
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Heng Tai Consumables Group Limited, you should at once hand this circular with the accompanying proxy form to the purchaser or 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 transferee.

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This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 900,348,091 RIGHTS SHARES
AND NOT MORE THAN 949,525,861 RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD ON RECORD DATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

Underwriter of the Rights Issue



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

A letter from the Board is set out on pages 9 to 31 of this circular and the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. The letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 49 of this circular.

A notice convening the EGM to be held at 10:30 a.m. on Wednesday, 23 November 2016 at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong is set out on pages 74 to 76 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the paragraphs headed "Termination of the Underwriting Agreement" on pages 1 and 2 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

Shareholders should note that (i) the Shares are expected to be dealt with on an ex-rights basis commencing from Friday, 25 November 2016; (ii) dealing in the Rights Shares in their nil-paid form is expected to commence on Thursday, 8 December 2016; and (iii) dealings in such Shares and nil-paid Rights Shares will take place prior to the Latest Time for Termination while certain conditions precedent to the completion of the Underwriting Agreement remain unfulfilled. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and, if they are in doubt about their position, consult their professional advisers.

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Accompanying document – Proxy form for the EGM

EXPECTED TIMETABLE

EXPECTED TIMETABLE

Set out below is the expected timetable for the Increase in Authorised Share Capital and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

2016

Latest time for lodging transfers of Shares in order to qualify for attending and voting at the EGM	4:00 p.m. on Friday, 18 November
Latest time for lodging proxy form for the EGM (not less than 48 hours)	10:30 a.m. on Monday, 21 November
Closure of register of members of the Company for determining the rights to attend the EGM (both dates inclusive)	Monday, 21 November to Wednesday, 23 November
Record date for attending and voting at the EGM	Wednesday, 23 November
EGM	10:30 a.m. on Wednesday, 23 November
Announcement of poll results of EGM	Wednesday, 23 November

The following events are conditional on the fulfilment of the conditions for the implementation of the Increase in Authorised Share Capital

Effective Date of the Increase in Authorised Share Capital	Thursday, 24 November
Last day of dealings in Shares on cum-entitlement basis of the Rights Issue	Thursday, 24 November
Ex-date (the first day of dealings in Shares on ex-entitlement basis of the Rights Issue)	Friday, 25 November
Latest time for lodging transfers of shares in order to qualify for the Rights Issue	4:00 p.m. on Monday, 28 November
Register of members closes (both days inclusive)	Tuesday, 29 November to Monday, 5 December
Record Date for the Rights Issue	Monday, 5 December
Register of members re-opens	Tuesday, 6 December

EXPECTED TIMETABLE

2016

Despatch of the Prospectus Documents	Tuesday, 6 December
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 8 December
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Monday, 12 December
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Thursday, 15 December
Latest Time for Acceptance and payment for the Rights Shares and application for excess Rights Shares	4:00 p.m. on Tuesday, 20 December
Latest Time for Termination of the Underwriting Agreement by the Underwriter	4:00 p.m. on Wednesday, 21 December
Announcement of the results of the Rights Issue	Thursday, 29 December
Despatch of share certificates for fully-paid Rights Shares	On or before Friday, 30 December
Despatch of refund cheques if the Rights Issue is terminated or in respect of unsuccessful or partially successful application for excess Rights Shares	On or before Friday, 30 December

2017

Expected first day of dealings in fully-paid Rights Shares on the Stock Exchange	9:00 a.m. on Tuesday, 3 January
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Notes:

1. All dates and times set out in this circular refer to Hong Kong dates and times.
2. Dates or deadlines specified in this circular are indicative only and may be extended or varied by the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) at the HKExnews website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hengtai.com.hk as and when appropriate and in accordance with the Listing Rules.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of the abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section (including, without limitation, the Latest Time for Termination) may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If, prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or 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 or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) 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 hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis 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 or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten 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,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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

- (a) any material breach of any of the representations, warranties or undertakings of the Company contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of termination notice by the Underwriter, the obligations of all parties, subject to the Underwriting Agreement, shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

DEFINITIONS

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

“Agri-Products Business”	the trading of agri-products and the upstream farming business
“Announcement”	the announcement of the Company dated 20 October 2016 in relation to, among other things, the Rights Issue and the Increase in Authorised Share Capital
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Best Global”	Best Global Asia Limited, a company incorporated in the BVI and the entire issued share capital of which is wholly and beneficially owned by Mr. Lam
“Best Global Undertaking”	an irrevocable undertaking to be given by Best Global in favour of the Company and the Underwriter not to dispose of their shareholdings and to subscribe for all the Rights Shares it will be entitled under the Rights Issue
“Board”	the board of Directors or a duly authorised committee thereof
“Branch Share Registrar”	Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Brokerage Business”	the business of the principal operating company of the target group, which is licensed to carry on type 1 regulated activity (dealing with securities) under the SFO and to be acquired by the Group as announced by the Company on 5 September 2016
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the business of dealing in securities
“BVI”	British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)

DEFINITIONS

“Company”	Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands with limited liability of which its issued Shares are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent of the Underwriting Agreement as set out in the section headed “Conditions of the Rights Issue and the Underwriting Agreement”
“Connected Persons”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“Directors Take-Up Undertakings”	collectively, the Best Global Undertaking and the World Invest Undertaking
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, if any, the Increase in Authorised Share Capital and the Rights Issue (or any adjournment thereof)
“Excluded Shareholder(s)”	those Overseas Shareholder(s) to whom the Company considers it necessary or expedient not to offer the Rights Shares where, in the opinion of the Board (having obtained relevant and necessary legal opinions), it would or might be unlawful or impracticable to offer Rights Shares in such places on account of any legal or regulatory restrictions or special formalities in such places
“FMCG Trading Business”	the trading of packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,000,000,000 unissued Shares of HK\$0.10 each

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “IFA”	Royal Excalibur Corporate Finance Company Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	Shareholder(s) other than (i) the Directors and their respective associates, which as at the Latest Practicable Date comprise Best Global and World Invest; and (ii) any Shareholders who have a material interest in the Underwriting Agreement and the Rights Issue, who shall be required under the Listing Rules (and if applicable, the Takeovers Code) to abstain from voting on the resolutions to approve the Rights Issue at the EGM
“Independent Third Party(ies)”	to the best knowledge, information and belief and having made all reasonable enquiries by the Directors, the party and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company
“Last Trading Day”	20 October 2016, being the last day of dealing of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Practicable Date”	3 November 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	being ten Business Days after the Prospectus Posting Date, which is expected to be 4:00 p.m. on Tuesday, 20 December 2016 or such later date as stated in the Prospectus for acceptance of and payment for the Rights Shares as well as the application for the excess Rights Shares
“Latest Time for Termination”	being 4:00 p.m. on the next Business Day following (but excluding) the Latest Time for Acceptance, i.e. Wednesday, 21 December 2016 or such later time or date as stated in the Prospectus, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistics Services Business”	the provision of cold chain logistics services and value-added post-harvest food processing

DEFINITIONS

“Mr. Lam”	Mr. Lam Kwok Hing, the Chairman, Chief Executive Officer and an executive Director of the Company and the spouse of Ms. Lee
“Ms. Lee”	Ms. Lee Choi Lin, Joecy, an executive Director of the Company and the spouse of Mr. Lam
“Options”	options granted pursuant to the Share Option Scheme entitling the holders to convert into Shares on exercise of the options
“Option Holders”	holders of the Options
“Overseas Shareholder(s)”	Shareholder(s) with registered addresses as shown in the register of members of the Company on the Record Date which are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company relating to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Tuesday, 6 December 2016 or such later time or date as announced by the Company the despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information purpose only, to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Monday, 5 December 2016 or such later time or date as stated in the Prospectus for the determination of the entitlements under the Rights Issue
“Rights Issue”	the proposed issue of the Rights Shares, subject to the fulfilment of the Conditions Precedent, for subscription by the Qualifying Shareholders on the basis of one Rights Share for every one existing Share held by a Qualifying Shareholder on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

DEFINITIONS

“Rights Shares”	Not less than 900,348,091 new Shares and not more than 949,525,861 new Shares to be issued by the Company pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted on 21 December 2009
“Share Option Shares”	up to 49,177,770 Shares which may be allotted and issued by the Company upon exercise of the 49,177,770 outstanding Options
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Event”	an 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 or undertakings by the Company contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.24 per Rights Share
“subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies (WUMP) Ordinance and “subsidiaries” shall be construed accordingly
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers administered by the SFC
“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 20 October 2016 entered into between the Company and the Underwriter in relation to the underwriting and other arrangements in respect of the Rights Issue
“Underwritten Shares”	not less than 762,808,634 Rights Shares and not more than 811,986,404 Rights Shares that the Underwriter has agreed to subscribe or procure subscribers or sub-underwriters to subscribe for, which are not subscribed by the Qualifying Shareholders (other than Best Global and World Invest) pursuant to the Underwriting Agreement
“World Invest”	World Invest Holdings Limited, a company incorporated in the BVI and the entire issued share capital of which is wholly and beneficially owned by Ms. Lee
“World Invest Undertaking”	an irrevocable undertaking to be given by World Invest in favour of the Company and the Underwriter not to dispose of their shareholdings and to subscribe for all the Rights Shares it will be entitled under the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

Executive Directors:

Mr. Lam Kwok Hing (*Chairman*)
Ms. Lee Choi Lin, Joecy
Ms. Hung Sau Yung, Rebecca
Ms. Gao Qin Jian

Non-executive Director:

Ms. Chan Yuk, Foebe

Independent Non-executive Directors:

Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung, Newman

Registered Office:

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

*Head Office and Principal Place of
Business in Hong Kong:*

31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

7 November 2016

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED RIGHTS ISSUE OF NOT LESS THAN 900,348,091 RIGHTS SHARES
AND NOT MORE THAN 949,525,861 RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD ON RECORD DATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement, in relation to, among other things, (i) the proposed Increase in Authorised Share Capital; and (ii) the proposed Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, (i) further details of the Increase in Authorised Share Capital and 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 on the Rights Issue; and (iv) a notice convening the EGM.

2. INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$100,000,000 divided into 1,000,000,000 Shares of HK\$0.10 each of which 900,348,091 Shares have been allotted and issued and fully-paid or credited as fully-paid as at the Latest Practicable Date. As at the Latest Practicable Date, the remaining number of Shares in the authorised share capital of the Company available for issue were 99,651,909 Shares.

In order to facilitate the Rights Issue and to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Board proposes to increase the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,000,000,000 unissued Shares of HK\$0.10 each, which will rank pari passu in all respects with each other.

The Increase in Authorised Share Capital is subject to the passing of an ordinary resolution by the Shareholders approving the Increase in Authorised Share Capital at the EGM. No Shareholder is required to abstain from voting on the resolution for approving the Increase in Authorised Share Capital to be proposed at the EGM under the Listing Rules.

The Board considers that Increase in Authorised Share Capital will provide flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes. As such, the Board is of the view that the Increase in Authorised Share Capital is in the interest of the Company and the Shareholders as a whole.

3. RIGHTS ISSUE

On 20 October 2016, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue and details of the Rights Issue and the Underwriting Agreement are set out below.

A. Principal Terms of the Rights Issue

Basis of the Rights Issue:	One Rights Share for every one existing Share held by a Qualifying Shareholder on the Record Date
Number of existing Shares:	900,348,091 Shares in issue as at the Latest Practicable Date

LETTER FROM THE BOARD

Number of Rights Shares:	Not less than 900,348,091 Rights Shares and not more than 949,525,861 Rights Shares
Subscription Price:	HK\$0.24 per Rights Share
Number of Rights Shares underwritten by the Underwriter:	Not less than 762,808,634 Rights Shares and not more than 811,986,404 Rights Shares to be determined on the Record Date
Right of excess applications:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

The aggregate nominal values of the Rights Shares to be issued pursuant to the Rights Issue are not less than HK\$90,034,809.10 and not more than HK\$94,952,586.10.

As at the Latest Practicable Date, the Company has 49,177,770 Options outstanding, which entitling the Option Holders to convert into 49,177,770 Shares. Save for the said Options, the Company has no other outstanding warrants, options or other securities convertible into or exchangeable for Shares.

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 900,348,091 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 100% of the existing issued share capital of the Company; and (ii) 50% 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 outstanding Options being exercised in full and Share Option Shares have been issued pursuant thereto on or before the Record Date, the 949,525,861 Rights Shares proposed to be allotted and issued represents (i) approximately 105.46% of the existing issued share capital of the Company; and (ii) 50% 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.

The Subscription Price

The Subscription Price of HK\$0.24 per Rights Share will be payable in full on 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.

The Subscription Price represents:

- (a) a discount of approximately 17.2% to the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 16.1% to the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (c) a discount of approximately 15.5% to the average closing price of HK\$0.284 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 9.4% to the theoretical ex-entitlement price of approximately HK\$0.265 based on the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (e) a discount of approximately 7.7% to the closing price of HK\$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares under prevailing market conditions where the Company noted that the closing price of the Shares as quoted on the Stock Exchange in the last six months were on the slow but continuous downward trend from less than HK\$0.40 to about HK\$0.26. The Directors (including the independent non-executive Directors who have given their view after taking into account the advice of the Independent Financial Adviser) consider the terms of the Rights Issue, including the Subscription Price, the rates of discount and the subscription rate as illustrated above to be fair and reasonable and in the interests of the Company and the Shareholders as a whole on the basis that the Qualifying Shareholders are offered a chance to elect to subscribe for the Rights Shares at a relatively low price and to maintain their respective pro rata shareholdings in the Company. The Directors also consider that the discount will encourage the Qualifying Shareholders to take up their entitlements, so as to participate in and share the potential growth of the Group, and for those Shareholders who elect not to take up the Rights Shares may dispose of their nil-paid Rights Shares. In view of the potential dilution of up to 50% to the shareholdings of those Shareholders who do not take up the Rights Shares, the Board considered that (i) the Rights Issue and the Underwriting Agreement is subject to the Independent Shareholders approval at the EGM; (ii) the Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (iii) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid Rights Shares in the market for economic benefits; (iv) the Rights Issue allows the Qualifying Shareholders to maintain their shareholding interests in the Company with equal opportunity to participate in the enlarged capital base upon completion of the Rights Issue and at the same time can enjoy the discount from the subscription of the Rights Shares; and (v) the Rights Issue will not increase the future interest burden and finance costs of the Group, the Subscription Price, the subscription rate and the potential shareholding dilution effect are fair and reasonable and in the interests of the Shareholders.

The net price per Rights Share (after deducting the costs and expenses in relation to the Rights Issue and the underwriting commission) will be approximately HK\$0.23.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the then existing Shares 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.

LETTER FROM THE BOARD

Fractions of the Rights Shares

On the basis of one Rights Share for every one existing Share in issue held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfilment of the Conditions Precedent as set out in the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” in this circular below, share certificates for all fully-paid Rights Shares are expected to be posted on or before Friday, 30 December 2016 by ordinary mail to the Qualifying Shareholders who have validly accepted and applied for (where appropriate), and paid for the Rights Shares by the Latest Time for Acceptance, i.e. 4:00 p.m. on Tuesday, 20 December 2016 at their own risk.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) or if the Rights Issue is terminated, will be despatched on or before Friday, 30 December 2016 by ordinary mail at the risk of respective Shareholders.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in, the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Excluded Shareholders, their receipt of the net proceeds of sale of the Rights Shares in their nil-paid form otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Shares in both their nil-paid and fully-paid forms.

Qualifying Shareholders and Excluded Shareholders

The Company will send (a) the Prospectus Documents to the Qualifying Shareholders; and (b) the Prospectus only, for information purpose only, to the Excluded Shareholders.

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must not be an Excluded Shareholder.

Beneficial owners with their Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such beneficial owners with their Shares held by such nominee company 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 such nominee company are advised to consider whether they would like to arrange registration of their Shares in their own names 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 for entitling to participate in the Rights Issue, they must lodge all necessary documents for completion of the relevant registration with the Branch Share Registrar by 4:00 p.m. on Monday, 28 November 2016.

Beneficial owners should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names.

The last day of dealings in the Shares on the Stock Exchange on a cum-entitlement basis will be Thursday, 24 November 2016. The Shares will be dealt in on an ex-entitlement basis on the Stock Exchange from Friday, 25 November 2016. To qualify for the Rights Issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong,

**Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong**

for registration not later than 4:00 p.m. on Monday, 28 November 2016 according to the expected timetable.

If, at the close of business on the Record Date, any Shareholder whose address as shown on the register of members of the Company is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will, if necessary, make enquiries to its legal advisers regarding the legal restrictions under the law of the relevant place and the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that it would not be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirement of the relevant regulatory body or stock exchange in that place to make any offer of the Rights Shares to Overseas Shareholders, the Rights Issue will not be available to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

As at the Latest Practicable Date, there is one Shareholder whose address as shown on the register of members of the Company is in a place outside of Hong Kong.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid to the Excluded Shareholders pro rata to their shareholdings held at the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

LETTER FROM THE BOARD

Any Rights Shares not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares and unsold entitlements of the Excluded Shareholders to the Rights Shares will be made available for excess applications by Qualifying Shareholders under the EAFs.

Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled to and the Excluded Shareholders should note that their shareholding in the Company will be diluted by 50% upon completion of the Rights Issue.

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.

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 the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by Qualifying Shareholders duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same, with a separate cheque or banker's cashier's order for the sum payable for the excess Rights Shares being applied for, with the Branch Share Registrar so as to be received by no later than 4:00 p.m. on Tuesday, 20 December 2016. All remittances must be made by cheque or banker's cashier's order in Hong Kong dollars.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair basis in proportion to the number of excess Rights Shares being applied for under each application, and on the following principles:

- (a) no preference will be given to topping up odd lots to whole board lots;
- (b) the allocation of any excess Rights Shares to any Qualifying Shareholders would not cause such Qualifying Shareholder triggering any obligation under Rule 26 of the Takeovers Code to make a general offer;
- (c) the allocation of any excess Rights Shares to any Qualifying Shareholders would not cause the Company breaching the public float requirements under Rule 8.08 of the Listing Rules immediately after completion of the Rights Issue; and
- (d) no application for any excess Rights Shares should be made with intention to abuse the mechanism.

Beneficial owners with their Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, such beneficial owners with their Shares held by such nominee company should note

LETTER FROM THE BOARD

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 such nominee company are advised to consider whether they would like to arrange registration of their Shares in their own names prior to the Record Date.

Beneficial owners should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names.

All cheques and banker's cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or banker's cashier's order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or banker's cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it, have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary mail at the risk of the persons entitled hereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the Conditions Precedent are not fulfilled or waived (as applicable), the monies received in respect of the relevant applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by the ordinary mail to their respective addresses at their own risk on or before Friday, 30 December 2016.

B. Closure of register of members

The register of members of the Company will be closed from Monday, 21 November 2016 to Wednesday, 23 November 2016 (both dates inclusive) for the purpose of determining the right to attend and vote at the EGM.

The register of members of the Company will be closed from Tuesday, 29 November 2016 to Monday, 5 December 2016 (both dates inclusive) for the purpose of determining entitlements of Qualifying Shareholders to the Rights Issue as at the Record Date.

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

LETTER FROM THE BOARD

Beneficial owners with their Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by such nominee company are advised to consider whether they would like to arrange registration of their Shares in their own names prior to the Record Date.

For the beneficial owners whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company for entitling to participate in the Rights Issue, they must lodge all necessary documents for completion of the relevant registration with the Registrar by 4:00 p.m. on Monday, 28 November 2016.

Beneficial owners should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names.

C. Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in (i) the FMCG Trading Business; (ii) the Agri-Products Business; and (iii) the Logistics Services Business.

The Company had considered various financing means including bank borrowings and placing. Since the purpose for the Rights Issue is principally to obtain necessary funding timely in advance and in anticipation for use for the Brokerage Business, it would not be feasible to arrange for new banking facilities at present as the acquisition of the Brokerage Business has not been completed and may be subject to high interest or transaction costs, especially taking into account any possible interest rate increases in the future. Further, given the relatively large fund raising size, the Company considers that placing may substantially dilute the existing Shareholders' interests on the one hand and it may be difficult to attract sufficient places on the other hand.

As compared to placing or subscription of new Shares, debt financing, or other underlying securities of the Company, 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 and will have the least potential dilution impact on the overall shareholding of all the Shareholders.

With regards to the debt financing method, the Company considered that the existing bank facilities is confined to the Company's existing business operation. Long processing time for arranging a new bank facility will be expected and relevant finance cost will be substantial for the target group with cumbersome review process. An open offer is similar to the rights issue, yet it would not provide additional options to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares.

The Board considers that raising funds by way of the Rights Issue would be the most appropriate way in the current volatile financial market and taking into account the decreasing trading price of the Shares in recent years so that the Qualifying Shareholders would be able to participate in the potential future growth of the Group and to maintain its shareholding percentage. The Company had approached four potential brokerage and securities companies and also the substantial shareholder of the Company to

LETTER FROM THE BOARD

act as underwriters of the Rights Issue. Given the size of the Rights Issue, the Company was unable to secure sufficient number of underwriters willing to act as the underwriter to the Rights Issue and to agree with the terms of the underwriting. The Company finally selected the current Underwriter, Astrum Capital Management Limited because, pursuant to the terms of the Underwriting Agreement the Underwriter will be obliged to secure such number of sub-underwriters for underwriting all the Rights Shares (other than those to be subscribed by Best Global and World Invest) and the commission fees payable to the Underwriter is also within market range.

The Group intends to strengthen its existing businesses and constantly looks for investment opportunities apart from its existing business with potentials to further diversify its business and broaden the income sources to maximise the return to the Shareholders.

As announced on 5 September 2016, the Company via a wholly owned subsidiary Fiorfie Holdings Limited as the purchaser has conditionally agreed to acquire a target group company whereby its principal operating company, Sino Wealth Securities Limited, is a company incorporated in Hong Kong and is licensed to carry on type 1 regulated activity (dealing with securities) under the SFO. The relevant application for change in ownership of the aforesaid target group was submitted to SFC for approval in October 2016. With reference to the table regarding the performance pledges as stated in the annual report of the SFC for the year ended 2016, the processing time of licensing applications for corporations normally take 15 weeks. As the Company submitted the relevant applications to SFC in October 2016, the Board expected that such matter will be approved around February 2017. So far as is known to the Directors, as at the Latest Practicable Date, there is no impediment or material issue that may affect completion of the said acquisition, and the acquisition is expected to complete on or before end of February 2017 after the SFC has approved the matter.

According to the reports named “Financial Review of the Securities Industry for the year ended 31 December 2011” and “Financial Review of the Securities Industry for the year ended 31 December 2015” both being published by the SFC respectively, the total number of active cash clients and active margin clients in Hong Kong increased from approximately 1.04 million and 135,201 as at 31 December 2011 to approximately 1.26 million and 241,948 respectively as at 31 December 2015, representing compound annual growth rates (the “CAGR”) of approximately 4.9% for the active cash clients and approximately 15.7% for the active margin clients over the aforesaid period. The gross interest income of the Stock Exchange participants (category C, where the aforesaid principal operating company of the target group belongs to) increased from approximately HK\$2,092 million in 2011 to approximately HK\$4,371 million in 2015, representing CAGR of approximately 20.2% over the aforesaid period.

In addition, according to the report named “Financial Review of the Securities Industry for the half year ended 30 June 2016” being published by the SFC, the total number of active cash clients and margin clients in Hong Kong further increased to approximately 1.28 million and 254,934 respectively as at 30 June 2016, representing a growth rate of approximately 1.6% for the active cash clients and approximately 5.37% for the active margin clients over the aforesaid period. The gross interest income of the Stock Exchange participants (category C, where the aforesaid principal operating company of target group belongs to) increased from approximately HK\$2,517 million for the second half 2015 to approximately HK\$3,023 million for the first half 2016, representing a growth rate of approximately 20.1%.

LETTER FROM THE BOARD

The Board considers that acquiring the Brokerage Business will be in the best interest of the Shareholders and the Company as a whole for the following reasons: (i) the brokerage business market in Hong Kong has been expanding and continuing to attract a reasonable rate of return as shown in the figures extracts from public reports which are better than the existing principal business of the Group so that the Group could diversify its business portfolio into different industry and may minimize the adverse impact due to industry wide business downturn; and (ii) the target has been carrying on Brokerage Business with an existing team of staff with necessary experience and qualifications which will remain after completion of the acquisition and has an existing network of customers which allows the Company to quickly establish its place in the brokerage market and avoid a possible long start up time and costs.

The estimated net proceeds of the Rights Issue (after deducting the costs and expenses in relation to the Rights Issue and the underwriting commission fees which is estimated to be around HK\$8.8 million) are expected to amount to approximately not more than HK\$218.7 million and not less than HK\$207.3 million.

As set out in the 2016 Annual Report of the Company, the Company currently has about HK\$430 million bank and cash balances, of which about HK\$184 million are denominated in RMB and kept in the PRC, and about HK\$49.8 million being proceeds from the placing conducted by the Company on 4 May 2016 and are intended to be utilized for future investment of the Group which relates to the two principal business segments, the FMCG Trading Business and the Logistics Services Business. As at the Latest Practicable Date, the Company has been exploring and conducting due diligence on several potential projects and businesses but the negotiations with counter parties are very preliminary in nature and the Company has not determined whether to proceed further or determine the terms for the potential projects and businesses. At present, there is no concrete timetable and the Company will comply with relevant Listing Rules and to publish announcement(s) to inform the Shareholders of material progress.

Although it seems there is available cash remaining unutilized, the Board wishes to emphasize that historically, trading is one of the principal business activities of the Group and it requires the Group to have a sizeable level of available working capital to settle payments. Further, the Board has always been prudent in fund raising as evidenced in the action taken in the past decade. When the global economy has been very bullish in the 2000s, the Board had declined all invitations from potential investors and investment banks for debt financing, such as issuing convertible bonds, warrants or entering into exotic derivative swaps etc. In the end, the Company escaped the adverse impact of such debt financing following the severe global financial catastrophe where many other listed companies had faced. In addition, the Board has also considered the possible adverse financial impact if interest rate increases in the future if the Board chooses debt financing from banking facilities.

Therefore, as explained above, the Board considers raising funds at the current stage in anticipation of the completion of the acquisition of the Brokerage Business by way of Rights Issue is the most appropriate and reasonable.

Therefore, the Company intends to inject the net proceeds of the Rights Issue, i.e. approximately HK\$207.3 million, into the Brokerage Business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. In the unlikely event that the aforesaid acquisition fails to complete, the Company intends to use the funds for acquiring alternative suitable brokerage business, or utilize the funds to start up similar business internally if there is no suitable target available. The Company will comply with the Listing Rules and will publish an announcement to inform the Shareholders if the aforesaid acquisition fails to complete, and if there will be any change of the intended use of proceeds of the Rights Issue.

LETTER FROM THE BOARD

According to the information provided by Sino Wealth Securities Limited, the dollar value of transactions (cash account client) handled by it for the seven months period from April 2016 to October 2016 was approximately HK\$5 billion. Given the aforesaid dollar value of transactions handled by Sino Wealth Securities Limited, the Company considers that the size of net proceeds from the Rights Issue is fair and reasonable and would utilize within 12 months from the date of completion of the acquisition of the Sino Wealth Securities Limited.

To summarize, the Board does not wish to conduct necessary fund raising after the acquisition of the Brokerage Business is completed for various reasons. Since the target group company has been carrying on the business with a very sizable dollar value, the Group needs to conduct a sizeable fund raising so as to facilitate the expansion of the Brokerage Business immediately upon completion of the acquisition in order to capture the business opportunities. As the Rights Issue will need to take around two to three months to complete, it is expected to complete at the end of December 2016 to early January 2017, which provides a reasonable two months' lead time to the Company and ties in the expected completion of the acquisition of the Brokerage Business around February 2017. Further, since the Rights Issue is subject to Independent Shareholders' approval, if the Shareholders do not approve the Rights Issue at the EGM, the Board would still have time to consider alternative funding. The Board also noted that since there are many public holidays in that two months' lead time, conducting the Rights Issue according to the current time table is the most reasonable and appropriate timing.

If the Rights Issue is completed, the Board will be sure that it has the necessary funding to expand the Brokerage Business immediately upon completion of the acquisition and not to waste precious time to seek funding afterwards. For example, it will take another two to three months' time to conduct a Rights Issue. Further, if fund raising activities is conducted after completion of the acquisition, not only will the Group faces the risk of losing businesses opportunities, and hence delaying the expansion of the Brokerage Business, the Group may also face additional funding costs as interest rates may be increased in future, the financial market may become less favourable than the present moment, and the Company may not be able to secure the necessary underwriters to underwrite the Rights Issue with the terms as agreed and set out in this circular.

Taking into account of all the matters and the circumstances as explained above, the Board considers that it is appropriate and reasonable to conduct the Rights Issue according to the current time table and it is in the interests of the Shareholders and the Company as a whole.

LETTER FROM THE BOARD

Company's expected funding needs for the next 12 months

Other than the potential investments for the FMCG Trading Business and the Logistics Services Business, which would be funded by the proceeds from the placing conducted by the Company on 4 May 2016 and for the Brokerage Business which has been intended to be funded by the net proceeds of the Rights Issue, there is no other expected material funding needs for the next 12 months based on the Board's latest estimates with the following principal assumptions:

- (a) there will be no material changes in the current political, legal, fiscal, economic conditions in Hong Kong, the PRC or any of the countries in which the Group currently carries on or intends to carry on its business operations;
- (b) there will be no material changes in the current interest rate, exchange rates of foreign currencies or the basis or rates of tax applicable to the Group's business operations;
- (c) the Group is and will be able to continue its business operations, and will allocate sufficient resources to keep abreast of its future expansion, except for the cosmetics business which the Group has decided to pull out of this market gradually;
- (d) there will be sufficient financial support by drawing the existing banking facilities provided by our bankers for the Group's business operation needs; and
- (e) the management of the Group will not make any decision which is harmful to the Group's business operations.

The Board considers that the Group itself is expected to satisfy the Group's funding needs from its internal resources for the next 12 months from the date of this Circular, where the proceeds from the Rights Issue will be used to satisfy the expansion of the Brokerage Business as explained above.

D. Underwriting Agreement

Date:	20 October 2016
Issuer:	The Company
Underwriter:	Astrum Capital Management Limited
Number of Underwritten Shares:	Not less than 762,808,634 Rights Shares and Shares not more than 811,986,404 Rights Shares
Commission:	3.5% of the aggregate Subscription Price in respect of the number of the Underwritten Shares to be determined on the Record Date

Any Rights Share not taken up by the Qualifying Shareholders will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

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Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite not less than 762,808,634 Rights Shares and not more than 811,986,404 Rights Shares (on the basis that there will be no further issue of new Shares to any person or party on or before the Record Date save for the exercise of the Options, if any); and the Underwriter will, where applicable, appoint such number of sub-underwriters independent to the Company and its Connected Persons and independent to the Underwriter. The Underwriter and each of the sub-underwriters will underwrite such number of the Underwritten Shares to the effect that none of the Underwriter and/or the sub-underwriters together with their respective parties acting in concert (as defined under the Takeovers Code) will trigger any obligation under Rule 26 of the Takeovers Code to make a general offer, and each of the Underwriter and any sub-underwriter to be appointed and the subscribers procured by each of the Underwriter and any sub-underwriter to be appointed shall not hold in aggregate 10% or more of the voting rights of the Company immediately after completion of the Rights Issue; and the Underwriter shall procure independent placees to take up such number of the Underwritten Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after completion of the Rights Issue.

The Board is expected that completion of the Rights Issue in accordance with the terms of the Underwriting Agreement and as set out in this circular will not trigger any general offer obligations under Rule 26 of the Takeovers Code and the public float requirement will be complied with.

Information of the Underwriter

The Underwriter is 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. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of the Announcement and the Latest Practicable Date, the Underwriter and their ultimate beneficial owners are Independent Third Parties and the Underwriter does not hold any Shares.

The Company will pay the Underwriter an underwriting commission of 3.5% of the aggregate Subscription Price in respect of the number of the Underwritten Shares to be determined on the Record Date. Out of the underwriting commission, the Underwriter shall pay any commissions, costs and expenses incurred by it and in respect of the sub-underwriting 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.

The underwriting commission shall not be payable by the Company to the Underwriter if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If, prior to the Latest Time for Termination:

- (a) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or 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 or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) 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 hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis 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 or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole; or

LETTER FROM THE BOARD

- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the reasonable opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten 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,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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

- (a) any material breach of any of the representations, warranties or undertakings of the Company contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of termination notice by the Underwriter, the obligations of all parties, subject to the Underwriting Agreement, shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue is subject to the Underwriting Agreement having become unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following Conditions Precedent being fulfilled:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital by no later than the Prospectus Posting Date;
- (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Rights Issue by no later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents (and all other documents required to be attached thereto) duly signed by two Directors as confirmation of their having been approved by resolution of the Directors not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus, for information purpose only to the Excluded Shareholders;
- (e) the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Share, in both nil-paid and fully-paid forms, by no later than the first day of their dealings either unconditionally or subject to conditions which the Company accepts and the satisfaction of such conditions (if any);
- (f) none of the representations, warranties or undertakings given by the Company being breached, untrue, inaccurate or misleading in any material respect;
- (g) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (h) the compliance and performance of the Best Global Undertaking and the World Invest Undertaking.

The Underwriter may at any time by notice in writing to the Company waive the Condition Precedent (f) above. Save and except the Condition Precedent (f), the other Conditions Precedent are incapable of being waived. If the Conditions Precedent are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time for Termination or such other time and date as the Company and the Underwriter may agree in writing, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled.

Directors Take-Up Undertakings

Pursuant to the Underwriting Agreement, the Company will procure each of Best Global (which is legally and beneficially owned by Mr. Lam) and World Invest (which is legally and beneficially owned by Ms. Lee) to give an irrevocable undertaking respectively in favour of the Company and the Underwriter not to dispose of their shareholdings and to subscribe for all the Rights Shares they will be entitled under the Rights Issue. As at the Latest Practicable Date, the Company had obtained the two Directors Take-Up Undertakings.

LETTER FROM THE BOARD

Save for the above Directors Take-Up Undertakings, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares they are entitled under the Rights Issue.

E. Changes in shareholding structure

The following table sets out the possible changes in the shareholding structure of the Company arising from the Rights Issue:

Scenario 1

Assuming no Options are exercised and no Share Option Shares are allotted and issued on or before the Record Date:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue		Immediately upon completion of the Rights Issue assuming no Qualifying Shareholders (other than under the Directors Take-Up Undertakings) take up their respective entitlements under the Rights Issue	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Best Global (Note 1)	108,980,564	12.11	217,961,128	12.11	217,961,128	12.11
World Invest (Note 2)	28,558,893	3.17	57,117,786	3.17	57,117,786	3.17
Chan Cheuk Yu (Note 3)	94,902,984	10.54	189,805,968	10.54	N/A	N/A
Public Shareholders						
The Underwriter	-	-	-	-	762,808,634 (Note 4)	42.36
Chan Cheuk Yu (Note 3)	N/A	N/A	N/A	N/A	94,902,984	5.27
Other public Shareholders	667,905,650	74.18	1,335,811,300	74.18	667,905,650	37.09
Total	900,348,091	100.00	1,800,696,182	100.00	1,800,696,182	100.00

LETTER FROM THE BOARD

Scenario 2

Assuming all Options are exercised and all Share Option Shares are allotted and issued on or before the Record Date:

	As at the Latest Practicable Date plus the Share Options Shares		Immediately upon completion of the Rights Issue assuming all Qualifying Shareholders take up their respective entitlements under the Rights Issue		Immediately upon completion of the Rights Issue assuming no Qualifying Shareholders (other than under the Directors Take-Up Undertakings) take up their respective entitlements under the Rights Issue	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Best Global (Note 1)	108,980,564	11.48	217,961,128	11.48	217,961,128	11.48
World Invest (Note 2)	28,558,893	3.01	57,117,786	3.01	57,117,786	3.01
Share Options Shares held by Directors	11,500,000	1.21	23,000,000	1.21	11,500,000	0.61
Public Shareholders						
The Underwriter	-	-	-	-	811,986,404 (Note 4)	42.76
Chan Cheuk Yu (Note 3)	94,902,984	9.99	189,805,968	9.99	94,902,984	4.99
Other public Shareholders	667,905,650	70.34	1,335,811,300	70.34	667,905,650	35.17
Share Options Shares held by other Shareholders	37,677,770	3.97	75,355,540	3.97	37,677,770	1.98
Total	949,525,861	100.00	1,899,051,722	100.00	1,899,051,722	100.00

Note:

- The entire issued share capital of Best Global is wholly and beneficially owned by Mr. Lam.
- The entire issued share capital of World Invest is wholly and beneficially owned by Ms. Lee.
- Mr. Chan Cheuk Yu is the sole legal and beneficial owner of the entire issued capital of Glazy Target Limited. Out of the 94,902,984 shares held, Mr. Chan is deemed interested in the 66,432,089 shares held by Glazy Target Limited and 28,470,895 shares are held by Mr. Chan himself.
- The Underwriter will, where applicable, appoint such number of sub-underwriters independent to the Company and its Connected Persons and independent to the Underwriter. The Underwriter and each of the sub-underwriters will underwrite such number of the sub-underwritten Shares to the effect that none of the Underwriter and/or the sub-underwriters together with their respective parties acting in concert (as defined under the Takeovers Code) will trigger any obligation under Rule 26 of the Takeovers Code to make a general offer, and each of the Underwriter and any sub-underwriter to be appointed and the subscribers procured by each of the Underwriter and any sub-underwriter to be appointed shall not hold in aggregate 10% or more of the voting rights of the Company immediately after completion of the Rights Issue; and the Underwriter shall procure independent places to take up such number of Underwritten Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after completion of the Rights Issue.

LETTER FROM THE BOARD

F. Warning of the risk of dealings in the Shares

The Rights Issue is conditional upon, inter alia, the fulfilment of the Conditions Precedent set out under the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” in this circular. Therefore, the Rights Issue may or may not proceed.

Any dealing in the Shares (including the nil-paid Rights Shares) from the date of the Announcement up to the date on which all the Conditions Precedent are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares (including the nil-paid Rights Shares) are recommended to consult their own professional advisers. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.

Shareholders should note that subject to the passing of the resolution approving the Rights Issue by the Independent Shareholders at the EGM, the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 25 November 2016 and that dealing in Shares (including the nil-paid Rights Shares) will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholders or other persons dealing in Shares (including 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 Wednesday, 21 December 2016), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares, who are in any doubt about their position, are recommended to consult their own professional advisers.

G. 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. Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty, the Stock Exchange trading fee and any other applicable fees and charges 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.

LETTER FROM THE BOARD

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

No part of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

H. Fund raising exercise of the Company in the past twelve months

During the past twelve months immediately before the Latest Practicable Date, the Company conducted the following equity fund raising activity:

Date of initial announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
4 May 2016	Placing of 150,000,000 new Shares under general mandate	Approximately HK\$49.8 million	For future investment of the Group	The proceeds have not been utilised

Note: The Company has no intention to change the intended use of the proceeds from the above placing.

I. Adjustments in relation to the Options

The Rights Issue may lead to adjustments to the exercise price and/or the number of Shares to be issued upon exercise of the Options. The Company will notify the Option Holders adjustments to be made (if any) pursuant to the terms of the Share Option Scheme.

J. Listing Rules implications

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional subject to Independent Shareholders' approval under the Listing Rules whereby any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolution.

As at the Latest Practicable Date, the Company has no controlling Shareholder, and the holdings of the Shares by the Directors of the Company comprise of Best Global, holding 108,980,564 Shares (which represents 12.11% of the issued share capital of the Company as at the Latest Practicable Date), which is legally and beneficially owned by Mr. Lam, and World Invest holding 28,558,893 Shares (which represents approximately 3.17% of the issued share capital of the Company as at the Latest Practicable Date), which is legally and beneficially owned by Ms. Lee. Thus, Mr. Lam and Ms. Lee and their respective associates, i.e. Best Global and World Invest, shall abstain from voting in favour of the resolution for approving the Rights Issue to be proposed at the EGM. Save as aforesaid, none of the other Directors and the chief executive of the Company and their respective associates hold any Shares.

If any Director holding any Options exercises his rights and converts the Options to Share Options Shares, such Director (other than an independent non-executive Director) shall also abstain from voting in favour of the resolution for approving the Rights Issue to be proposed at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution for approving the Rights Issue to be proposed at the EGM.

LETTER FROM THE BOARD

4. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee (which comprises all the independent non-executive Directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman) 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 to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

In this connection, the Company has appointed Royal Excalibur Corporate Finance Company Limited as the Independent Financial Adviser (the appointment of which has been approved by the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to whether the Rights Issue is fair and reasonable and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

5. EGM

The EGM will be held at 10:30 a.m. on Wednesday, 23 November 2016 at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Increase in Authorised Share Capital; and (ii) the Rights Issue.

No Shareholder is required to abstain from voting on the resolution for approving the Increase in Authorised Share Capital to be proposed at the EGM under the Listing Rules.

Only the Independent Shareholders will be entitled to vote on the resolution to approve the Rights Issue at the EGM by way of poll.

As explained in section “J. Listing Rules implications” above, the Directors and their associates are required to abstain from voting in favour of the resolution to approve the Rights Issue, but they are entitled to vote against such resolution under the Listing Rules. The Company has been notified by both Mr. Lam and Ms. Lee that they will not, and will direct Best Global and World Invest not to vote against the resolution to approve the Rights Issue at the EGM.

Save as disclosed above, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the resolution for approving the Rights Issue to be proposed at the EGM.

To qualify for attending and voting at the EGM, a Shareholder must be registered as a member of the Company on Wednesday, 23 November 2016. The register of members of the Company will be closed from Monday, 21 November 2016 to Wednesday, 23 November 2016 (both dates inclusive) for the purpose of determining the right to attend and vote at the EGM.

LETTER FROM THE BOARD

The notice convening the EGM is set out on pages 74 to 76 in this circular and a proxy form for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney to the office of the Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

6. RECOMMENDATION

The Directors are of the opinion that the Increase in Authorised Share Capital is fair and reasonable and is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Increase in Authorised Share Capital to be proposed at the EGM.

The Directors (including the independent non-executive Directors who have taken into account the advice of the IFA) are of the opinion that the terms of the Rights Issue are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have taken into account the advice of the IFA) recommend the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue to be proposed at the EGM.

Your attention is drawn to the letter of recommendations from the Independent Board Committee containing its recommendations to the Independent Shareholders set out on pages 32 to 33 of this circular and the letter from the IFA containing its advice to the Independent Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Rights Issue set out on pages 34 to 49 of this circular.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue at the EGM.

7. FURTHER INFORMATION

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

This circular is in English and Chinese. In the case of any inconsistency, the English version shall prevail.

Yours faithfully,
For and on behalf of the Board of
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

7 November 2016

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF NOT LESS THAN 900,348,091 RIGHTS SHARES
AND NOT MORE THAN 949,525,861 RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

We refer to the circular of the Company to the Shareholders dated 7 November 2016 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to provide recommendations to the Independent Shareholders in respect of the Rights Issue.

The IFA has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 34 to 49 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 9 to 31 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the factors and reasons considered by, and the opinion of, the IFA as set out in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders while the Underwriting Agreement and the Rights Issue are not entered in the ordinary and usual course of business of the Company. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue.

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

Mr. John Handley
*Independent non-executive
Director*

Ms. Mak Yun Chu
*Independent non-executive
Director*

Mr. Poon Yiu Cheung, Newman
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue which has been prepared for the purpose of inclusion in the Circular:

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED
Unit 1204, 12/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
皇家駿溢財務顧問有限公司
香港上環永樂街93-103號
協成行上環中心12樓1204室

7 November 2016

*To the Independent Board Committee and the Independent Shareholders of
Heng Tai Consumables Group Limited*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE OF NOT LESS THAN 900,348,091
RIGHTS SHARES AND NOT MORE THAN 949,525,861 RIGHTS SHARES
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY ONE EXISTING SHARE HELD ON RECORD DATE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Rights Issue, details of which are set out in “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular issued to the Shareholders dated 7 November 2016 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 October 2016, the Board announced that the Company proposed to raise not more than approximately HK\$218.7 million, after expenses, by way of the Rights Issue, by issuing not less than 900,348,091 Rights Shares and not more than 949,525,861 Rights Shares at a price of HK\$0.24 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date. The Rights Issue will only be available to the Qualifying Shareholders.

As the Rights Issue will increase the issued share capital of the Company by 50%, in compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional subject to Independent Shareholders’ approval under the Listing Rules whereby any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolution.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the holdings of the Shares by the Directors of the Company comprise of Best Global, holding 108,980,564 Shares, which is legally and beneficially owned by Mr. Lam, and World Invest, holding 28,558,893 Shares, which is legally and beneficially owned by Ms. Lee. Thus, Mr. Lam and Ms. Lee and their respective associates, i.e. Best Global and World Invest, shall abstain from voting in favour of the resolution for approving the Rights Issue to be proposed at the EGM. Save as aforesaid, none of the other Directors and the chief executive of the Company and their respective associates hold any Shares.

The Independent Board Committee of the Company comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Rights Issue. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we have no relationship with and is not connected with the Directors, chief executives and substantial shareholders of the Company or any of their respective associates. We have no shareholding interest in and has not acted as an independent financial adviser and has not provided any other services to the Company or any of its respective subsidiaries or their respective associates during the past two years. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the date of the EGM.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Company, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if they are in any doubt, they should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Rights Issue, we have considered the following principal factors and reasons.

1. Financial highlights of the Company

The Company is principally engaged in (i) the FMCG Trading Business; (ii) the Agri-Products Business; and (iii) the Logistics Services Business.

Set out below is a summary of the audited consolidated financial results of the Company for the two financial years ended 30 June 2016 and 30 June 2015 as extracted from the final results of the Company for the financial year ended 30 June 2016 (the “**Annual Report 2016**”).

	For the year ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(audited)	(audited)
Turnover	1,366,272	1,641,409
Cost of sales	(1,224,258)	(1,505,400)
Gross profit	142,014	136,009
Loss for the year	(274,694)	(73,283)
Loss for the year attributable to owners of the Company	<u>(272,965)</u>	<u>(73,241)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Bank and cash balances	430,558	348,128
Non-current assets	1,432,135	1,817,832
Current assets	1,279,902	1,274,320
Total assets	2,712,037	3,092,152
Non-current liabilities	6,556	6,769
Current liabilities	197,646	207,261
Total liabilities	204,202	214,030

(i) *For the financial year ended 30 June 2016 and 30 June 2015*

As set out in the Annual Report 2016, turnover of the Company declined from 2015 to 2016 due to the decrease of sales of consumer goods and agri-products and logistics services income. Turnover of approximately HK\$1,366.3 million for the year ended 30 June 2016, representing a decrease of approximately 16.8% from approximately HK\$1,641.4 million for the year ended 30 June 2015. The Company recorded loss of HK\$274.7 million for the year ended 30 June 2016 which representing an increase of approximately 274.8% compared with the loss of approximately HK\$73.3 million for the year ended 30 June 2015. The increase in net loss was mainly attributable to the decrease in turnover and increase in other operating expenses, which were primarily the impairment losses of approximately HK\$161.6 million on cosmetic products distribution, agri-trading and agri-related logistics businesses.

For the financial position of the Company, according to the Annual Report 2016, the Company recorded bank and cash balances of approximately HK\$430.6 million as at 30 June 2016 representing an increase approximately of 23.7% compared to approximately HK\$348.1 million as at 30 June 2015.

As set out in the Annual Report 2016, the non-current assets has decreased for 21.2% from approximately HK\$1,817.8 million as at 30 June 2015 to approximately HK\$1,432.1 as at 30 June 2016, such decrease is mainly due to the decrease in goodwill.

The liquidity ratio, computed as current assets to current liabilities, was approximately 6.48 as at 30 June 2016 compared to approximately 6.15 as at 30 June 2015. The gearing ratio, computed as total liabilities to total asset, was approximately 0.075 as at 30 June 2016 compared to approximately 0.069 as at 30 June 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of conducting the Rights Issue and the use of proceeds

The estimated net proceeds of the Rights Issue (after deducting the costs and expenses in relation to the Rights Issue and the underwriting commission fees which is estimated to be around HK\$8.8 million) are expected to amount to approximately not more than HK\$218.7 million and not less than HK\$207.3 million.

The Company intends to inject the net proceeds of the Rights Issue, i.e. approximately HK\$207.3 million, into the Brokerage Business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. In the unlikely event that the aforesaid acquisition fails to complete, the Company intends to use the funds for acquiring alternative suitable brokerage business, or utilize the funds to start up similar business internally if there is no suitable target available.

As stated in the Annual Report 2016, the overall operating environment has been deteriorating during the year of 2016 and there were no signs of recovery in the near future. In the context of such challenging business environment, the Company's operations and financial performance were inevitably affected. During the financial year of 2016, RMB has unexpected fluctuations which caused the Company to experience exchange loss of approximately HK\$17.8 million. According to the Annual Report 2016, the Company had a substantial percentage of sales, purchases and services income of the Company denominated in RMB, HKD or USD. Such fluctuation has increased import costs of consumable goods due to the depreciation of RMB and affected the financial results of the year. In addition, natural disaster of drought in Thailand during 2016 has affected the supply of import and caused pressure on the revenue of the agricultural trading business.

The Group intends to strengthen its existing businesses and constantly looks for investment opportunities apart from its existing business with potentials to further diversify its business and broaden the income sources to maximise the return to the Shareholders. The continuous growing trend for the securities market and margin financing business in Hong Kong in recent years can be reflected by the growing trend of both total number of active cash clients in Hong Kong and the gross interest income of all the Stock Exchange participants (category C) in Hong Kong. Comparing the total number of active cash clients and active margin clients in Hong Kong from the reports named "Financial Review of the Securities Industry for the year ended 31 December 2011" and "Financial Review of the Securities Industry for the year ended 31 December 2015" both being published by the SFC respectively, increased from approximately 1.04 million and 135,201 as at 31 December 2011 to approximately 1.26 million and 241,948 respectively as at 31 December 2015, representing the compound annual growth rates (the "CAGR") of approximately 4.9% for the active cash clients and approximately 15.7% for the active margin clients over 2011 to 2015. Accordingly, the Company is of the view that the securities market and margin financing market in Hong Kong is expected to grow in the future. As set out in the Letter from the Board, the Directors are of the view that acquiring the Brokerage Business will be in the interest of the Shareholders and the Company as a whole for the following reasons: (i) the brokerage business market in Hong Kong has been expanding and continuing to attract a reasonable rate of return as shown in the figures extracts from public reports which are better than the existing principal business of the Group so that the Group could diversify its business portfolio into different industry and may minimize the adverse impact due to industry wide business downturn; and (ii) the target has been carrying on Brokerage Business with an existing team of staff with necessary experience and qualifications which

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will remain after completion of the acquisition and has an existing network of customers which allows the Company to quickly establish its place in the brokerage market and avoid a possible long start up time and costs. As the acquisition of the Brokerage Business can diversify the business portfolio of the Group and would enhance the earning base of the Group, we consider that it is in the interest of the Company and the Shareholders as a whole to acquire the Brokerage Business.

As announced on 5 September 2016, the Company has conditionally agreed to acquire a target company whereby its principal operating company is a company incorporated in Hong Kong and is licensed to carry on type 1 regulated activity (dealing with securities) under the SFO through a wholly owned subsidiary Fiorfie Holdings Limited. The Company and the vendors are applying to the SFC for approval as at the Latest Practicable Date. As set out in the Letter from the Board, the relevant application for change in ownership of the aforesaid target Group was submitted to SFC for approval in October 2016. With reference to the table regarding the performance pledges as stated in the annual report of the SFC for the year ended 2016, the processing time of licensing applications for corporations normally take 15 weeks. As the Company submitted the relevant applications to SFC in October 2016, the Board expected that such matter will be approved around February 2017. We consider that the time table of the Rights Issue will be in line with the approval of change in ownership application from SFC so that the Company can obtain necessary funding timely in advance and in anticipation for use for the Brokerage Business. Therefore, we consider it is the appropriate time for conducting the Rights Issue.

The Board considers that raising funds by way of the Rights Issue would be an appropriate way in the current volatile financial market and taking into account the decreasing trading price of the Shares in recent years so that the Qualifying Shareholders would be able to participate in the potential future growth of the Company and to maintain its shareholding percentage. As set out in the Letter from the Board, according to the information provided by Sino Wealth Securities Limited, the dollar value of transactions (cash account client) handled by it for the seven months period from April 2016 to October 2016 was approximately HK\$5 billion. Given the aforesaid dollar value of transactions handled by Sino Wealth Securities Limited, we believe that the amount of proceeds raised from the Rights Issue is considered fair and reasonable as compared to the amount of funds required by the Company for the Brokerage Business.

As set out in the Letter from the Board, the Board does not wish to conduct necessary fund raising after the acquisition of the Brokerage Business is completed for various reasons. Since the target group company has been carrying on the business with a very sizable dollar value, the Group needs to conduct a sizeable fund raising so as to facilitate the expansion of the Brokerage Business immediately upon completion of the acquisition in order to capture the business opportunities. As the Rights Issue will need to take around two to three months to complete, it is expected to complete at the end of December 2016 to early January 2017, which provides a reasonable two months' lead time to the Company and ties in the expected completion of the acquisition of the Brokerage Business around February 2017. Further, since the Rights Issue is subject to Independent Shareholders' approval, if the Shareholders do not approve the Rights Issue at the EGM, the Board would still have time to consider alternative funding. The Board also noted that since there are many public holidays in that two months' lead time, conducting the Rights Issue according to the current time table is the most reasonable and appropriate timing.

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If the Rights Issue is completed, the Board will be sure that it has the necessary funding to expand the Brokerage Business immediately upon completion of the acquisition and not to waste precious time to seek funding afterwards. For example, it will take another two to three months' time to conduct a Rights Issue. Further, if fund raising activities is conducted after completion of the acquisition, not only will the Group faces the risk of losing businesses opportunities, and hence delaying the expansion of the Brokerage Business, the Group may also face additional funding costs as interest rates may be increased in future, the financial market may become less favourable than the present moment, and the Company may not be able to secure the necessary underwriters to underwrite the Rights Issue with the terms as agreed and set out in this circular.

Taking into account of all the matters and the circumstances as explained above, we consider that the timing of the Rights Issue is in line with the Company's development of the Brokerage Business and therefore we concur with the view of the Board that it is appropriate and reasonable to conduct the Rights Issue according to the current time table and it is in the interests of the Shareholders and the Company as a whole.

We noted from the Letter from the Board that the Company has conducted an equity fund raising activities in the past twelve months immediately prior to the Announcement. The Company has entered into a placing agreement for the placing of 150,000,000 new shares of the company to independent places at a placing price of HK\$0.34 per share. The placing and subscription were completed on 17 May 2016. The net proceeds of approximately HK\$49.8 million and the Company has intended to use it for future investment of the Group which relates to the two principal business segments, the FMCG Trading Business and the Logistics Services Business. The Company has been exploring and conducting due diligence on several potential projects and businesses but the negotiations with counter parties are very preliminary in nature and the Company has not determined whether to proceed further or determine the terms for the potential projects and businesses. At present, there is no concrete timetable and the Company will comply with relevant Listing Rules and to publish announcement(s) to inform the Shareholders of material progress.

We understand that the Company proposes to use approximately HK\$207.3 million raised from the Rights Issue for the Brokerage Business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. After taken into account (i) the growth potential of the margin financing business in Hong Kong; and (ii) the Group would require additional working capital for the Brokerage Business to further expand its business 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.

3. Financing alternatives available to the Company

As disclosed in the Letter from the Board, the Company is aware that the shareholding in the Company of those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled to and the Excluded Shareholders will be diluted by 50% upon completion of the Rights Issue. As compared to placing or subscription of new Shares, debt financing, or other underlying securities of the Company, 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 and will have the least potential dilution impact on the overall shareholding of all the Shareholders.

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With regards to the debt financing method, the Company considered that the existing bank facilities is confined to the Company's existing business operation. Long processing time for arranging a new bank facility will be expected and relevant finance cost will be substantial for the target group with cumbersome review process. An open offer is similar to the rights issue, yet it would not provide additional options to those Qualifying Shareholders who do not wish to take up their allotments to sell their provisionally allotted nil-paid Rights Shares.

Having taken into account that (i) the Rights Issue and the Underwriting Agreement is subject to the Independent Shareholders approval at the EGM; (ii) the Qualifying Shareholders have the option to subscribe the Rights Shares at their sole discretion; (iii) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid Rights Shares in the market for economic benefits; (iv) the Rights Issue allows the Qualifying Shareholders to maintain their shareholding interests in the Company with equal opportunity to participate in the enlarged capital base upon completion of the Rights Issue and at the same time can enjoy the discount from the subscription of the Rights Shares; and (v) the Rights Issue will not increase the future interest burden and finance costs of the Group, and given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares in proportion to all the existing shareholding in the Company, we agree with the Directors that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Details and evaluation on the principal terms of the Rights Issue

(a) Basis of provisional allotments

The Rights Shares will be allotted on the basis of one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the Latest Time for Acceptance.

The Company proposes to allot and issue not less than 900,348,091 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 949,525,861 Rights Shares (assuming all the 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, other than those Rights Shares undertaken by Best Global and World Invest pursuant to the Directors Take-Up Undertakings.

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(b) *Subscription Price*

The Subscription Price is HK\$0.24 per Rights Share, payable in full by Qualifying Shareholders 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. The Subscription Price represents:

- (i) a discount of approximately 17.2% to the closing price of HK\$ 0.290 per Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.1% to the average closing price of HK\$0.286 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 15.5% to the average closing price of HK\$0.284 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 9.4% to the theoretical ex-entitlement price of approximately HK\$0.265 based on the closing price of HK\$0.290 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 7.7% to the closing price of HK\$0.26 per Share quoted on the Stock Exchange on the Latest Practicable Date.

As stated in the “Letter from the Board”, the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter with reference to, among other things, the prevailing market prices of the Shares under the prevailing market conditions. In view that the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of increasing the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate.

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The followings are our evaluation on the fairness of the Subscription Price:

(i) Comparison of the Subscription Price with historical closing prices

We have reviewed the trading price of the Shares for the period from 20 October 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**”). The chart below illustrates the daily closing price per Share (after taking into account the effect of the share consolidation as announced on 26 November 2015) versus the Subscription Price during the Review Period:



Source: the website of the Stock Exchange

As illustrated in the chart above, the historical trading prices of the shares exhibit a downward trend since October 2015.

The closing prices of the Shares for the Review Period ranged from HK\$0.26 per share (on 26 September 2016) to HK\$0.84 per share (on 20 October 2015) with an average of HK\$0.41 per share. As illustrated in the above chart, the Subscription Price of HK\$0.24 is below all closing prices per Share during the entire Review Period, and represents (i) a discount of approximately 41.5% to the average closing price; (ii) a discount of approximately 7.7% to the lowest closing price; and (iii) a discount of approximately 71.4% to the highest closing price recorded during the Review Period.

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We noted that it is a common market practice that the subscription price of a rights issue normally represents a discount to the past and prevailing market prices of the relevant shares, in order to enhance the attractiveness of a rights issue exercise and to encourage the qualifying shareholders to participate in a rights issue and maintain their respective pro-rata shareholding interests for the future growth of the Company. Hence, we considered that the fact that the Subscription Price is lower than the prevailing market prices of the Shares is in line with general practice and is acceptable.

(ii) 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 three-month period ended on the date of the Underwriting Agreement (i.e. from 20 July 2016 to 20 October 2016) (the “**Reference Period**”) and identified an exhaustive list of eight proposed rights issue transactions which do not offer bonus shares or bonus warrant in the rights issue transactions (the “**Rights Issue Comparables**”). We considered the sample size to be fair and representative as the Rights Issue Comparables can reflect the latest market practice prior to the date of the Underwriting Agreement.

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We consider that the Reference Period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Underwriting Agreement; and (ii) we were able to identify sufficient samples for comparison within such period. Independent Shareholders should note that the size, business nature, scale of operations and prospects of the Company are not exactly the same as the companies in the Rights Issue Comparables and we have not conducted any in depth investigation into the size, business nature, scale of operations and prospects of the companies in the Rights Issue Comparables. Nevertheless, given that this analysis is aiming at taking a general reference to the recent market practice in relation to the Subscription Price of the Rights Issue, we consider that our comparable analysis on the Subscription Price without limiting to companies that are with similar size, business nature and scale of operations as that of the Company is fair and reasonable and useful for the Independent Shareholders' reference. The table below summarises the details of the Rights Issue Comparables:

Rights Issue Comparables	Stock Code	Date of announcement	Basis of entitlement	Discount of subscription price to the closing price on the last trading day <i>Approximately % (Note 1)</i>	Excess Application (Y/N)	Underwriting Commission %	Maximum dilution on the shareholding <i>Approximately % (Note 2)</i>
GT Group Holdings Limited	263	09/08/2016	1 for 2	32.43	N	3.0	33.33
Chinese Food And Beverage Group Limited	8272	19/08/2016	9 for 1	45.83	Y	2.5	90.00
Tai United Holdings Limited	718	02/09/2016	2 for 1	4.76	Y	2.0	66.77
Chinlink International Holdings Limited	997	07/09/2016	5 for 1	76.19	Y	2.0	83.33
Sun Century Group Limited	1383	20/09/2016	3 for 1	20.00	Y	3.0	75.00
Advanced Card Systems Holdings Limited	2086	25/09/2016	1 for 8	26.00	Y	4.0	11.11
Eminence Enterprise Limited	616	13/10/2016	3 for 1	33.12	Y	1.0	75.00
Zhuguang Holdings Group Company Limited	1176	17/10/2016	1 for 3	39.39	Y	Undisclosed <i>(Note 3)</i>	25.00
Mason Financial Group Holding	273	28/10/2016	6 for 5	45.40	Y	0.28 <i>(Note 5)</i>	54.55
Maximum				76.19		4.0	90.00
Minimum				4.76		1.0	11.11
Mean <i>(Note 4)</i>				34.72		2.5	57.43
Company			1 for 1	17.20	Y	3.5	50.00

Source: website of the Stock Exchange

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Notes:

1. Based on the figures disclosed in the initial announcements of the Rights Issue Comparables respectively.
2. Maximum dilution effect of each rights issue is calculated as: $(\text{number of rights shares}) / ((\text{number of existing shares entitled for the rights shares under the basis of entitlement}) + (\text{number of rights shares})) \times 100\%$.
3. The underwriting commission is not disclosed in the initial announcement of the Rights Issue Comparable.
4. Enterprise Development Holdings Limited (stock code: 1808) published an announcement on 4 October 2016 in relation to, among other things, termination of the underwriting agreement and the proposed rights issue. As such, this transaction was excluded in our analysis of the Rights Issue Comparables.
5. The underwriter will receive a fixed underwriting commission of HK\$8 million. The commission percentage has been calculated with the gross proceeds of the Right issue of HK\$2,876 million.

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 4.76% to a discount of approximately 76.19%, with a mean discount of approximately 34.72%. The discount represented by the Subscription Price to the closing price per Share on the Last Trading Day of approximately 17.2% falls within the range of the relevant discounts of the Rights Issue Comparables and is less than the relevant mean discount of the Rights Issue Comparables.

As set out in the section above headed “Comparison of the Subscription Price with historical closing prices”, 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, 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 solid funding needs for the new acquisition to further develop the Company’s businesses; (ii) the discount of Subscription Price was set at certain degree to the prevailing market price to attract and encourage the Qualifying Shareholders to participate in the Rights Issue; (iii) the set discount rate of the Subscription Price as compare to the Share price falls within the range of the Rights Issue Comparables and is less than the relevant mean discount rate of the Rights Issue Comparables; and (iv) the Rights Issue is fair and reasonable comparing to other alternatives as stated above, we consider it is fair and 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 encourage the Shareholders to participate in the underwriting of the Rights Issue.

The underwriting commission was determined after arm’s length negotiations between the Company and the Underwriter with reference to the prevailing market rate. The Company will pay the Underwriter a commission of 3.5% of the aggregate Subscription Price compared to the maximum commission rate of 4.0% among the Rights Issue Comparables. In view that the underwriting commission of 3.5% falls within the range of commission of the Rights Issue Comparables, we consider the underwriting commission of 3.5% is in line with the market and is fair and reasonable as far as the Independent Shareholders are concerned.

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(c) *Risk associated with the Rights Issue*

Shareholders and potential investors should note that the Rights Issue is conditional upon, amongst other things, the fulfilment of the conditions set out under the section headed “Conditions of the Rights Issue and the Underwriting Agreement” in the “Letter from the Board”. In particular, the Rights Issue is subject to the Shareholders’ approval of the Increase in Authorised Share Capital, the Independent Shareholders’ approval of the Rights Issue at the EGM and the Underwriting Agreement not terminated by the Underwriter prior to the Latest Time for Termination. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.

5. Financial effect of the Rights Issue

(a) *Unaudited pro forma adjusted consolidated net tangible assets*

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Company attributable to the owners of the Company as if the Rights Issue had been completed on 30 June 2016 amounted to approximately HK\$2,549.4 million on the basis that a minimum of 900,348,091 Rights Shares to be issued.

(b) *Working Capital*

According to the Final Results 2016, the Company had bank and cash balances of approximately HK\$430.6 million and a current liabilities of approximately HK\$197.6 million as at 30 June 2016. Immediately upon completion of the Rights Issue, the bank and cash balances of the Company will increase by an amount equivalent to the net proceeds of the Rights Issue of approximately HK\$207.3 million. 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.

6. Possible dilution to the shareholdings of the Shareholders

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares on the same basis. As illustrated in the section headed “Changes in shareholding structure” in the “Letter from the Board”, we noted that the shareholding interests of the Qualifying Shareholders who elect to take up their respective entitlements in full under the Rights Issue will remain unchanged upon the completion of the Rights Issue, however, the shareholding interests of the Qualifying Shareholders who do not take up their respective entitlement under the Rights Issue will be diluted upon the completion of the Rights Issue up to a maximum of 50% which falls within the range of Rights Issue Comparables (from approximately 11.11% to approximately 90.00%) but close to the mean of the Rights Issue Comparables of approximately 57.43%, as set out in the paragraph headed “Comparison with other rights issues” of the sub-section headed “Subscription price” in the section headed “Details and evaluation on the principal terms of the Rights Issue” in this letter above. Nevertheless, we consider that the foregoing should be balanced against by the following factors:

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- (i) the Independent Shareholders are given the chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM;
- (ii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered equal opportunity to maintain their proportional shareholding and participate in the capital base enlargement of the Company;
- (iii) the Rights Issue is on the basis that all Qualifying Shareholders have been allowed to participate in the growth of the Company;
- (iv) the inherent dilutive nature is general for all cases of rights issues; and
- (v) the Rights Issue would provide the funding for Brokerage Business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business as detailed in the section headed “Reasons for and benefits of conducting the Rights Issue and use of proceeds” above.

Having considered the above, we are of the opinion that the potential dilution effect (maximum 50%) on the shareholding for the Qualifying Shareholders who decide not to accept the Rights Issue is acceptable.

7. RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, in particular the following:

- (a) the financial information of the Group including the cash position, indebtedness and liquidity level;
- (b) the reasons and use of proceeds from the Rights Issue are in line with the development plan of the Group in relation to the Brokerage Business;
- (c) the Rights Issue is the most practicable fund raising method as compared to debt financing and/or placement of new Shares;
- (d) the discount of the Subscription Price to the market price is necessary to promote the attractiveness of the Rights Issue to encourage the Qualifying Shareholders to participate in the Rights Issue;
- (e) the discount represented by the Subscription Price to the closing price per share on the Last Trading Day of approximately 17.2% falls within the range of the relevant discounts of the Rights Issue Comparables and is less than the relevant mean discount of the Rights Issue Comparables;
- (f) 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

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(g) the underwriting commission of the Rights Issue is fair and reasonable,

we, therefore, 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 and we recommend the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Royal Excalibur Corporate Finance Company Limited and has over 18 years of experience in corporate finance industry.

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 30 June 2014, 2015 and 2016 were disclosed in the annual reports of the Company:

1. for the year ended 30 June 2014, (pages 26 to 84 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/1027/LTN20141027189.pdf>);
2. for the year ended 30 June 2015, (pages 26 to 88 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1026/LTN20151026345.pdf>); and
3. for the year ended 30 June 2016, (pages 27 to 90 at <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1028/LTN20161028440.pdf>) respectively,

which were published on both the websites of the Stock Exchange (www.hkex.com.hk)* and the Company (www.hengtai.com.hk)*. The auditor of the Company has not issued any qualified opinion on the Group's financial statements for the financial years ended 30 June 2014, 2015 and 2016.

* *Information contained in the websites of the Stock Exchange and the Company does not form part of this circular.*

2. INDEBTEDNESS

At the close of business on 30 September 2016, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Group had an aggregate outstanding indebtedness of approximately HK\$42.6 million, which was comprised of:

	At 30 September 2016
	<i>HK\$'000</i>
Bank loans, secured (<i>Note 1</i>)	42,517
Finance lease payable, secured (<i>Note 2</i>)	45
	<hr/>
	42,562
	<hr/> <hr/>
The borrowings are repayable as follows:	
Within one year	42,533
In the second year	17
In the third to fifth years, inclusive	12
	<hr/>
	42,562
	<hr/> <hr/>

Save for the aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 September 2016, the Group did not have any debt securities issued and outstanding, or any other borrowings or indebtedness including bank overdrafts and liabilities under acceptances (other than normal trade payables) or acceptance credits or hire purchases commitments, or any other borrowings subject to mortgages or charges, or any other material contingent liabilities or guarantees.

Note 1: The range of interest rate of the Group's bank loans at 30 September 2016 was from approximately 1.3% per annum to approximately 2.7% per annum, and the Group's bank loans were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company.

Note 2: The Group's finance lease payable was secured by the lessor's title to the leased asset, which was a copier.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group, the existing banking facilities available and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for at least twelve months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial review

The Group's income was derived from three business units: (i) the FMCG Trading Business; (ii) the Agri-Products Business; and (iii) the Logistics Services Business. These three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

As disclosed in the annual report of the Company for the year ended 30 June 2016, the Group generated total revenue of approximately HK\$1,366.3 million as compared to HK\$1,641.4 million for the financial year ended 30 June 2015, representing a fall of approximately 16.8%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 21.9% as a result of the negative impact on the agri-products trading business stemmed from the weak market demand caused by the anti-extravagance atmosphere in China, the shortage of imported fruit products due to Thailand's drought, as well as the trimming of the Group's upstream farming business. The revenue contributions from the FMCG Trading Business and the Logistics Services Business also recorded a fall of mid-teen percent primarily due to the weak market demand and fierce competition. The net loss for the financial year ended 30 June 2016 was approximately HK\$274.7 million, compared to the net loss of approximately HK\$73.3

million for the financial year ended 30 June 2015. The increase in the net loss was mainly attributable to the decrease in turnover and increase in other operating expenses, which were primarily the impairment losses on cosmetic products distribution, agri-trading and agri-related logistics businesses. As at 30 June 2016, the Group also had the total assets of approximately HK\$2,712 million and the total liabilities of approximately HK\$204 million.

Prospects

In the coming year, the Group will continue to strengthen the traditional trading business by enhancing product portfolio and sales channels as well as investing in appropriate logistics facilities to support the trading business. On the other hand, the Group will continue to adopt stable and reasonable pricing strategy that not only enables us to build up a strong network with different customers, but also underpins the improving trend in the gross profit margin despite the deteriorating operating environment.

Following various cost-saving initiatives undertaken over past few years, the Group will continue to implement different measures to control operating expenses. The Group's efforts have been getting traction that both selling and administrative expenses were reduced evidently in past few years, and the Group will make every effort to maintain this encouraging trend in coming years.

Furthermore, the Group will diversify its investments to reduce operational risks and aim to earn stable income and cash flow. In September 2016, the Group entered into a conditional agreement with independent third parties to acquire a target group company whereby its principal operating company is a company incorporated in Hong Kong and is licensed to carry on type 1 regulated activity (dealing in securities) under the SFO. The Group considers that the acquisition will allow the Group to diversify its business and provide a prime opportunity for the Group to tap into the business of financial services industry in Hong Kong, so as to broaden the revenue and earning sources of the Group.

There is no material change in the trend of business of the Group since 30 June 2016 up to the Latest Practicable Date. Save for any unforeseen events, the Group is cautiously optimistic on the prospect and the financial performance over coming years.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Paragraph 13 of Part B of Appendix 1 and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purpose only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 June 2016 or at any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company is based on the audited consolidated net tangible assets of the Group as at 30 June 2016 and adjusted as described below:

	<i>HK\$'000</i>
Adjusted consolidated net tangible assets as at 30 June 2016 (<i>Note 1</i>)	2,342,050
Estimated net proceeds from the Rights Issue (<i>Note 2</i>)	207,300
	2,549,350
Unaudited pro forma adjusted consolidated net tangible assets	2,549,350
Adjusted consolidated net tangible assets per Share as at 30 June 2016 (<i>Note 3</i>)	HK\$2.601
Unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue (<i>Note 4</i>)	HK\$1.416

Notes:

1. It represented the consolidated total net assets of the Group attributable to the owners of the Company of HK\$2,509,269,000 less goodwill of approximately HK\$69,045,000, other intangible assets of approximately HK\$98,066,000 and investment in a club membership of approximately HK\$108,000 which are extracted from the audited consolidated statement of financial position of the Group as at 30 June 2016.
2. The estimated total proceeds of the Rights Issue is approximately HK\$216,100,000. Expenses associated with the Rights Issue are approximately HK\$8.8 million, resulting in a net cash inflow of approximately HK\$207,300,000.
3. The calculation of the adjusted consolidated net tangible assets per Share is based on 900,348,091 Shares in issue as at 30 June 2016.
4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share is based on 1,800,696,182 Shares, which is an aggregate of 900,348,091 Shares in issue at the Latest Practicable Date and 900,348,091 Rights Shares after the completion of the Rights Issue.

**II. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.



29th Floor, Lee Garden Two, 28 Yun Ping Road
Causeway Bay, Hong Kong

7 November 2016

The Board of Directors
Heng Tai Consumables Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Heng Tai Consumables Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as 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 adjusted consolidated net tangible assets as at 30 June 2016 as set out on page 53 of the circular (the “Circular”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are set out in Section I of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s net tangible assets as at 30 June 2016 as if the transaction had been taken place at 30 June 2016. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 30 June 2016, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 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 (the "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 behavior.

We apply 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 an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the 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 event or transaction at 30 June 2016 would have been as presented.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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 judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under “Reasons for the Rights Issue and use of proceeds” set out on page 17 of the Circular.

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 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date, upon completion of the Increase in Authorised Share Capital and upon completion of the Rights Issue were and will be as follows:

A. As at the Latest Practicable Date:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares	<u>100,000,000.00</u>

Issued and fully-paid:

<u>900,348,091</u> Shares	<u>90,034,809.10</u>
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B. Upon completion of the Increase in Authorised Share Capital, the authorised share capital will be increased to:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>1,000,000,000.00</u>

- C. Upon completion of the Rights Issue and assuming no Options are exercised and no Share Option Shares are allotted and issued from the Latest Practicable Date up to and including the Record Date, the issued share capital of the Company will be increased by the allotment and issue of the Rights Shares to:

Proposed to be issued under the Rights Issue: *HK\$*

<u>900,348,091</u> Rights Shares	<u>90,034,809.10</u>
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Upon completion of the Rights Issue:

<u><u>1,800,696,182</u></u> Shares	<u><u>180,069,618.20</u></u>
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- D. Upon completion of the Rights Issue and assuming the Options which remain outstanding as at the Latest Practicable Date are exercised in full and the Share Option Shares are allotted and issued from the Latest Practicable Date up to and including the Record Date, the issued share capital of the Company will be increased by the allotment and issue of the Rights Shares to:

Proposed to be issued under the Rights Issue: *HK\$*

<u>949,525,861</u> Rights Shares	<u>94,952,586.10</u>
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Upon completion of the Rights Issue:

<u><u>1,899,051,722</u></u> Shares	<u><u>189,905,172.20</u></u>
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All fully-paid Rights Shares to be issued will rank pari passu in all respects with each other, including as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the fully-paid Rights Shares.

The Shares in issue are listed on the Stock Exchange. Subject to the grant of listing of and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms) by the Stock Exchange, the fully-paid Rights Shares to be issued will be listed on the Stock Exchange.

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

No member of the Group the capital of which is under option, or agreed conditionally or unconditionally to be put under option other than the 49,177,770 Options, which are outstanding and entitling the Option Holders to convert into 49,177,770 Shares as at the Latest Practicable Date.

Details of the Options are as follows:

Name or category of participants	Number of Options as at the Latest Practicable Date	Date of grant of Options	Exercise period of Options	Exercise prices of Options (HK\$)
Executive directors				
Ms. Hung Sau Yung, Rebecca	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Ms. Gao Qin Jian	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Independent non-executive directors				
Mr. John Handley	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Mr. Poon Yiu Cheung, Newman	1,500,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Ms. Mak Yun Chu	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Employees (in aggregate)	7,900,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
Other eligible participants (in aggregate)	1,388,885	15 June 2011	1 January 2012 to 31 December 2016	5.720
	1,388,885	15 June 2011	1 January 2013 to 31 December 2017	5.720
	27,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914
	<u>49,177,770</u>			

Save for the said Options, the Company has no other outstanding warrants, options or other securities convertible into or exchangeable for Shares.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be 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 he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

(a) Directors' and chief executive's interests in the Shares

Name of Directors	Capacity/ Nature of interest	Number of Shares held		Number of underlying Shares	Aggregate percentage of interest as at the Latest Practicable Date
		Long position	Short position		
Mr. Lam Kwok Hing	Interest in controlled corporation and family interest	137,539,457 (note 1)	–	–	15.28%
Ms. Lee Choi Lin, Joecy	Interest in controlled corporation and family interest	137,539,457 (note 2)	–	–	15.28%
Ms. Hung Sau Yung, Rebecca	Beneficial owner	–	–	3,000,000 (note 3)	0.33%
Ms. Gao Qin Jian	Beneficial owner	–	–	3,000,000 (note 3)	0.33%
Mr. John Handley	Beneficial owner	–	–	2,000,000 (note 3)	0.22%
Ms. Mak Yun Chu	Beneficial owner	–	–	2,000,000 (note 3)	0.22%
Mr. Poon Yiu Cheung, Newman	Beneficial owner	–	–	1,500,000 (note 3)	0.17%

Note 1: Mr. Lam, the spouse of Ms. Lee, is deemed interested in the 108,980,564 Shares Best Global and 28,558,893 Shares Ms. Lee are interested, and his interests duplicate those of Best Global and Ms. Lee.

Note 2: Ms. Lee, the spouse of Mr. Lam, is deemed interested in the 108,980,564 Shares Mr. Lam is interested and the 28,558,893 Shares held by World Invest, and her interests duplicate those of Mr. Lam and World Invest.

Note 3: The number of underlying Shares refers to the number of Shares which may be converted from the Options held by the holders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be 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 he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) who had an interest or short position in the shares and 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 is, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital.

(a) Interests in the Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares held		Percentage of total holding
		Long position	Short position	
Best Global	Beneficial owner	108,980,564	–	12.11%
Chan Cheuk Yu (<i>Note</i>)	Beneficial owner and interest in controlled corporation	94,902,984	–	10.54%
Glazy Target Limited (<i>Note</i>)	Beneficial owner	66,432,089	–	7.38%

Note: Mr. Chan Cheuk Yu is the sole legal and beneficial owner of the entire issued capital of Glazy Target Limited. Out of the 94,902,984 shares held, Mr. Chan is deemed interested in the 66,432,089 shares held by Glazy Target Limited and 28,470,895 shares are held by Mr. Chan himself.

(b) Interests in other members of the Group

Name of member of the Group	Name of shareholder	Interests in relevant voting shares (or equivalent)	Percentage of the total issued voting shares (or equivalent)
Modern Tech Limited	Huang Chenbo	1,000 shares	10%
Modern Tech Limited	Yee Michael Anthony	900 shares	9%
惠東縣裕盛農業有限公司 (Huidong County Yusheng Agriculture Company Limited*)	惠東縣萬信農業有限公司 (Huidong County Wanxin Agriculture Company Limited*)	total capital: HK\$1,000,000 (of which HK\$156,069 has been paid up)	10%
成武縣金亨農業發展有限公司 (Chengwu County Jinheng Agricultural Development Company Limited*)	成武宏發冷庫 (Chengwu Hongfa Cold Storage*)	total capital: RMB1,500,000 (of which RMB1,000,000 has been paid up)	30%

* *English transliteration/translation of the Chinese name for identification purpose only.*

Save as disclosed above, the Directors and chief executive of the Company are not aware of any other persons (other than a director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and 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 is, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any member of the Group which is not expiring or determinable by the Director within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and is or may be material:

- (i) the sale and purchase agreement dated 30 October 2015 between Glazy Target Limited, Mr. Chan Cheuk Yu and Fiorfie Trading Limited for the acquisition of entire issued share capital of Best Title Global Limited and the shareholder's loan due and owing, which involved the issue of consideration shares;
- (ii) the deed of assignment dated 18 November 2015 between Glazy Target Limited, Fiorfie Trading Limited and Best Title Global Limited, which was one of the completion documents for the transactions contemplated under the sale and purchase agreement stated in paragraph 6(i) above;
- (iii) the placing agreement dated 4 May 2016 between Sino Wealth Securities Limited and the Company for placing of 150,000,000 new Shares of the Company;
- (iv) the share purchase agreement dated 5 September 2016 between Uni-Money Limited, Mr. Wat Ying Hang and Fiorfie Holdings Limited; and
- (v) the Underwriting Agreement.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS OF THE GROUP

None of the Directors had any interest, either direct or indirect, in any assets which had been since 30 June 2016 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, 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.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

9. EXPERTS AND CONSENT

The following are the qualifications of the experts who had given opinions contained in this circular:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Royal Excalibur Corporate Finance Company Limited ("Royal Excalibur")	A licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO

As at the Latest Practicable Date, each of RSM Hong Kong and Royal Excalibur did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any interest, either direct or indirect, in any assets which had been since 30 June 2016 (being the date to which the latest published audited accounts of the Company were made up) and up to the Latest Practicable Date, 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.

Each of RSM Hong Kong and Royal Excalibur has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the respective reports, letters and references to its name in the form and context in which it is included.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, legal and accountants' fees, registration, translation, printing and other related expenses are estimated to be approximately HK\$8.8 million and will be payable by the Company.

11. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Authorised representatives	Lam Kwok Hing 31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong Wong Siu Hong 31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Auditor and reporting accountants	RSM Hong Kong 29th Floor Lee Garden Two 28 Yun Ping Road, Causeway Bay Hong Kong
Underwriter	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road, Hong Kong
Independent Financial Adviser	Royal Excalibur Corporate Finance Company Limited Room 1204, 12/F OfficePlus @Sheung Wan 93-103 Wing Lok Street Sheung Wan, Hong Kong

Legal Advisor as to Hong Kong Law for the Rights Issue	David Chan & Carmen Chan, Solicitors 3006, West Tower Shun Tak Centre 168 - 200 Connaught Road Central Hong Kong
Principal bankers	China Citic Bank International Limited 61-65 Des Voeux Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong LUSO International Banking Ltd. Avenida Dr. Mario Soares, No. 47 Macau
Principal share registrar and transfer Office in Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4/F, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong

12. PARTICULAR OF THE DIRECTORS AND SENIOR MANAGEMENT

(i) Name and Address of Directors and Senior Management

Name	Business Address
<i>Executive Directors</i>	
Mr. Lam Kwok Hing (Chairman)	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Ms. Lee Choi Lin, Joecy	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Ms. Hung Sau Yung, Rebecca	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Ms. Gao Qin Jian	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
<i>Non-executive Director</i>	
Ms. Chan Yuk, Foebe	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. John Handley	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong
Ms. Mak Yun Chu	31st Floor, Guangdong Finance Building 88 Connaught Road West Sheung Wan Hong Kong

Mr. Poon Yiu Cheung, Newman 31st Floor, Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

Senior Management

Mr. Wong Siu Hong 31st Floor, Guangdong Finance Building
(Chief Financial Officer and 88 Connaught Road West
Company Secretary) Sheung Wan
Hong Kong

Mr. Chu Yi Chit, Javin 31st Floor, Guangdong Finance Building
(Chief Investment and 88 Connaught Road West
Corporate Relations Officer) Sheung Wan
Hong Kong

Mr. Wong Kam Wing 31st Floor, Guangdong Finance Building
(General Manager) 88 Connaught Road West
Sheung Wan
Hong Kong

Ms. Tong Lai Choi, Katrina 31st Floor, Guangdong Finance Building
(Human Resources Manager) 88 Connaught Road West
Sheung Wan
Hong Kong

(ii) **Biographical Details of Directors**

Executive Directors

Mr. Lam Kwok Hing (*Chairman*)

Mr. Lam Kwok Hing, aged 60, is the Chairman, Managing Director, executive Director and the Chief Executive Officer of the Company. He is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam has been appointed the Executive Director since April 2001 and is the overall strategic visionary of the Group. Mr. Lam founded the original group company with other founding shareholders in 1994. He manages the strategic planning, corporate policy development, marketing strategy and high level management for the Group's macro business activities. Over the past decade, Mr. Lam was instrumental in shaping the development and evolution of the Group and building the business from a small-scale packaged food trading house to an integrated distribution and logistics enterprise. Since March 2012, the Board has appointed Mr. Lam as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operation. Mr. Lam is the spouse of Ms. Lee, who is also the executive Director and co-founder of the Company.

As at the Latest Practicable Date, Mr. Lam holds certain directorships in the subsidiaries of the Company. Mr. Lam is also the sole director of Best Global. Mr. Lam did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Lee Choi Lin, Joecy

Ms. Lee, aged 56, has been appointed the executive Director since April 2001. Ms. Lee is responsible for the general administration and management of the Group. She has over 15 years' experience in the marketing and distribution of fast moving consumer goods. Ms. Lee founded the original group company with other founding shareholders in 1994. Ms. Lee is the spouse of Mr. Lam, who is the Chairman, Managing Director, executive Director and the Chief Executive Officer as well as a co-founder of the Company.

As at the Latest Practicable Date, Ms. Lee holds certain directorships in the subsidiaries of the Company. Ms. Lee did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Hung Sau Yung, Rebecca

Ms. Hung, aged 50, has been appointed the executive Director since January 2012. She received her Bachelor Degree in Business majoring in accounting from Queensland University of Technology, Australia. Ms. Hung has over 20 years' experience in accounting and administration. Prior to joining the Group in 1998, she worked as an administration and accounting manager in a Hong Kong trading company.

Ms. Hung did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Gao Qin Jian

Ms. Gao Qin Jian, aged 56, has been appointed the executive Director since January 2012. Ms. Gao received her Bachelor Degree in Business, majoring in business administration from Fudan University in the PRC. She is also a Senior Accountant granted by Shanghai Expertise Qualification Review Committee, Accounting Series. Ms. Gao has over 20 years' experience in accounting and finance, as well as extensive managerial experience in the distribution and logistics industries. Prior to joining the Group in 2004, she was the deputy general manager of one of the renowned retail chain stores in the PRC. Ms. Gao is also the General Manager of the Group overseeing the Group's FMCG Trading Business and Logistics Services Business in northern and eastern regions of the PRC.

As at the Latest Practicable Date, Ms. Gao holds certain directorships in the subsidiaries of the Company. Ms. Gao did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Non-Executive Director

Ms. Chan Yuk, Foebe

Ms. Chan, aged 47, was appointed the executive Director in May 2002 and has been re-designated to the non-executive Director since December 2005. She is a member of the Audit Committee of the Company. Ms. Chan holds a Bachelor Degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has over 10 years' experience in corporate finance and management. Prior to joining the Group, Ms. Chan held senior positions in a listed company and an investment company.

As at the Latest Practicable Date, Ms. Chan holds a directorship in a subsidiary of the Company. Ms. Chan is also the chairman, executive director and chief executive officer of China Zenith Chemical Group Limited (stock code: 362), a company listed on the Main Board of the Stock Exchange.

Independent Non-Executive Directors

Mr. John Handley

Mr. John Handley, aged 73, has been appointed the independent non-executive Director since November 2001. Mr. Handley holds a Postgraduate Diploma in Export Marketing and has over 40 years' experience in marketing an extensive range of consumer products in Australasia and the Far East. During the last 30 years, he has completed a number of consultancy contracts in the PRC and Asian markets for major European manufacturers and held a senior position in a global mobile phone marketing and media company for 10 years. Mr. Handley is a member of the United Kingdom Institute of Export and a fellow member of the Hong Kong Institute of Marketing and an Honorary Voting Member of the Hong Kong Jockey Club.

Mr. Handley did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Mak Yun Chu

Ms. Mak Yun Chu, aged 58, has been appointed the independent non-executive Director since April 2004. She is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. Mak is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years' experience in accounting and administration.

Ms. Mak is also an independent non-executive director of UKF (Holdings) Limited since March 2016, a company listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Wealth Glory Holdings Limited from September 2010 to November 2013, a company listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr. Poon Yiu Cheung, Newman

Mr. Poon Yiu Cheung, Newman, aged 62, has been appointed the independent non-executive Director since November 2003. Mr. Poon holds a Bachelor of Arts Degree, majoring in accounting and economics from the University of Alberta in Canada. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Poon was a senior executive in a multinational insurance company and now holds a senior accounting position in a renowned hotel and has over 25 years' experience in insurance and accounting.

Mr. Poon did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Senior Management**Mr. Wong Siu Hong (*Chief Financial Officer and Company Secretary*)**

Mr. Wong, aged 48, joined the Group in March 2003 and is the Chief Financial Officer and Company Secretary of the Company. Mr. Wong holds a Bachelor Degree in Business, majoring in accounting and commercial law in Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group, Mr. Wong worked in a multinational accounting firm and has over 15 years' experience in accounting and auditing. He is responsible for the Group's financial planning and management and overseeing the corporate governance function.

As at the Latest Practicable Date, Mr. Wong holds certain directorships in the subsidiaries of the Company. Mr. Wong is also an independent non-executive director of CECEP COSTIN New Materials Group Limited (stock code: 2228), a company listed on the Main Board of the Stock Exchange.

Mr. Chu Yi Chit Javin (*Chief Investment and Corporate Relations Officer*)

Mr. Chu Yi Chit Javin, aged 39, joined the Group in May 2012. Mr. Chu holds a Master of Science Degree in Accounting and Finance from the London School of Economics with Distinction and a Bachelor of Business Administration Degree from the Hong Kong University of Science and Technology. He is a member of the CFA Institute and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chu had worked for several sizable and renowned corporations and has over 15 years' experience in corporate finance and accounting. He is responsible for overseeing the Group's project investments and all external communication with the financial and investor community.

Mr. Chu did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. Wong Kam Wing (*General Manager*)

Mr. Wong, aged 63, joined the Group in September 1995 and is currently the General Manager overseeing the Fresh Produce Division for the Group. Mr. Wong has over 25 years' experience in the consumer goods industry. Mr. Wong is responsible for managing the operations and development of the Group's logistics and food processing facility based out of Zhongshan, Guangdong Province. He is also responsible for overseeing the sales and distribution operations for fresh produces covering southern China including Hong Kong and Macau.

As at the Latest Practicable Date, Mr. Wong holds certain directorships in the subsidiaries of the Company. Mr. Wong did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. Tong Lai Choi, Katrina (*Human Resources Manager*)

Ms. Tong, aged 61, joined the Group in May 2010. Ms. Tong holds a Master of Business Degree from Australia. Ms. Tong is responsible for overseeing the human resources function of the Group in Hong Kong and the PRC. She has over 20 years' experience in the human resources field.

Ms. Tong did not hold any directorship in other public company, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours between 10:00 a.m. – 4:00 p.m. on Monday to Friday (except public holiday) at the head office and principal place of business of the Company in Hong Kong at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong up to and including 23 November 2016:

- (a) the memorandum and articles of association of the Company;
- (b) annual reports of the Group for the three years ended 30 June 2014, 2015 and 2016;
- (c) the letter from the Board;
- (d) the letter from the Independent Board Committee;
- (e) the letter from the Independent Financial Adviser;
- (f) the material contracts referred to under the section headed “Material Contracts” in this Appendix;
- (g) the report from RSM Hong Kong on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (h) the letters of consent referred to under the section headed “Experts and Consent” in this Appendix; and
- (i) this circular.

14. GENERAL

- (a) The Company Secretary of the Company is Mr. Wong Siu Hong, who is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.
- (b) As at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside Hong Kong.
- (c) In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

NOTICE OF EGM



HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Heng Tai Consumables Group Limited (the “**Company**”) will be held at Pacific Room on 2/F, Island Pacific Hotel, 152 Connaught Road West, Hong Kong on Wednesday, 23 November 2016 at 10:30 a.m. for considering and, if thought fit, passing (with or without amendment) the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the authorised share capital of the Company be increased from HK\$100,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.10 each (the “**Shares**”) to HK\$1,000,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,000,000,000 unissued Shares of HK\$0.10 each, and that each such new Share, upon issue, shall rank pari passu in all respects with the Shares in issue and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company (the “**Increase in Authorised Share Capital**”) be and is hereby approved; and
 - (b) the directors of the Company be and are hereby authorised to do all such acts and things and execute and deliver all such documents, including under the seal of the Company, where applicable, as they may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of the Increase in Authorised Share Capital.”
2. “**THAT** conditional upon (i) The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant the listing of and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); and (ii) the filing and registration of all documents relating to the Rights Issue (as defined below) 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 in Hong Kong:

NOTICE OF EGM

- (a) the underwriting agreement dated 20 October 2016 (the “**Underwriting Agreement**”) in respect of the Rights Issue entered into among the Company and Astrum Capital Management Limited (the “**Underwriter**”) (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares by the Underwriter) be and are hereby approved, confirmed and ratified;
- (b) the issue by way of rights (the “**Rights Issue**”) of not less than 900,348,091 Shares of the Company (the “**Rights Shares**”) and not more than 949,525,861 Rights Shares at a subscription price of HK\$0.24 per Rights Share to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register of members of the Company at the close of business on 5 December 2016, or such other date as the Company and the Underwriter may agree as the record date for determination of the entitlements of the Shareholders to the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Excluded Shareholders**”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the directors of the Company, after making relevant enquiries, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)), on the basis of one Rights Share for every one existing Share held on the Record Date and pursuant to the terms and conditions as set out in the Underwriting Agreement be and is hereby approved; and
- (c) the directors of the Company be and are hereby authorized to issue and allot the Rights Shares (in their nil-paid and fully-paid forms) and to do all such acts and things, to sign and execute all such further documents and to take such steps as they may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and to make or agree such variations, amendment or waiver as they may in their discretion consider to be desirable and in the interests of the Company.”

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 7 November 2016

NOTICE OF EGM

Registered Office:

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

Principal place of business in Hong Kong:

31st Floor
Guangdong Finance Building
88 Connaught Road West
Sheung Wan
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.
- (2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) In order to be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or their authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (5) A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
- (6) Completion and return of a proxy form will not preclude a member from attending or voting in person at the above meeting or any adjourned meeting thereof, should he so wish.
- (7) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the Chairman of the meeting will demand that all resolutions will be voted by way of poll at the meeting.