholly-owned subsidiary of Fordjoy Investment Limited, which is in turns wholly owned by Fordjoy Holdings Company Limited. Fordjoy Holdings Company Limited is owned as to 76% by Trendluck Limited, which in turn is wholly owned by Yuen Shu Ming.

4. The long position in respect of 50,000,000 Shares are the Rights Shares which Jun Yang Securities Company Limited as the sub-underwriter procured by the Underwriter is interested in on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue. Jun Yang Securities Company Limited is a wholly-owned subsidiary of Jun Yang Financial Holdings Limited.
5. The long position in respect of 33,000,000 Shares are the Rights Shares which Well Honest Securities Limited as the sub-underwriter procured by the Underwriter is interested in on the assumption of no acceptance by the Qualifying Shareholders under the Rights Issue. Well Honest Securities Limited is a wholly-owned subsidiary of Well Honest Group Holdings Limited, which is in turns wholly owned by Lee Tak Fai whose spouse is Chan Sui Sheung.
6. The percentage holdings are calculated based on the expected issued share capital of the Company as enlarged by the issue of the Rights Shares under the Rights Issue (assuming subscription rights attached to the remaining 7,023,196 Share Options as at the date of the Underwriting Agreement, other than the Undertaken Share Options, were exercised in full and the Shares are issued pursuant thereto on or before the Record Date) comprising 554,391,864 Shares.
7. The percentage holding is calculated based on the issued share capital of the Company as at the Latest Practicable Date comprising 177,774,092 Shares.

Save as disclosed above, the Directors or chief executive of the Company are not aware of any other persons (not being Directors or chief executive of the Company) as at the Latest Practicable Date, who had an interest or short position in the Shares or underlying shares of the Company 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 issued voting shares of any other member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete either directly or indirectly with the business of the Group.

7. QUALIFICATIONS OF EXPERTS, CONSENTS AND THEIR INTERESTS IN ASSETS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Circular:

Name	Qualification
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
Donvex Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Crowe Horwath (HK) CPA Limited and Donvex Capital have given and have not withdrawn their written consents to the issue of this Circular with the inclusion herein of their respective letters to their names in the form and context in which they appear.

As at the Latest Practicable Date, none of Crowe Horwath (HK) CPA Limited and Donvex Capital was beneficially interested in the share capital of any member of the Group, nor did they 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, nor did they have any direct or indirect interest in any assets which have been, since 30 June 2015 (being the date which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. MISCELLANEOUS

- (a) The business address of all Directors is 18th Floor, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- (b) The secretary of the Company is Mr. Lam Kit Sun, who is a fellow and practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Chartered Secretaries.
- (c) 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 of Hong Kong.
- (d) As at the Latest Practicable Date, the Board had not received any information from any substantial shareholders of their intention to take up the Rights Shares to be provisionally allotted or offered to them under the Rights Issue.
- (e) The English text of this Circular shall prevail over the Chinese text for the purpose of interpretation.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the joint venture agreement dated 6 November 2014 entered into between Gold Summit International Limited, a wholly-owned subsidiary of the Company, and Round Table Family Group Limited to jointly invest in Round Table Performance Entertainment Limited, which is principally engaged in holding and sponsoring stage

performance, concerts and other cultural events, as well as developing the entertainment business in Hong Kong and the PRC. The aggregate amount of capital contribution was HK\$3,330,000, which was contributed as to HK\$2,330,000 by Gold Summit International Limited and as to HK\$1,000,000 by Round Table Family Group Limited;

- (b) the sale and purchase agreement dated 17 November 2014 entered into between Fragrant River Entertainment Culture (Holdings) Limited (“**FREC**”), a wholly-owned subsidiary of the Company, as purchaser and four Independent Third Parties as vendors in relation to the acquisition of 22.13% of the issued share capital of Winston Asia Limited at a consideration of HK\$5,060,000;
- (c) the placing agreement dated 9 December 2014 entered into between the Company as the issuer and Lucky Securities Company Limited, as the placing agent, pursuant to which the Company has conditionally agreed to place, through Lucky Securities Company Limited, on a best endeavour basis, up to 414,415,000 new shares of the Company at the placing price of HK\$0.1 per placing share;
- (d) the placing agreement dated 28 January 2015 entered into between the Company as the issuer and Convoy Asset Management Limited as the placing agent pursuant to which the Company has conditionally agreed to place, through Convoy Asset Management Limited, on a best endeavour basis, the 6.5% per annum notes to be issued by the Company in an aggregate principal amount of up to HK\$50,000,000, maturing on the same calendar date of the 18th month after the issue date of the notes at the placing price equal to 100% of the principal amount of the notes;
- (e) the placing agreement dated 10 April 2015 entered into between the Company as the issuer and Fordjoy Securities and Futures Limited as the placing agent, pursuant to which the Company has conditionally agreed to place, through Fordjoy Securities and Futures Limited, on a best endeavour basis, up to 49,730,000 new shares of the Company at a placing price of HK\$0.4055 per placing share;
- (f) the sale and purchase agreement dated 7 May 2015 entered into between Precise Reach Group Limited (“**Precise Reach**”), a wholly-owned subsidiary of the Company, as purchaser, Fairy Fresh International Limited (“**Fairy Fresh**”) as vendor and Mr. Poon Chun Yin, the ultimate beneficial owner of the vendor, as warrantor in relation to the sale and purchase of (i) the amount of HK\$1,155,000 owing by Hong Kong Optical Company Limited (“**Hong Kong Optical**”) to Fairy Fresh; and (ii) 11% of the issued share capital of Hong Kong Optical at an aggregate consideration of HK\$1,600,000;

- (g) the sale and purchase agreement dated 7 May 2015 entered into between Precise Reach as purchaser, Fairy Fresh as vendor and Mr. Poon Chun Yin, the ultimate beneficial owner of the vendor, as warrantor in relation to the sale and purchase of 80% of the issued share capital of Fine Ocean Limited at a consideration of HK\$2,400,000;
- (h) the sale and purchase agreement dated 7 May 2015 entered into between FREC as purchaser, Victor Meg Limited, Ng Tang and Most Profitable Investment Ltd. as vendors and Ng Tang and Lo Lai Kuen as guarantors in relation to the acquisition of approximately 79.99% of the enlarged share capital of Winston Asia Limited after its restructuring, at a maximum consideration of HK\$64,000,000 (subject to adjustments);
- (i) the placing agreement dated 26 May 2015 entered into between the Company as the issuer and China Everbright Securities (HK) Limited and Jun Yang Securities Company Limited as the placing agents, pursuant to which the Company has conditionally agreed to place, through China Everbright Securities (HK) Limited and Jun Yang Securities Company Limited, on a best effort basis, up to 586,350,000 new shares of the Company at a placing price of HK\$0.3411 per placing share;
- (j) the underwriting agreement dated 26 May 2015 entered into between the Company as the issuer and Jun Yang Securities Company Limited as the underwriter in relation to the underwriting arrangement in respect of the rights issue of not less than 596,760,614 rights shares and not more than 665,160,614 rights shares at a subscription price of HK\$0.202 per rights share on the basis of two (2) rights shares of every one (1) shares then in issue held on the record date;
- (k) the sale and purchase agreement dated 21 August 2015 entered into among Rising Fame International Limited, a wholly-owned subsidiary of the Company, as purchaser and Ms. Cheng Hei Yu and Mr. Fang Pei Wei as vendors in relation to the sale and purchase of the entire issued share capital of Win Fung Securities Limited at a consideration of HK\$73,000,000;
- (l) the sale and purchase agreement dated 27 August 2015 (the “**Acquisition Agreement**”) entered into among Fragrant River Entertainment Investment Limited (“**FREI**”), a wholly-owned subsidiary of the Company, as purchaser and Cheung Ming Kuang as vendor in relation to the sale and purchase of 49% of the issued share capital of Glory International Entertainment Limited at a maximum consideration of HK\$55,125,000 (subject to adjustments);

- (m) the loan agreement dated 5 October 2015 entered into between FREI as lender and Cassia Investments Limited Partnership I (“**Cassia Investment**”) as borrower in relation to (i) the provision of loan in the principal amount of HK\$55,000,000, bearing interest at a rate of 9.75% per annum for a period of one year; and (ii) the grant of options to FREI by Cassia Investment to confer FREI the right to purchase a maximum of 15.45% of the issued share capital of Cassia Optical Holdings Limited held by Cassia Investment;
- (n) the sale and purchase agreement dated 12 October 2015 entered into among FREC as purchaser, Very Easy Limited and City Link Consultancy Limited as vendors, and Chan Sze Long and Lim Wah Elsa, being the directors of AP Group Investment Holdings Limited (“**AP Group**”), as guarantors in relation to the sale and purchase of 51% of the issued share capital of AP Group at a consideration of HK\$20,400,000 (subject to downward adjustments);
- (o) the subscription agreement dated 29 October 2015 entered into between Weluck Development Limited (“**Weluck**”), a wholly-owned subsidiary of the Company, as subscriber and Cassia General Partner II Limited (“**Cassia General Partner**”) in relation to the capital commitment of US\$9,000,000 made by Weluck in Cassia Investments Limited Partnership II, being a fund whom Cassia General Partner is responsible for the overall management and control;
- (p) the placing agreement dated 24 February 2016 entered into between the Company as the issuer and SBI China Capital Financial Services Limited as the placing agent, pursuant to which the Company has conditionally agreed to place, through SBI China Capital Financial Services Limited, on a best endeavour basis, up to 296,250,000 new shares of the Company at a placing price of HK\$0.10 per new placing share. However, this placing agreement was lapsed on 18 March 2016;
- (q) the placing agreement dated 23 March 2016 entered into between the Company as the issuer and SBI China Capital Financial Services Limited as the placing agent, pursuant to which the Company has conditionally agreed to place, through SBI China Capital Financial Services Limited, on a best endeavour basis, up to 29,625,000 new Shares at a placing price of HK\$0.779 per new Share;
- (r) the supplemental agreement dated 5 May 2016 entered into among FREI as purchaser and Cheung Ming Kuang as vendor in relation to the amendments to the Acquisition Agreement including, among other matters, the reduction of maximum consideration from HK\$55,125,000 to HK\$36,750,000 (subject to adjustments);

- (s) the sale and purchase agreement dated 13 June 2016 entered into among FREC as vendor, Lucky Famous Limited as purchaser, and the Company as guarantor in relation to the sale and purchase of 51% of the issued share capital of AP Group at a maximum consideration of HK\$20,400,000 (subject to downward adjustments);
- (t) the sale and purchase agreement dated 13 June 2016 entered into between Weluck Development Limited, a wholly-owned subsidiary of the Company, and GET Holdings Limited as the issuer, pursuant to which Weluck Development Limited has conditionally agreed to subscribe for and GET Holdings Limited has conditionally agreed to allot and issue 8,583,000 shares of GET Holdings Limited for a total consideration of HK\$4,291,500;
- (u) the sale and purchase agreement dated 24 June 2016 entered into among Honest Novel Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser and two Independent Third Parties as vendors in relation to the sale and purchase of the entire issued share capital of Ample Capital Limited at a consideration of HK\$30,000,000;
- (v) the Underwriting Agreement; and
- (w) the supplemental agreement dated 9 August 2016 and entered into between the Company and the Underwriter supplemental to the Underwriting Agreement in relation to amendment of certain dates in the timetable of the Right Issue.

10. LITIGATION

- (a) A court action was commenced in the Court of First Instance of the Hong Kong Special Administrative Region on 17 April 2002 by The Star Overseas Limited (“**Star**”), an independent third party, against Universe Entertainment Limited (“**UEL**”), an indirect wholly-owned subsidiary of the Company.

By the above action, Star alleges that a sum of US\$935,872 (equivalent to HK\$7,299,799) was payable by UEL to Star as its share of the revenue of the movie entitled “Shaolin Soccer” (the “**Movie**”).

Pursuant to an order (the “**Order**”) made by the High Court of Hong Kong on 21 February 2003, UEL was ordered and had paid to Star a sum of HK\$5,495,700, being part of the licence fee of the Movie received by UEL from Miramax Films (being the licensee of the Movie) and which was also part of the sum claimed by Star. Pursuant to the Order, UEL is also liable to pay Star interest in the sum of HK\$350,905 and some of the costs of the application leading to the making of the Order, all of which have been settled. As the Order has not disposed of all the claims of US\$935,872 (equivalent to HK\$7,299,799) by Star, UEL is entitled to continue to defend the claim by Star for recovering the remaining balance in the sum of approximately HK\$1,804,099 (HK\$7,299,799 less HK\$5,495,700).

On 30 April 2002, UEL issued a Writ of Summons against Star for the latter's wrongful exploitation of certain rights in the Movie co-owned by both parties. UEL claimed to recover all losses and damages suffered by UEL as a result of the wrongful exploitation.

On 9 September 2002, Universe Laser & Video Co. Limited ("ULV"), an indirect wholly owned subsidiary of the Company, issued a Writ of Summons against Star for the latter's infringement of the licensed rights in the Movie held by ULV. ULV claimed to recover all loss and damages suffered by ULV as a result of the said infringement.

In the opinion of legal counsel, it is premature to predict the outcome of the claim against UEL. The Board is of the opinion that the outcome of the said claim against UEL will have no material financial impact on the Group as at 30 June 2016.

- (b) On 1 September 2008, Koninklijke Philips Electronics N.V. ("KPE") issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Video Compact Disc owned by KPE.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim made against the Company, ULV and Mr. Lam Shiu Ming, Daneil. The Board is of the opinion that the outflow of economic benefits cannot be reliably estimated and accordingly no provision for any liability that may result has been made as at 30 June 2016.

- (c) On 8 January 2010, KPE issued a Writ of Summons against among other persons, the Company, ULV and Mr. Lam Shiu Ming, Daneil (one of the Directors), being three of the defendants named therein, in respect of damages arising from alleged infringement of the patents regarding Digital Video Disc owned by KPE.

In June 2012, the action was discontinued against the Company and Mr. Lam Shiu Ming, Daneil. The claim made against ULV has been agreed with KPE and settled by ULV and appropriate legal costs provision was recognised accordingly in the consolidated financial statements for the year ended 30 June 2012.

No additional provision has been made as at 30 June 2016. Based on the consultation with legal counsel, no further material outflow of economic benefits will be incurred for ULV.

- (d) Universe Artiste Management Limited (“UAM”) commenced Court of First Instance Action against Kwong Ling and Oriental Prosperous Int’l Entertainments Limited (collectively the “**Defendants**”) on 30 June 2014 claiming *inter alia* for a declaration that UAM is entitled to extend/renew the term of the Artist Management Contract of the Defendants with UAM (the “**Artist Management Contract**”) for 5 years as from 3 May 2014 to 2 May 2019.

The Defendants filed their defence and counterclaim on 29 September 2014. By such counterclaim, the Defendants claiming against UAM *inter alia* for a declaration that the Artist Management Contract was void and unenforceable, the Artist Management Contract to be rescinded, damages for breach of the Artist Management Contract and for breach of fiduciary duties, a declaration that UAM is liable to account to the Defendants and an order for payment of all sums found to be due by UAM to the Defendants.

In the opinion of legal counsel, it is premature to predict the outcome of the said claim against UAM. The Board considers that the amounts of counterclaim by the Defendants against UAM is insignificant to the Group as a whole.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

11. CORPORATE INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head Office and Principal Place of Business in Hong Kong	18th Floor Wyler Centre Phase II 192-200 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Authorised Representatives	Mr Lam Shiu Ming, Daneil 18th Floor Wyler Centre Phase II 192-200 Tai Lin Pai Road Kwai Chung New Territories Hong Kong Mr Lam Kit Sun 18th Floor Wyler Centre Phase II 192-200 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Company Secretary	Mr Lam Kit Sun (fellow and practicing member of the Hong Kong Institute of Certified Public Accountants, fellow member of the Association of Chartered Certified Accountants, associate of The Hong Kong Institute of Chartered Secretaries)
Auditor	Crowe Horwath (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road, Central Hong Kong
	OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong
	Bank of Communications Co., Ltd. 20 Pedder Street, Central Hong Kong
Branch Share Registrar and Transfer Office in Hong Kong	Tricor Abacus Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

12. PARTIES INVOLVED IN THE RIGHTS ISSUE

The Company	18th Floor Wylar Centre Phase II 192-200 Tai Lin Pai Road Kwai Chung New Territories Hong Kong
Underwriter	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong
Financial adviser to the Company	Nuada Limited Units 1803, 1805-08, 18/F, OfficePlus @Sheung Wan 93-103 Wing Lok Street Sheung Wan Hong Kong

Legal Adviser to the Company	<i>As to Hong Kong law</i> Leung & Lau Units 7208-10, 72nd Floor The Center 99 Queen's Road C., Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Donvex Capital Limited Unit 1305, 13/F Carpo Commercial Building 18-20 Lyndhurst Terrace, Central Hong Kong
Reporting Accountant	Crowe Horwath (HK) CPA Limited 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong

13. PARTICULARS OF DIRECTORS

Executive Directors

Mr. LAM Shiu Ming, Daneil, aged 54, is the founder and chairman of the Group. He is involved in marketing, corporate strategy, business planning and development and overall management of the Group. Mr. Lam has 34 years of experience in the film industry in Hong Kong. He was awarded the "Young Industrialist Awards of Hong Kong" by the Federation of Hong Kong Industries in 2002.

Mr. HUNG Cho Sing, aged 75, is mainly responsible for the business development of the Group. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organizing Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993 and from 1993 to 1995, Mr. Hung was the Chairman of the Board of Directors of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative

Industries under the Economic Development Commission. Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014 and an independent non-executive director of Mascotte Holdings Limited (stock code: 136) from January 2013 to October 2015. Currently, Mr. Hung is the chairman and executive director of Jia Meng Holdings Limited (stock code: 8101), an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Freeman Financial Corporation Limited (stock code: 279), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Sunrise (China) Technology Group Limited (stock code: 8226), and an independent non-executive director of Miko International Holdings Limited (stock code: 1247). Mr. Hung joined the Group in October 2013.

Ms. CHENG Hei Yu, aged 37, has extensive experience in property investment and securities management in Hong Kong and the PRC. Ms. Cheng held senior positions in business development in various private companies including Best Port Travel (H.K.) Limited and Leading Global Investment Limited where she was involved in a number of business projects and was responsible for strategic development and management. Ms. Cheng joined the Group in December 2015.

Mr. LAM Kit Sun, aged 39, is the chief financial officer and company secretary of the Group. He is responsible for the financial and investments functions of the Group. Prior to joining the Group in 2013, he has over 10 years' experience in the field of financial reporting, financial management and audit experience in the PRC and Hong Kong. He graduated from The Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Accounting. Mr. Lam is a fellow and practicing member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), a fellow member of the Association of Chartered Certified Accountants (“**ACCA**”), an associate of The Hong Kong Institute of Chartered Secretaries and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Lam was an executive director and a non-executive director of Kiu Hung International Holdings Limited (formerly known as Kiu Hung Energy Holdings Limited) (stock code: 381) for the period from October 2009 to July 2013 and for the period from August 2013 to April 2016 respectively, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lam was an independent non-executive director of DX.com Holdings Limited (“**DX**”) (stock code: 8086) from August 2013 to January 2015, an independent non-executive director of GET Holdings Limited (“**GET**”) (stock code: 8100) from October 2013 to April 2015 and was also the chief financial officer and company secretary of Finsoft Financial Investment Holdings Limited (“**Finsoft**”) (formerly known as Finsoft Corporation) (stock code: 8018) from September 2013 to February 2015. The shares of each of DX, GET and Finsoft are listed on the Growth Enterprise Market of the Stock Exchange (the “**GEM**”). He joined the Group in August 2013.

Non-executive Directors

Mr. Chan Shiu Kwong Stephen, aged 59, holds a Master degree in Professional Accounting from Hong Kong Polytechnic University and a Bachelor of Commerce Accounting from Curtin University of Australia. He is currently a fellow member of HKICPA, a fellow member of Certified Public Accountants (Australia), a fellow member of the Institute of Chartered Secretaries and Administrators, a fellow member of the Hong Kong Institute of Company Secretaries and an affiliated member of American Society of Appraisers. He has completed a certificate course in PRC accounting and PRC tax law from The Chinese University of Hong Kong. Currently, he is also a member of The Association of Hong Kong Professionals and Hong Kong and Kowloon Chiu Chow Public Association.

Mr. Chan has over 25 years of experience in property development, manufacturing, travel and gaming related industries. He has worked for various multi-national organisations and Hong Kong listed companies including American President Lines, Paccess International, Tileman UK, Dairy Farm Cold Storage, Hopewell Construction, Shui On Construction, Wing On Travel and Deloitte and equipped with profound experience in merger and acquisition transactions, treasury, strategies and risk management, corporate finance, accounting, tax planning and company secretary practice. Since 20 April 2005 and 27 August 2012, Mr. Chan has been appointed as an executive director and company secretary of Neptune Group Limited (stock code: 70), a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan is also an independent non-executive director of China Jicheng Holdings Limited (stock code: 1027), a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan joined the Group in March 2015.

Independent non-executive Directors

Mr. LAM Wing Tai, aged 50, is currently the company secretary of Worldgate Global Logistics Ltd (stock code: 8292), the shares of which are listed on GEM and an independent non-executive Director of Jun Yang Financial Holdings Limited (stock code: 397), the shares of which are listed on the Main Board of the Stock Exchange. He studied accounting at the Australian National University and obtained a Bachelor of Commerce degree in 1991. Mr. Lam is a member of both the CPA Australia and HKICPA. Mr. Lam was an executive director of Ngai Shun Holdings Limited (stock code: 1246), the shares of which are listed on the Main Board of the Stock Exchange from March 2015 to July 2015. He was also an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148), the shares of which are listed on GEM, from October 2015 to January 2016. He was the company secretary of Dafeng Port Heshun Technology Company Limited (stock code: 8310) and Computech Holdings Limited (currently known as Interactive Entertainment China Cultural Technology Investments Limited (stock code: 8081)) the shares of which are listed on the GEM. He joined the Group in October 2013.

Mr. CHOI Wing Koon, aged 39, is currently the financial controller and company secretary of Global Energy Resources International Group Limited (stock code: 8192), the shares of which are listed on GEM. Mr Choi holds a bachelor's degree of business administration in accounting awarded by the Hong Kong University of Science and Technology in 1999. Mr. Choi also obtained a master degree of business administration awarded by the University of Hong Kong in 2014. Mr Choi is a fellow of the ACCA and a member of the HKICPA. Mr. Choi has over 14 years of experience in accounting and company secretarial field. He is currently the independent non-executive director of G Neptune Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad. Mr Choi was an independent non-executive director of Zhidao International (Holdings) Limited (stock code: 1220) from January 2012 to September 2014 and the financial controller and company secretary of Taung Gold International Limited (stock code: 621) from September 2010 to April 2013, shares of both of which are listed on the Main Board of the Stock Exchange. He joined the Group in December 2013.

Mr. LAM Chi Keung (“**Mr. CK Lam**”), aged 46, is currently the chief executive officer and an executive director of Co-Prosperty Holdings Limited (stock code: 707) and an executive director of Sino Haijing Holdings Limited (stock code: 1106), the shares of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Convoy Financial Holdings Limited (stock code: 1019) whose shares are listed on the Main Board of the Stock Exchange from March 2014 to June 2016. He was also the group financial controller and company secretary of Ngai Shun Holdings Limited (stock code: 1246) from January 2014 to October 2014, whose shares are listed on the Main Board of the Stock Exchange. Mr. CK Lam holds a bachelor's degree of science in accounting awarded by Brigham Young University-Hawaii in 1996. Mr. CK Lam also obtained a master's degree of science in e-Commerce from The Chinese University of Hong Kong in 2002. Mr. CK Lam is a fellow of the HKICPA and a member of the American Institute of Certified Public Accountants. Mr. CK Lam has around 19 years of experience in accounting and corporate finance. He joined the Group in December 2013.

Company Secretary

Mr LAM Kit Sun is the company secretary of the Company. Please refer to his biographical details set out above.

14. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be not less than approximately HK\$8.4 million and are payable by the Company.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office at 18th Floor, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong during 9:30 a.m. to 5:00 p.m. on any day (not being a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business from the date of this Circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 30 June 2013, 2014 and 2015;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 41 of this Circular;
- (d) the letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 42 to 60 of this Circular;
- (e) the report on the pro forma financial information of the Group from Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix II to this Circular;
- (f) the written consents referred to in the paragraph headed "Qualification of Experts, Consents and Their Interests in Assets" to this Appendix;
- (g) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix; and
- (h) this Circular.

NOTICE OF SGM

UNIVERSE

| 寰宇 |

UNIVERSE INTERNATIONAL FINANCIAL HOLDINGS LIMITED 寰宇國際金融控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1046)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Universe International Financial Holdings Limited (the “**Company**”) will be held at 18/F, Wyler Centre Phase II, 192-200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong on Monday, 29 August 2016 at 12:00 noon for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon: (i) The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (as defined below) (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date (as defined in the circular (“**Circular**”) of the Company dated 12 August 2016); (ii) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date; and (iii) the Underwriting Agreement (as defined in the Circular) not being terminated by the Underwriter (as defined in the Circular) pursuant to the terms thereof on or before the Latest Time of Termination (as defined in the Circular):

- (a) the issue by way of rights (“**Rights Issue**”) of not less than 355,548,184 ordinary shares of HK\$0.01 each of the Company (“**Rights Shares**”) and not more than 367,399,760 Rights Shares to the shareholders (“**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 8 September 2016 (“**Record Date**”) (or such other date as may be agreed in writing between the Company and the Underwriter) other than those shareholders of the Company whose registered addresses as shown on the register of members of the Company are in any place outside Hong Kong and whom the directors of the Company (“**Directors**”), based on the enquiry made by the Company, consider it is necessary or expedient not to offer the Rights Shares to such shareholders (“**Excluded Shareholders**”) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory

NOTICE OF SGM

body(ies) or stock exchange(s) in those place(s), in the proportion of two (2) Rights Shares for every one (1) existing share of the Company then held on the Record Date at the subscription price of HK\$0.60 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;

- (b) 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 form 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;
- (c) 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 effect the Rights Issue; and
- (d) any one Director 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 he/she may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue and the Underwriting Agreement or any transactions contemplated thereunder.”

On behalf of the Board of
Universe International Financial Holdings Limited
Lam Shiu Ming, Daneil
Chairman and Executive Director

Hong Kong, 12 August 2016

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
18th Floor
Wyler Centre Phase II
192-200 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish and in such event, the form of proxy shall be deemed to be revoked.
3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall alone be entitled to vote in respect thereof.

As at the date of this notice, the Directors are as follows:

Executive Directors:

Mr. Lam Shiu Ming, Daneil (*Chairman*)

Ms. Cheng Hei Yu

Mr. Hung Cho Sing

Mr. Lam Kit Sun

Non-executive Director:

Mr. Chan Shiu Kwong, Stephen

Independent non-executive Directors:

Mr. Lam Chi Keung

Mr. Choi Wing Koon

Mr. Lam Wing Tai