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If you are in any doubt as to any aspect about 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 Incutech Investments Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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



Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

- (1) STATUS OF RESUMPTION;**
- (2) CONDITIONAL PURCHASE OF EXISTING SHARES AND
CONDITIONAL SUBSCRIPTION OF NEW SHARES OF
INCUTECH INVESTMENTS LIMITED**
- BY
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
UNDER THE SPECIFIC MANDATE;**
- (3) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER;**
- (4) PROPOSED OPEN OFFER;**
- (5) POSSIBLE SPECIAL DEAL;**
- (6) CHANGE IN BOARD LOT SIZE;**
- (7) PROPOSED INCREASE IN AUTHORISED CAPITAL;**
- (8) RATIFICATION OF PREVIOUS CONTINUING CONNECTED TRANSACTIONS;**
- (9) APPROVAL OF NEW CONTINUING CONNECTED TRANSACTIONS; AND**
- (10) NOTICE OF EGM**

Financial adviser



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

**Independent financial adviser to the Independent Board Committee of
Incutech Investments Limited**

Quam  **華富嘉洛
企業融資**
CAPITAL

Capitalized terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 12 to 67 of this circular. A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation is set out on pages 68 to 69 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee is set out on pages 70 to 121 of this circular.

A notice convening the EGM to be held at Seminar Room, 1/F., Centenary Building, Craigengower Cricket Club, 188 Wong Nai Chung Road, Happy Valley, Hong Kong on Tuesday, 24 June 2014 at 11:30 a.m. is set out on pages 160 to 164 of this circular. A form of proxy for the EGM is enclosed herein. Whether or not you are able to attend and vote at the EGM or at any adjournment (as the case may be) in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or at any adjournment (as the case may be) thereof. Such form of proxy for the EGM is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hklistedco.com/356.asp). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment (as the case may be) thereof should you so wish.

9 June 2014

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EXPECTED TIMETABLE

The following expected timetable, which assumes not all of the Existing Shareholders accept the Offer, is indicative only and is subject to change:

Event	Expected Date in 2014
Despatch of circular	Monday, 9 June
Latest time to lodge the form of proxy for attending the EGM	11:30 a.m., Sunday, 22 June
EGM	11:30 a.m., Tuesday, 24 June
Announcement of the results of the EGM	Tuesday, 24 June
Announcement for Completion	Monday, 30 June
<i>Back-to-back commencement of the Open Offer following the Offer</i>	

a. In respect of the Offer:

Despatch of the Composite Document and the Form(s) of Acceptance and commencement date of the Offer (<i>note 2</i>)	Monday, 7 July
Latest date for acceptance of the Offer (<i>notes 3 and 4</i>)	4:00 p.m., Monday, 28 July
Offer Closing Date (<i>note 3</i>)	Monday, 28 July
Announcement of the results of the Offer, posted on the website of the Stock Exchange (<i>note 3</i>)	no later than 7:00 p.m. Monday, 28 July

EXPECTED TIMETABLE

b. In respect of the Open Offer (note 5)

Last day of dealing in Shares on
a cum-entitlement basis Tuesday, 29 July

First day of dealing in Shares on
an ex-entitlement basis Wednesday, 30 July

Latest time for lodging transfer of the Shares in
order to qualify for the Open Offer 4.00 p.m. Thursday, 31 July

Closure of register of members
(both dates inclusive) Friday, 1 August to Wednesday, 6 August

Record Date and time for the Open Offer 4:00 p.m. on Wednesday, 6 August

Latest date for posting of remittances in respect of
valid acceptances received under the Offer (*note 6*) Wednesday, 6 August

Register of members reopens Thursday, 7 August

Despatch of the Open Offer Prospectus Document,
the Application Forms and the Excess Application Forms Thursday, 7 August

Latest time for acceptance and
payment for the Open Offer Shares 4:00 p.m. Friday, 22 August

Latest time for termination
of the Underwriting Agreement 6:00 p.m. Wednesday, 27 August

Announcement of the allotment results
of the Open Offer Friday, 29 August

Despatch of certificates for the Open Offer Shares
and/or refund cheques for the Open Offer Monday, 1 September

EXPECTED TIMETABLE

Restoration of public float (<i>note 6</i>)	Monday, 8 September
Announcement for restoration of public float and fulfillment of Resumption conditions	Monday, 8 September
Expected date of the Resumption and first day of dealings in the Open Offer Shares (<i>note 7</i>)	Wednesday, 10 September
Effective date for change of board lot size from 10,000 Shares to 30,000 Shares.	Wednesday, 10 September
Designated broker starts to stand in the market to provide matching services for odd lot of Shares	9:00 a.m. on Wednesday, 10 September
Last day for the designated broker to stand in the market to provide matching services for odd lot of Shares	4:00 p.m. on Friday, 3 October

Notes:

- (1) The approval by the Listing Committee for the listing of and permission to deal in the Subscription Shares is one of the conditions precedent to Completion.
- (2) The Offer, which is conditional upon Completion, will be made on the date of posting of the Composite Document, and is capable of acceptance on and from that date until the Offer Closing Date. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Composite Document shall be posted within 7 days of fulfilment of the pre-condition, i.e. Completion. See notes 6 for remittance of in respect of the Offer.
- (3) The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Monday, 28 July 2014 unless the Offerors revises or extends the Offer in accordance with the Takeovers Code. The Offerors and the Company will jointly issue an announcement through the Stock Exchange website no later than 7:00 p.m. on Monday, 28 July 2014 stating whether the Offer has been revised or extended or expired. In the event that the Offerors decides to extend the Offer, at least 14 days' notice will be given by way of an announcement before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
- (4) Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances to be set out in the Composite Document.
- (5) The timetable in respect of the Open Offer will be delayed if the Offerors extend or revise the Offer period to a later date than Monday, 28 July 2014 in accordance to the Takeovers Code.
- (6) Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable under the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Company's branch share registrar and transfer office of a duly completed acceptance and of all valid requisite documents.

EXPECTED TIMETABLE

- (7) the above timetable assumes not all of the Existing Shareholders accept the Offer. In the event all of the Existing Shareholders accept the Offer, there will be no Existing Shareholders who would be holding Shares as at the Record Date and be entitled to the Open Offer Shares. In such circumstance, all the Open Offer Shares will be issued to the Underwriters directly, and the above timetable may be shortened.
- (8) Expected resumption of trading in the Shares is subject to approval by the Stock Exchange on, amongst all other conditions of the Resumption being fulfilled, the arrangement of the restoration of the public float as contemplated above.
- (9) The expected timetable set out above in relation to the Resumption is tentative and for indicative purposes only, and should there be any changes, the Company will issue further announcement(s) on the timetable as and when appropriate.
- (10) All references to time in this circular are references to Hong Kong time unless otherwise specified.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER AND THE OPEN OFFER

If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the latest date for acceptance of the Offer and/or, as the case may be, the Latest Time for Acceptance, the latest time for acceptance of the Offer (and the posting of remittance) and, as the case may be, the acceptance of and payment for the Open Offer Shares will not take place at 4:00 p.m., but will be extended to 5:00 p.m. on the same day instead;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and/or, as the case may be, the Latest Time for Acceptance, the latest time for acceptance of the Offer (and the posting of remittance) and, as the case may be, the acceptance of and payment for the Open Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of the Offer (and the posting of remittance) and/or, as the case may be, the Latest Time for Acceptance does not take place on the date(s) and time as stated above, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. Any charges to the anticipated timetable will be announced as and when appropriate.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meaning:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Application Form(s)”	the application form(s) for use by Qualifying Shareholders to apply for Open Offer Shares
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	The Central Clearing and Settlemental System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares to 30,000 Shares
“China” or “PRC”	the People’s Republic of China
“Company”	Incutech Investments Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement and the Subscription Agreement pursuant to the terms and conditions thereof
“Composite Document”	the composite offer and response document in respect of the Offer to be jointly despatched by the Offerors and the Company in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offer

DEFINITIONS

“connected person”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
“Corporate Finance Adviser” or “Investment Manager” or “Hua Yu”	Hua Yu Investment Management Limited, a licensed corporation under the SFO authorised to carry out regulated activities of type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). It is principally engaged in the business of investment management and provision of corporate finance advisory services
“Corporate Finance Advisory Agreement”	the agreement entered into between the Company and Hua Yu on 28 May 2014, in relation to the appointment of Hua Yu as the Corporate Finance Adviser of the Company subject to the approval by the Independent Shareholders at the EGM
“Deposit”	an aggregate sum of HK\$500,000, being the deposit and partial payment of the Consideration, out of which HK\$250,000 has been paid by the First Offeror to the Vendor and HK\$250,000 has been paid by the Second Offeror to the Vendor into the Escrow Bank Account upon the signing of the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving (i) the Subscription Agreement and the transactions contemplated thereunder, including the granting of a specific mandate for the issue and allotment of the Subscription Shares; (ii) the Increase in Authorised Capital; (iii) the Open Offer; (iv) the Special Deal; (v) the Management Agreement-2 and Management Agreement-3; (vi) the New Management Agreement and the annual caps thereunder; and (vii) the Corporate Finance Advisory Agreement and the annual caps thereunder, or any adjournment thereof

DEFINITIONS

“Encumbrances”	any mortgage, charge, pledge, restriction, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, trust arrangement, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Escrow Bank Account”	an escrow bank account held in the joint names of Ms. Chan Pui Kwan and Mr. Tung Tat Wah (who were appointed by the Vendor and the Offerors as the escrow agents) who shall be the joint signatories of the bank account for the purpose of escrowing the Deposit in accordance to the terms and conditions of the Sale and Purchase Agreement
“Excess Application”	the applications by Qualifying Shareholders for the Open Offer Shares in addition to their entitlement under the Open Offer
“Excess Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for additional Open Offer Shares under the Excess Application
“Excluded Shareholders”	the Offerors and those Overseas Shareholder(s) in respect of which the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Open Offer Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Existing Shareholders”	holders of the Shares, other than the Offerors
“Financial Year”	the financial year of the Company, being the period of 12 months from 1 January to 31 December or otherwise determined by the Board

DEFINITIONS

“First Offeror”	Sharp Years Limited, which is a company incorporated in the British Virgin Islands with limited liability, the purchaser of the First Sale Shares and the subscriber of the First Subscription Shares
“First Sale Shares”	7,500,000 Shares held by the Vendor, representing approximately 10.42% of the entire issued share capital of the Company as at the Latest Practicable Date
“First Subscription Shares”	420,000,000 new Shares to be issued and allotted to the First Offeror pursuant to the Supplemental Subscription Agreement
“First Resumption Proposal”	the resumption proposal dated 10 July 2013 submitted by Yu Ming on behalf the Company to the Stock Exchange
“Form of Acceptance”	the form of acceptance in respect of the Offer accompanying the composite offer document
“Gross NAV”	the consolidated NAV at the relevant date, without deduction of Management Fees attributable to the relevant quarter
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“High Watermark”	during the Management Period of the term of the New Management Agreement, (a) if a Performance Fee has been paid, the audited consolidated NAV of the Company as at the end of the latest Financial Year in which Hua Yu was entitled to a Performance Fee; or (b) if no Performance Fee has been paid, the consolidated pro forma NAV of the Company as at the commencement date of the New Management Agreement, being 1 June 2014 assuming the transactions under the Resumption Proposal are completed
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Increase in Authorised Capital”	the proposed increase in the authorised share capital of the Company from HK\$5,000,000 to HK\$20,000,000 by the creation of additional 1,500,000,000 Shares subject to the passing of an ordinary resolution by the Shareholders at the EGM and conditional upon fulfillment of the conditions of the Sale and Purchase Agreement and the Subscription Agreement
“Independent Board Committee”	the independent board committee of the Company formed for the purpose of advising the Independent Shareholders in respect of the Subscription, the Open Offer, the Special Deal, the Management Agreement-2, the Management Agreement-3, the New Management Agreement and the annual caps thereunder, the Corporate Finance Advisory Agreement and the annual caps thereunder and the Offer
“Independent Shareholders”	holders of the Shares, other than the Offerors and parties acting in concert with any of them, the Vendor, its beneficial owners, namely Mr. Tung Tat Wah, Mr. Michael, Wu Chun Wah, and their respective associates
“Joint Announcement”	the announcement jointly published by the Offerors and the Company dated 6 May 2013 in relation to, among other things, (i) the Sale and Purchase Agreement; (ii) the Subscription Agreement and the transactions contemplated thereunder including the allotment and issue of the Subscription Shares under the specific mandate; (iii) the Increase in Authorised Capital; (iv) the Special Deal; and (v) the Offer
“Last Trading Date”	12 June 2008, the last trading date before the suspension of trading in the Shares
“Latest Practicable Date”	6 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	22 August 2014 or such time to be agreed between the Company and the Offerors, being the latest time for acceptance of, and payment for, the offer of Open Offer Shares as described in the Open Offer Prospectus Document

DEFINITIONS

“Latest Time for Termination”	6:00 p.m. on the third Business Day following the Latest Time for Acceptance or such later time, being the latest time to terminate the Underwriting Agreement
“Liabilities”	the liabilities of the Company as at the Subscription Completion Date. As at 31 December 2013, such liabilities amounted to approximately HK\$33.9 million, inter alia (i) the Shareholders’ Indebtedness; (ii) short-term loans; and (iii) other expenses and liabilities incurred in the ordinary course of business of the Company. The actual amount will be accrued up to the Subscription Completion Date
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2014 or such other date as the parties to the Sale and Purchase Agreement and the Subscription Agreement may agree
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Management Agreement-1”	the management agreement entered into between the Company and Hua Yu dated 1 March 2011 for a period of two years from 1 March 2011 to 28 February 2013
“Management Agreement-2”	the management agreement entered into between the Company and Hua Yu dated 25 February 2013 for a period of one year from 1 March 2013 to 28 February 2014
“Management Agreement-3”	the management agreement entered into between the Company and Hua Yu dated 28 February 2014 for a period of 3 months from 1 March 2014 to 31 May 2014
“Management Fee”	the fee payable to Hua Yu in respect of the management of the Company pursuant to the New Management Agreement
“Management Period”	the period from 1 June 2014 to 31 May 2017

DEFINITIONS

“NAV”	the consolidated net asset value of the Group attributable to the owners of the Group
“New Management Agreement”	the new investment agreement entered into between the Company and Hua Yu on 28 May 2014, in relation to the appointment of Hua Yu as the investment manager of the Company subject to the approval by the Independent Shareholders at the EGM
“Offer”	subject to Completion, the possible mandatory unconditional cash offer for all the issued Shares (other than those already acquired by or agreed to be acquired by the Offerors and parties acting in concert with any of them) to be made by Yu Ming on behalf of the Offerors at the Offer Price
“Offerors”	the First Offeror and the Second Offeror
“Offer Price”	HK\$0.1 per Offer Share
“Offer Share(s)”	57,000,000 Shares subject to the Offer
“Open Offer”	the proposed open offer for subscription by the Existing Shareholders for the Open Offer Shares at the Open Offer Price
“Open Offer Price”	HK\$0.1 per Open Offer Share
“Open Offer Prospectus Document”	the prospectus to be despatched to the Shareholders containing details of the Open Offer
“Open Offer Prospectus Posting Date”	7 August 2014 or such later date as the Company may reasonably decide for despatch of the Open Offer Prospectus Document (together with the Application Form and the Excess Application Form)
“Open Offer Shares”	the new Shares proposed to be issued under the Open Offer
“Overseas Shareholder(s)”	Shareholder(s) whose addresses, as shown on the register of members of the Company on the Record Date, are outside Hong Kong
“Performance Fee”	the fee payable by the Company to Hua Yu in respect of the performance of the Company under the New Management Agreement

DEFINITIONS

“Placing”	the proposed placing by the Offerors to place down not more than 417,875,000 Shares after the close of the Offer or Open Offer to restore the public float of the Company
“Previous Management Agreements”	The Management Agreement-1, Management Agreement-2 and Management Agreement-3 respectively in relation to the appointment of Hua Yu as the investment manager of the Company
“Qualifying Shareholders”	all Shareholders as at the Record Date other than the Excluded Shareholders
“Quam Capital”	Quam Capital Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholder in respect of the Subscription, the Open Offer, the Special Deal, the Management Agreement-2, the Management Agreement-3, the New Management Agreement and the annual caps thereunder, the Corporate Finance Advisory Agreement and the annual caps thereunder and the Offer
“Record Date”	such date after the close of the Offer to be agreed between the Company and the Offerors for the determination of the entitlements under the Open Offer
“Resumption”	resumption of trading in the Shares
“Revised Resumption Proposal”	the revised resumption proposal dated 6 January 2014 submitted by Yu Ming on behalf of the Company to the Stock Exchange
“Sale and Purchase Agreement”	the conditional agreement dated 30 April 2013 entered into between the Offerors and the Vendor in relation to the sale and purchase of the Sale Shares as supplemented by the supplemental agreements dated 31 July 2013, 31 December 2013, 2 January 2014, 28 February 2014 and 28 March 2014 respectively
“Sale and Purchase Completion Date”	the fifth Business Day after the fulfilment of the conditions precedent referred to in the Sale and Purchase Agreement (or such other date as the parties thereto may agree)

DEFINITIONS

“Sale Shares”	15,000,000 Shares to be acquired by the Offerors from the Vendor pursuant to the Sale and Purchase Agreement, representing approximately 20.83% of the entire issued share capital of the Company as at the Latest Practicable Date, being the aggregate of the First Sale Shares and the Second Sale Shares
“Second Offeror”	Hugo Lucky Limited, which is a company incorporated in the British Virgin Islands with limited liability, the purchaser of the Second Sale Shares and the subscriber of the Second Subscription Shares
“Second Sale Shares”	7,500,000 Shares, representing approximately 10.42% of the entire issued share capital of the Company, held by the Vendor as at the Latest Practicable Date
“Second Subscription Shares”	980,000,000 new Shares to be issued and allotted to the Second Offeror pursuant to the Supplemental Subscription Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Shareholders’ Indebtedness”	(i) working capital loans advanced by Mr. Tung Tat Wah to the Company from time to time up to the Subscription Completion Date, which amounts to approximately HK\$9.3 million as at 31 December 2013; and (ii) the directors’ fee due to Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah as at the Subscription Completion Date, which amounted to approximately HK\$7.2 million as at 31 December 2013. The actual amount will be accrued up to the Subscription Completion Date. The working capital loans advanced by Mr. Tung Tat Wah to the Company are unsecured, interest free and no fixed term of repayment

DEFINITIONS

“Special Deal”	the repayment of the Shareholders’ Indebtedness out of the proceeds from the Subscription, which constitutes special deal according to Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Offerors and the allotment and issue by the Company of the Subscription Shares under the terms and the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 30 April 2013 and entered into between the Company and the Offerors in relation to the Subscription as supplemented by the supplemental agreements dated 31 July 2013, 31 December 2013, 2 January 2014, 28 February 2014, 28 March 2014 and 28 May 2014 respectively
“Subscription Completion Date”	the fifth Business Day after the fulfillment of the conditions precedent to the Subscription Agreement (or such other date as the parties hereto may agree)
“Subscription Price”	a subscription price of HK\$0.1 per Subscription Share
“Subscription Share(s)”	1,400,000,000 new Shares to be subscribed by the Offerors, representing approximately 19.44 times of the entire issued share capital of the Company as at the Latest Practicable Date, being the aggregate of the First Subscription Shares and the Second Subscription Shares
“Supplemental Subscription Agreement”	the sixth supplement agreement entered into between the Company and the Offerors on 28 May 2014 in relation to amendment on terms of the Subscription Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the SFC
“Underwriters”	the Offerors, being the underwriters of the Open Offer, who will take up all the Open Offer Shares not taken up by the Qualifying Shareholders
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriters on 28 May 2014 in relation to the Open Offer

DEFINITIONS

“Vendor”	Biggish Management Limited, which is a company incorporated in the British Virgin Islands, a substantial Shareholder holding approximately 20.83% of the entire issued share capital of the Company as at the Latest Practicable Date and owned as to 60% and 40% by Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah respectively
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

Executive Directors

Mr. Tung Tat Wah (*Chairman*)

Mr. Michael Wu Chun Wah

Registered office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent Non-Executive Directors

Mr. Allan Kwok Ming Fai

Mr. Robert Siu Siu Ling

Mr. Stephen Lee Ming Ching

*Head Office and Principal Place
of Business*

Room 1704, 17th Floor

Tai Tung Building

8 Fleming Road

Wanchai

Hong Kong

To the Independent Shareholders

9 June 2014

Dear Sir or Madam,

- (1) STATUS OF RESUMPTION;
(2) CONDITIONAL PURCHASE OF EXISTING SHARES AND
CONDITIONAL SUBSCRIPTION OF NEW SHARES OF
INCUTECH INVESTMENTS LIMITED
BY
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
UNDER THE SPECIFIC MANDATE;
(3) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER
(4) PROPOSED OPEN OFFER;
(5) POSSIBLE SPECIAL DEAL;
(6) CHANGE IN BOARD LOT SIZE;
(7) PROPOSED INCREASE IN AUTHORISED CAPITAL;
(8) RATIFICATION OF PREVIOUS CONTINUING CONNECTED TRANSACTIONS; AND
(9) APPROVAL OF NEW CONTINUING CONNECTED TRANSACTIONS**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to (i) the Joint Announcement made by the Company and the Offerors dated 6 May 2013 in relation to the entering into the conditional Sales and Purchase Agreement and the Subscription Agreement and transactions contemplated thereunder, which would result in the possible Offer to be made by the Offerors; (ii) the announcement of the Company dated 11 July 2013, 31 July 2013, and 27 March 2014 in relation to the status of Resumption; and (iii) the joint announcement made by the Company and the Offerors dated 28 May 2014 in relation to, among others, the Supplemental Subscription Agreement, the proposed Open Offer, ratification of previous continuing connected transaction, approval of new continuing connected transaction and Change in Board Lot Size.

Trading in the Shares has been suspended since 13 June 2008. The Company was placed into first delisting stage on 18 January 2013 pursuant to Practice Note 17 of the Listing Rules.

The Company submitted the First Resumption Proposal to the Stock Exchange on 10 July 2013, which considered the First Resumption Proposal short of the requirements of Rule 13.24 and Rule 21.04(1) of the Listing Rules (“**Resumption Conditions**”) and decided to place the Company into second delisting stage on 31 July 2013 pursuant to Practice Note 17 of the Listing Rules.

On 6 January 2014, the Company further submitted to the Stock Exchange the Revised Resumption Proposal with a view to satisfy the Resumption Conditions. The Revised Resumption Proposal includes the following elements:

- i. Acquisition of 15,000,000 Sale Shares in aggregate by the Offerors from the Vendor (existing substantial Shareholder) at HK\$0.1 per Sale Share for a total Consideration of HK\$1.5 million, representing approximately 20.83% of the existing issued share capital of the Company and 1.02% as enlarged by the issue and allotment of the Subscription Shares;
- ii. Subscription of 1,400,000,000 Subscription Shares in aggregate by the Offerors at HK\$0.1 per Subscription Share at a total subscription price of HK\$140 million, representing approximately 95.11% of the entire issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares;
- iii. Upon Completion, the Offerors will pursuant to Rule 26.1 of the Takeovers Code make the Offer for 57,000,000 Shares held by public Shareholders, representing approximately 3.87% of the entire issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares;

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- iv. Upon completion of the Offer, the Company and the Offerors agree to extend the Open Offer to the Existing Shareholders to afford the Existing Shareholders an equal opportunity to enlarge their shareholdings in the Company, while the Open Offer will be fully underwritten by the Offerors;
- v. Increase in Authorised Capital to facilitate the issue and allotment of the Subscription Shares and future expansion in the share capital of the Company;
- vi. Hua Yu, the existing investment manager of the Company will remain as the investment manager to identify and carry out analysis on investment opportunities, and advise the Company on acquisitions and realizations of investment; and
- vii. Subject to Completion, new Directors will be appointed to fulfill Rule 21.04 of the Listing Rules at the earliest time permissible under the Code.

On 25 March 2014, the Stock Exchange informed the Company that it has decided to allow the Company to resume trading in the Shares, subject to completion of the Subscription, the Offer, the Open Offer, and all other transactions contemplated in the Revised Resumption Proposal.

The purpose of this circular is to provide you with, among other things, (a) details of (i) the Sale and Purchase Agreement and the Subscription Agreement and transactions contemplated thereunder; (ii) the Offer; (iii) the Increase in Authorised Capital; (iv) the proposed Open Offer; (v) the Special Deal; (vi) Change in Board Lot Size; (vii) the Previous Management Agreements; (viii) the New Management Agreement; and (ix) the Corporate Finance Advisory Agreement; (b) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Subscription, the Open Offer, the Special Deal, Management Agreement-2 and Management Agreement-3, the New Management Agreement and the annual caps thereunder and the Corporate Finance Advisory Agreement and the annual caps thereunder; (c) a letter of advice from Quam Capital to the Independent Board Committee in relation to the Subscription, the Open Offer, the Special Deal, the Management Agreement-2 and the Management Agreement-3, the New Management Agreement and the annual caps thereunder and the Corporate Finance Advisory Agreement and the annual caps thereunder; and (d) the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving, the Subscription Agreement and the transactions contemplated thereunder, the Increase in Authorised Capital, the Open Offer, the Special Deal, Management Agreement-2 and Management Agreement-3, the New Management Agreement and the annual caps thereunder and the Corporate Finance Advisory Agreement and the annual caps thereunder.

LETTER FROM THE BOARD

THE ACQUISITION

The Sale and Purchase Agreement

Date: 30 April 2013

Parties: (i) Biggish Management Limited as the Vendor; and
(ii) the First Offeror and the Second Offeror as purchasers of the Sale Shares.

Sale Shares and the Consideration

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell the Sale Shares, and the First Offeror and the Second Offeror conditionally agreed to purchase the First Sale Shares and the Second Sale Shares respectively free from all Encumbrances together with all rights attaching thereto including but not limited to all dividends paid, declared or made in respect thereof on or after the Sale and Purchase Completion Date.

Total Consideration for the Sale Shares shall be HK\$1,500,000, of which each of the First Offeror and the Second Offeror shall pay HK\$750,000 for the First Sale Shares and the Second Sale Shares respectively in cash in the following manner:

- (a) the Deposit totalling HK\$500,000 has been paid (HK\$250,000 by each of the Offerors) into the Escrow Bank Account upon signing of the Sale and Purchase Agreement; and
- (b) HK\$1,000,000, being the remaining balance of the total Consideration less the Deposit is payable (HK\$500,000 by each of the Offerors) by cashier order issued by a licensed bank in Hong Kong upon completion of the Sale and Purchase Agreement.

The Sale Shares represents approximately 20.83% of the existing issued share capital of the Company as at the Latest Practicable Date and 1.02% as enlarged by the issue and allotment of the Subscription Shares.

The Deposit (without interest and less all the costs and expenses payable by the Offerors under the Sale and Purchase Agreement) shall be refunded to the Offerors if completion of the Sale and Purchase Agreement does not take place on or before the Long Stop Date other than as a result of the default caused by any of the Offerors. However, if any default is caused by any of the Offerors, the Vendor shall be entitled to forfeit the relevant part of the Deposit paid by the defaulting Offeror and to refund the relevant part of the Deposit to the non-defaulting Offeror.

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The Consideration was agreed between the Offerors and the Vendor on arm's length basis after taking into account of the audited net liabilities of the Company of approximately HK\$0.30 per Share as at 31 December 2012.

Conditions Precedent of the Sale and Purchase Agreement

Completion of the Sale and Purchase Agreement is conditional upon (i) the approval of the board of directors of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained; and (ii) the Subscription Agreement having become unconditional (Save for the condition that the Sale and Purchase Agreement become unconditional).

As at the Latest Practicable Date, condition (i) above has been fulfilled. The Vendor and the Offerors shall use their best endeavours to satisfy and fulfil the above conditions and, in particular, shall procure that all information and documents required pursuant to the Takeovers Code, the Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents, independent advice or otherwise are duly given promptly to the Vendor, each of the Offerors, the Stock Exchange, the SFC and other relevant regulatory authorities.

None of the above conditions are capable of being waived. If the above conditions have not been satisfied on or before 4:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall cease and determine and thereafter none of the parties shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Completion of the Sale and Purchase Agreement

Upon compliance with or fulfilment of the above condition precedent, completion of the Sale and Purchase Agreement shall take place on the Sale and Purchase Completion Date (or such other date as the parties to the Sale and Purchase Agreement may agree) when the Subscription Agreement shall be completed simultaneously.

LETTER FROM THE BOARD

THE SUBSCRIPTION

The Subscription Agreement and the Supplemental Subscription Agreement

Date: 30 April 2013 (as supplemented)

Parties: (i) the Company, as the issuer of the Subscription Shares; and

(ii) the First Offeror and the Second Offeror as the subscribers of the Subscription Shares.

Save for the Sale Shares, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Offerors are third parties independent of the Company and its connected persons under the Listing Rules.

The Subscription

Pursuant to the Supplemental Subscription Agreement, the Company conditionally agreed to issue and allot and the Offerors conditionally agreed to subscribe in cash the 1,400,000,000 Subscription Shares, out of which the First Offeror agreed to subscribe 420,000,000 Shares and the Second Offeror agreed to subscribe 980,000,000 Shares. The Subscription Shares represent approximately 19.44 times of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 95.11% of the entire issued share capital of the Company as enlarged by issue and allotment of the Subscription Shares.

The Subscription Price

The Subscription Price of HK\$0.1 per Subscription Share was determined after arm's length negotiations between the Company and the Offerors taking into account of the net liabilities of the Company of approximately HK\$0.30 per Share as at 31 December 2012.

The total Subscription Price of HK\$140.0 million shall be satisfied as to HK\$42.0 million by the First Offeror and as to HK\$98.0 million by the Second Offeror, by cashier's orders issued by a licensed bank in Hong Kong made in favour of the Company at the Subscription Completion Date.

The Subscription Price at HK\$0.1 per Subscription Share represents:

(i) the same price as each Sale Share;

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- (ii) a discount of approximately 79.17% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (iii) a discount of approximately 79.59% to the average of the closing prices of approximately HK\$0.49 per Share for the last five trading days immediately prior to and including the Last Trading Date;
- (iv) a discount of approximately 80.77% to the average of the closing prices of approximately HK\$0.52 per Share for the last ten trading days immediately prior to and including the Last Trading Date;
- (v) a discount of approximately 81.48% to the average of the closing prices of approximately HK\$0.54 per Share for the last thirty trading days immediately prior to and including the Last Trading Date; and
- (vi) a premium of approximately HK\$0.40 over the latest audited net liabilities per Share of approximately HK\$0.30 calculated based on the Group's audited consolidated net liabilities of approximately HK\$21.8 million as at 31 December 2012 and a premium of approximately HK\$0.50 over the audited net liabilities per Share of approximately HK\$0.40 calculated based on the Group's audited consolidated net liabilities of approximately HK\$28.5 million as at 31 December 2013.

Conditions Precedent of the Subscription

Completion of the Subscription is conditional upon the following conditions having been fulfilled:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Subscription Shares;
- (ii) the Stock Exchange granting the approval for resumption of trading in the Shares;
- (iii) the Shareholders who are not required to abstain from voting under the Listing Rules and the Takeovers Code approving at the EGM the (i) Increase in Authorised Capital; (ii) the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares under the specific mandate; and (iii) the Special Deal;
- (iv) trading in the Shares on the Stock Exchange not being revoked at any time prior to completion of the Subscription;

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- (v) the representations, warranties and undertakings made by or on behalf of the Company in the Subscription Agreement remaining true and accurate in all material respects as at completion of the Subscription;
- (vi) all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement having been obtained by the Company; and
- (vii) the Sale and Purchase Agreement having become unconditional (save for the condition of the Subscription Agreement to become unconditional).

As at the Latest Practicable Date, none of the conditions above has been fulfilled. The Offerors and the Company shall use their best endeavours to satisfy and fulfill the above conditions and, in particular, shall procure that all information and documents required pursuant to the Takeovers Code, the Listing Rules, and other applicable rules, codes and regulations whether in connection with the preparation of all circulars, reports, documents, independent advice or otherwise are duly given promptly to the Company, the Offerors, the Stock Exchange, the SFC and other relevant regulatory authorities.

None of the above conditions are capable of being waived. If the above conditions have not been satisfied on or before 4:00 p.m. on the Long Stop Date, the Subscription Agreement shall cease and determine and thereafter none of the parties shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms of the Subscription Agreement.

Completion of the Subscription

Upon compliance with or fulfilment of all the above conditions, completion of the Subscription shall take place on the Subscription Completion Date (or such other date as the parties to the Subscription Agreement may agree) when the Sale and Purchase Agreement shall be completed simultaneously.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, shall rank *pari passu* in all respects among themselves and with all the Shares in issue on the date of issue and allotment of the Subscription Shares except that they will not rank for any dividend or other distribution of the Company declared, made or paid by reference to a record date prior to the date of issue.

LETTER FROM THE BOARD

Listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Reasons for the Subscription

The Company is incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the investments in the securities listed on the Stock Exchange and in the unlisted equities with a potential for earnings growth and capital appreciation.

The following is a summary of the respective audited consolidated financial results for each of the three years ended 31 December 2011, 2012 and 2013.

	For the year ended 31 December		
	2011	2012	2013
<i>HK\$</i>	(Audited)	(Audited)	(Audited)
Revenue	132,120	190,960	182,016
Net loss before taxation and extraordinary items	(4,971,164)	(3,927,748)	(6,664,875)
Net loss after taxation and extraordinary items attributable to equity holders of the Group	(4,971,164)	(3,927,748)	(6,664,875)
Net liabilities	(17,859,460)	(21,787,208)	(28,452,083)

Trading in the Shares has been suspended since 13 June 2008. Financial performance of the Company deteriorated substantially in recent years. Revenue of the Company decreased from HK\$1.96 million in 2007 prior to the suspension of trading in the Shares to HK\$0.20 million in 2008 when the trading in the Shares was suspended, and fluctuated between HK\$0.13 million and HK\$0.23 million from 2009 to 2013. According to the audited financial results of the Company, the Company has been in net loss position for the past seven years ended 31 December 2013. The net loss of the Company amounted to approximately HK\$72.03 million in 2007, HK\$8.23 million in 2008 and fluctuated between HK\$2.07 million and HK\$6.66 million from 2009 to 2013. As at 31 December 2013, audited net liabilities of the Company amount to approximately HK\$28.45 million, or HK\$0.4 per Share. The audited net liabilities of the Company increased from HK\$6.5 million as at 31 December 2008 to HK\$28.45 million as at 31 December 2013.

LETTER FROM THE BOARD

The Revised Resumption Proposal is the only resumption proposal so far received by the Board, which the Stock Exchange considered viable and allowed to proceed with conditions.

The net proceeds from the Subscription, after deducting the cost and expenses in connection with the Resumption of approximately HK\$2.8 million, are estimated to be approximately HK\$137.2 million, representing net price of approximately HK\$0.098 per Subscription Share, which enable the Company to replenish its cash and working capital for investments, repayments of the Liabilities and increase its capital base assuming the Resumption take place. It also improves the gearing ratio and strengthens the balance sheet of the Group as a whole. For further details of the intended use of proceeds, please refer to the section headed "Use of Proceeds" in this "Letter from the Board" of this circular.

Accordingly, the Directors (excluding Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah who abstained from voting at the Board meeting and the members of the Independent Board Committee who will express their opinion after considering the advice of Quam Capital as to the fairness and reasonableness of the Subscription Agreement and the Special Deal) consider that the Subscription Agreement and the Special Deal are entered into on normal commercial terms, which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER

Upon Completion, the Offerors and parties acting in concert with them will hold in aggregate 1,415,000,000 Shares, representing approximately 96.13% of the entire issued share capital of the Company as enlarged by the issue and allotment of Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offerors will be required to make a mandatory unconditional cash offer for all the issued Shares which are not already acquired or agreed to be acquired by them and parties acting in concert with any of them.

Subject to Completion, Yu Ming will make the Offer on behalf of the Offerors on the following basis:

For each Offer Share HK\$ 0.1 in cash

The Offer Price is the same as the price of the Sale Shares and the Subscription Shares.

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Assuming that there is no change in the issued share capital of the Company up to Completion, based on the Offer Price of HK\$0.1 per Offer Share, the entire issued share capital of the Company of 1,472,000,000 Shares is valued at approximately HK\$147.2 million. As the Offerors and parties acting in concert with them will hold an aggregate of 1,415,000,000 Shares upon Completion, only 57,000,000 Shares will be subject to the Offer and the Offer is valued at approximately HK\$5.7 million.

The Composite Document (accompanied by the Form of Acceptance) in connection with the Offer setting out, inter alia, details of the Offer (including the expected timetable), the advice from Quam Capital to the Independent Board Committee in respect of the Offer and the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Offer, will be despatched by the Offerors and the Company jointly to the Shareholders after Completion and in accordance to the Takeovers Code.

Information on the Offerors

The First Offeror

The First Offeror is an investment holding company incorporated in the British Virgin Islands on 21 November 2012 with limited liability. Apart from its proposed holding of the First Sale Shares and the First Subscription Shares, the First Offeror does not have any other business operation since its incorporation up to the Latest Practicable Date. The First Offeror is owned as to 50% by Long Surplus International Limited and 50% by Fame Image Limited respectively. Long Surplus International Limited is beneficially and ultimately owned as to 66.66% by Ms. Wisery, Ho Hoi Yee and 33.33% by Ms. Lai Tsui Har. Fame Image Limited is beneficially and ultimately owned as to 70% by Ms. Chan Pui Kwan and 30% by Mr. Tony, Wu Weihong.

Brief backgrounds of the beneficial owners of the First Offeror are set out below:

Ms. Wisery, Ho Hoi Yee, has over thirteen years of experience in the news and media industry. She is currently a news editor (business) of a newspaper in Hong Kong.

Ms. Lai Tsui Har, has over sixteen years of experience in marketing and public relations of professional services, telecommunications and property and transportation sectors in Hong Kong. She has been working in PricewaterhouseCoopers Hong Kong since 2004 and is currently an associate director of marketing and communications in PricewaterhouseCoopers Hong Kong.

Mr. Tony, Wu Weihong, has over twenty years of experience in business development and project investment in the PRC. He is currently an executive director of a private company engaged in cross-border investment and financial management projects, primarily in Hong Kong, PRC, Europe and other emerging markets.

LETTER FROM THE BOARD

For background of Ms. Chan Pui Kwan, please refer to the section headed “Proposed Change of Directors” in the “Letter from the Board” of this circular.

The Second Offeror

The Second Offeror is an investment holding company incorporated in the British Virgin Islands on 21 November 2012 with limited liability. Apart from its proposed holding of the Second Sale Shares and the Second Subscription Shares, the Second Offeror does not have any other business operation since its incorporation up to the Latest Practicable Date. The Second Offeror is beneficially and ultimately wholly-owned by Mr. Alex, Leung King Yue.

For background of Mr. Alex, Leung King Yue, please refer to the section headed “Proposed Change of Directors” in the “Letter from the Board” of this circular.

The Offerors, their associates and parties acting in concert with any of them are third parties independent of the Company and not connected persons of the Company.

Future Intentions of the Offerors

The Group is principally engaged in the investments in the securities listed on the Stock Exchange and in the unlisted equities with a potential for earnings growth and capital appreciation. Following Completion, the Offerors will continue the existing businesses of the Group. The Offerors will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group.

The Offerors and their ultimate beneficial owner have no intention to dispose of their shareholding interests in the Company (except for the purpose of maintaining the public float requirement under the Listing Rules, if applicable) within 24 months after the Resumption.

The Company, the Investor or the Directors (including the proposed Directors) has no present agreement, arrangement, negotiation and/or plan to carry out a principal business other than the existing business of the Company within 24 months after the Resumption.

PROPOSED OPEN OFFER

Upon completion of the Offer, the Company propose to carry out the Open Offer to offer the Existing Shareholders a pre-emptive right to subscribe for Shares at the same issue price as the Sale Shares and the Subscription Shares so that the Existing Shareholders are provided an equal opportunity as the Offerors to enlarge their shareholdings in the Company. The Open Offer will raise a gross proceed of not less than HK\$42.8 million.

LETTER FROM THE BOARD

Information of the Open Offer

Number of Open Offer Shares to be issued:	Not less than 427,500,000 Open Offer Shares
Basis of the open offer:	Fifteen (15) Open Offer Shares for every two (2) Shares held on the Record Date and payable in full on acceptance.
Open Offer price:	HK\$0.1 per Open Offer Share
Excluded Shareholders:	The Offerors holding 1,415,000,000 Shares and the Overseas Shareholders as at the Record Date, whom the Directors with reference to legal opinions provided by the Company's legal adviser, consider if necessary or expedient not to offer the Open Offer Shares on account either of legal restrictions or requirements of the relevant laws and regulations of overseas jurisdictions. Based on the register of members of the Company as at the Latest Practicable Date, there is an Overseas Shareholder holding 4,150,000 Shares with registered address in Macau.
Qualifying Shareholders:	All Shareholders as at the Record Date other than the Excluded Shareholders
Underwriting:	The Open Offer will be fully underwritten by the Offerors
Underwriting fee:	3%

The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders as at the Record Date. The Company will only send the Open Offer Prospectus Document (without Application Forms and the Excess Application Forms) to the Excluded Shareholders for information only.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and must be a Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) for registration with the Company's branch share registrar and transfer office by 4:00 p.m. on Thursday, 31 July 2014.

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The maximum gross proceeds from the Open Offer before expenses will be approximately HK\$42.8 million. The maximum net proceeds from the Open Offer (after deducting the underwriting commission fee at market rate of 3%) are estimated to be approximately HK\$41.5 million, representing net price of approximately HK\$0.097 per Open Offer Share. For further details of the intended use of proceeds, please refer to the section headed “Use of Proceeds” in this “Letter from the Board” of this circular.

As the Open Offer will increase the total issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the announcement of the Open Offer, the Open Offer is subject to Shareholders’ approval at the EGM under the Listing Rules. The Offerors shall abstain from voting on the relevant resolution of the EGM.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 1 August 2014 to Wednesday, 6 August 2014, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

Open Offer Price

The Open Offer Price of HK\$0.1 per Open Offer Share is the same with the Subscription Price, which represents a discount of approximately 79.17% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day.

Each Qualifying Shareholder is entitled to subscribe for the Open Offer Shares at the same price in proportion to his/her/its shareholding in the Company as at the Record Date. Taking into account that trading of the Shares had been suspended since 13 June 2008, the financial performance of the Company has deteriorated substantially over the years, where net liabilities as at 31 December 2013 amounted to approximately HK\$0.40 per share, and the Open Offer Price is the same as the Subscription Price, the Directors (including the proposed Directors and the independent non-executive Directors) consider the Open Offer Price is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Status of the Open Offer Shares

The Open Offer Shares (when fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Open Offer Shares. Holders of the Open Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Open Offer Shares.

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Fractions of entitlement to the Open Offer Shares

Fractions of Open Offer Shares will not be allotted to the Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number. Any Open Offer Shares created from the aggregation of fractions of Open Offer Shares will be taken up by the Offerors.

Applications for excess Open Offer Shares

Qualifying Shareholders shall be entitled to apply for entitlements of Open Offer Shares which is not taken up by other Qualifying Shareholders. Application may be made by Qualifying Shareholders by completing the Excess Application Form and lodging the same with a separate remittance for the excess Open Offer Shares being applied for. The Directors will allocate the excess Open Offer Shares at their discretion on a fair and equitable basis on the following principles.

The excess Open Offer Shares will be allocated to those Qualifying Shareholders who have applied for excess Open Offer Shares on a pro-rata basis by using the number of the excess Open Offer Shares applied for by each Shareholder divided by total remaining excess Open Offer Shares available.

Any remaining Open Offer Shares not applied for by the Qualifying Shareholders will be taken up by the Offerors.

Shareholders with their Shares held by a nominee (including HKSCC Nominees Limited) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, investors whose Shares are registered in the name of a nominee (including HKSCC Nominees Limited) should note that the aforesaid arrangements in relation to the allocation of excess Open Offer Shares will not be extended to them individually. Shareholders with their Shares held by a nominee (including HKSCC Nominees Limited) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own name(s) prior to the Record Date.

Share certificates and refund cheques for the Open Offer Shares

Subject to fulfillment of the conditions of the Open Offer, certificates for all fully-paid Open Offer Shares shall be despatched by ordinary post to those Qualifying Shareholders who have accepted and paid for their Open Offer Shares, at their own risk. Refund cheques in respect of the Open Offer Shares if the Open Offer is terminated shall be despatched by ordinary post to the applicants at their own risk.

LETTER FROM THE BOARD

Rights of the Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Open Offer Prospectus Document will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its legal adviser as to whether the issue of Open Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Open Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Open Offer Prospectus Document.

Application for listing of the Open Offer Shares

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Open Offer Shares. Dealings in the Open Offer Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Open Offer Shares 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.

The Shares is currently traded in board lot of 10,000 Shares. Upon the effective of the Change in Board Lot Size, which is expected to be on the same date with Resumption, the Open Offer Shares will also be dealing in board lot of 30,000 Shares.

Details of the time table of the Open Offer will be published by the Company once it is finalised. Further details of the Open Offer will be set out in the Open Offer Prospectus Document to be despatched to the Qualifying Shareholders in due course.

LETTER FROM THE BOARD

The Underwriting Agreement

Any Open Offer Share not taken up by the Qualifying Shareholders will be underwritten by the Offerors pursuant to the terms of the Underwriting Agreement.

Principal terms of the Underwriting Agreement

Underwriters: The Offerors

Maximum number of Open 427,500,000 Open Offer Shares
Offer Shares underwritten:

Underwriting commission: 3%

The Offerors are not engaged in underwriting business in its ordinary course of business.

Conditions of the Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement are conditional upon:

- (i) 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 Open Offer Prospectus Document together with the Application Form and Excess Application Form duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Open Offer Prospectus Posting Date;
- (ii) the posting of the Open Offer Prospectus Document, together with the Application Form and Excess Application Form to the Qualifying Shareholders; and to the Excluded Shareholders, if any, without the Application Forms and the Excess Application Forms for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Open Offer Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Open Offer Shares;

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- (iv) the obligations of the Underwriters becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms;
- (v) the completion of the Offer;
- (vi) the passing by no later than the Open Offer Prospectus Posting Date by the Shareholders (or, where appropriate, Independent Shareholders) at the EGM, among other things, the resolutions of the Open Offer;
- (vii) all necessary consents and approvals required to be obtained by the each of the Underwriters in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (viii) if applicable, all necessary consents and approvals required to be obtained by the Company in respect of the Underwriting Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

All of the conditions above cannot be waived. If any of the conditions are not fulfilled by the Latest Time for Termination which is expected to be 4:00 p.m. on Wednesday, 27 August 2014, 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.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (i) in the reasonable opinion of any of the Underwriters, the success of the Open Offer would be materially and adversely affected by:
 - (a) 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 any of the Underwriters 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 Open Offer; or

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date 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 any of the Underwriters 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 Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (ii) 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 any of the Underwriters is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of any of the Underwriters 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
- (iv) 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
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Open Offer Prospectus Document and not having been disclosed in the Open Offer Prospectus Document, would have constituted, in the reasonable opinion of any of the Underwriters, a material omission in the context of the Open Offer; or

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- (vii) 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 joint announcement dated 30 May 2014, this circular, the Open Offer Prospectus Document, together with the Application Form and the Excess Application Form, or other announcements or circulars in connection with the Open Offer,

Either of the Underwriters shall be entitled by notice in writing to the Company and the other Underwriter, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

USE OF PROCEEDS

The gross proceeds from the Subscription and the Open Offer will amount to approximately HK\$140 million and HK\$42.8 million respectively. The net proceeds from the Subscription (after deducting the costs and expenses in connection with the Resumption of approximately HK\$2.8 million, including professional fees) are estimated to be approximately HK\$137.2 million and the net proceeds from Open Offer (after deducting the underwriting commission of 3% of approximately HK\$1.3 million) are estimated to be approximately \$41.5 million. The aggregate net proceeds approximately of HK\$178.7 million are expected to be applied as follows:

- (a) HK\$39.9 million shall be applied to settlement of the Liabilities of the Company;
- (b) HK\$83.3 million (about 60% of the net proceeds after settlement of the Liabilities) is intended to be invested in listed companies and fixed income instruments of listed and non-listed companies; and
- (c) HK\$55.5 million (about 40% of the net proceeds after settlement of the Liabilities) is intended to be invested in private equities.

As the amount of Liabilities will be accumulated up to Subscription Completion Date, the expected use of proceeds is subject to change based thereon.

The Directors and the Investment Manager will use their best endeavours to identify investments opportunities for the Company, and subject to market conditions and appropriate investment opportunities identified, it is expected that most of the proceeds after payment of liabilities of the Company will be invested in the current Financial Year.

LETTER FROM THE BOARD

POSSIBLE SPECIAL DEAL

As at Latest Practicable Date, Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are executive Directors and substantial Shareholders holding the Sale Shares through their respective holdings of 60% and 40% equity interest in the Vendor. Pursuant to the Subscription Agreement, part of the proceeds from the Subscription will be applied to repay the Liabilities after Completion, including the Shareholders' Indebtedness due to Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah. The repayment of the Shareholders' Indebtedness out of the proceeds from the Subscription, which is not extended to all the other Shareholders, constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code.

Special Deal require consents from the Executive under Rule 25 of the Takeovers Code, and such consent, if granted, shall be conditional upon the approval of the Independent Shareholders by way of a poll at the EGM and the independent financial adviser to the Independent Board Committee publicly stating in its opinion that the terms of the Special Deal are fair and reasonable.

The Company has applied to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

PROPOSED CHANGE OF DIRECTORS

It is intended that all of the existing Directors except Mr. Allan, Kwok Ming Fai, an independent non-executive Director, will resign on the earliest date permitted under the Takeovers Code, which is the closing date of the Offer.

The Offerors intend to appoint Mr. Alex, Leung King Yue, Mr. Leong Chi Wai and Mr. Lewis Chan as executive Directors; Mr. Ma Chun Fai and Ms. Chan Pui Kwan as non-executive Directors; and Mr. Erik, Lo Chi Ming, and Mr. Jochum Haakma as independent non-executive Directors on the earliest date permitted under the Takeovers Code, which is the despatch date of the Composite Document.

Biographical information of the proposed Directors are as follows:

Mr. Alex, Leung King Yue ("Mr. Leung"), aged 37, has 13 years of experience in financial services sector including three years investment banking experience and ten years of experience in private equity investment and asset management. Mr. Leung is a Responsible Officer of two asset management companies, namely JK capital Management Limited ("JK Capital", formerly known as MYM Capital limited) and Asian Asset Management Limited.

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Mr. Leung was also an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited, stock code: 905) during the period from 9 March 2007 to 12 May 2010, and UBA Investments Limited during the period from 17 July 2007 to 1 December 2008 (stock code: 768), both of which are listed on the Main Board of the Stock Exchange. He was also an executive director of Viva China Holdings Limited (formerly known as Coolpoint Energy Limited, stock code: 8032), which is a company listed on the GEM board of the Stock Exchange during the period from 14 July 2008 to 23 June 2010. Mr. Leung was an independent non-executive director of First Natural Foods Holdings Limited (stock code: 1076) from 17 December 2008 to 21 November 2013, a company listed on the Main Board of the Stock Exchange.

Mr. Leung graduated from University of Melbourne in Australia in 1999 with a bachelor degree in commerce specialising in Economics and Finance. He is a Chartered Financial Analyst of the United States of America since 2003. Mr. Leung is licensed under the SFO as a Responsible Officer to carry out types 4 (securities advisory), 6 (corporate finance advisory) and 9 (asset management) regulated activities.

Mr. Leung is interested in the entire issued share capital of the Second Offeror.

Mr. Leung's Asset management Experiences:

Years of experience	:	10 years in private equity investment and asset management and 3 years in investment banking
Asset management companies worked for	:	JK Capital Management Limited (2003 to present); Asian Asset Management Limited (2005 to present, Inactive)
Any breaches of laws or regulations	:	N.A.

Asset management at JK Capital Management Limited (“JK Capital”)

JK Capital Information*	:	A fund management company set up in Hong Kong in 1997 and regulated under the SFC and specialises in absolute return portfolio management and invests in listed securities throughout Asia
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LETTER FROM THE BOARD

Mr. Leung's roles, duties and positions held : Joined since 2003, became a responsible officer since 2006 up to present, and became chief financial officer, risk manager and compliance officer of JK Capital since 2008 up to present with the following responsibilities: (i) Responsible Officer; (ii) Chief financial officer: responsible for managing and overseeing the treasury finance and accounting aspects of JK Capital; (iii) Risk manager: responsible for monitoring key risk areas of the portfolios of JK Capital, including compliance with investment objectives and monitoring of risk parameters of portfolios; and (iv) Compliance officer: administration of JK Capital's compliance manual and compliance with relevant codes and guidelines of the SFC.

Assets under management of JK Capital* : As at February 2014, JK Capital had US\$543 million under management

Fund managed by Mr. Leung in JK Capital : LFP JKC China Value Fund (2003-2008); and MYM High yield Bond Fund (2003-2008)

JK Capital's website : www.jkcapitalmanagement.com

(i) LFP JKC China Value Fund (Formerly known as MYM China Trust)

Domicile* : Luxembourg

Primary Listing* : Luxembourg Stock Exchange

Mr. Leung's roles, duties and positions held : Fund Manager from 2003-2008

Main Responsibilities : (i) sourcing and identifying target companies for investments; (ii) forming investment strategies; (iii) performing valuations; (iv) conducting due diligence on target companies; (v) monitoring investment performance from time to time; and (vi) making investment decisions, and are accountable to professional investors

Target Size* : US\$400 million

LETTER FROM THE BOARD

Asset type and geographical coverage of the investments* : Long only equity fund investing in the PRC through the Stock Exchange with a value strategy

Companies operate out of the PRC and are listed on the Stock Exchange

Investment objectives* : An absolute return equity fund that invests exclusively in value stocks, i.e. companies trading at low PE ratios, low PE to Growth ratios, low Enterprise Value to EBITDA ratio and attractive Price to Book ratios, low (and often negative) net gearing ratios and high dividend payouts. The fund uses hedging instruments and active cash management to minimize volatility. The fund focuses on companies that often fall out of the radar screen of sell-side analysts

(ii) *MYM High yield Bond Fund*

Domicile* : Cayman Islands

Primary Listing* : Irish Stock Exchange (Delisted in 2009 due to the lack of opportunities available in the high yield bond market)

Mr. Leung's roles, duties and positions held : Fund Manager from 2003-2008

Main Responsibilities : (i) sourcing and identifying target companies for investments; (ii) forming investment strategies; (iii) performing valuations; (iv) conducting due diligence on target companies; (v) monitoring investment performance from time to time; and (vi) making investment decisions, and are accountable to professional investors

Capacity* : US\$200 million

Asset Type and geographical coverage of the investments* : An event-driven global fund that buys into debt instruments of companies going through temporary difficulties

Companies in the developed countries

LETTER FROM THE BOARD

Investment objectives* : Invests in high yield bonds and distressed debt of companies going through turnaround situations, possibly through receivership leading to the restructuring of their balance sheets

(*Source: JK Capital website and its annual/monthly/weekly reports)

Mr. Leong Chi Wai (“Mr. Leong”), aged 38, has over 16 years of experience in corporate finance, asset management, direct investments and property investments and developments. He is also licensed under the Estate Agents Authority. Mr. Leong is a director and responsible officer of Hua Yu, Hua Yu is the investment manager of the Company since March 2009 to present. He was appointed as an executive director of Mastermind Capital Limited (stock code: 905), an investment company listed on the Main Board of the Stock Exchange, from March 2007 to May 2010. Mr. Leong joined Yu Ming Investment Management Limited (“Yu Ming”) in July 1997 and was appointed as a responsible officer from May 2008 to February 2010. Yu Ming is the investment manager of SHK Hong Kong Industries Limited (stock code: 666).

Mr. Leong was appointed as an executive director of Viva China Holdings Limited (formerly known as GreaterChina Technology Group Limited and Coolpoint Energy Limited, stock code: 8032), a company listed on the Growth Enterprise Market of the Stock Exchange, from July 2008 to October 2009.

Mr. Leong graduated from the University of Hong Kong with a Bachelor degree in Business Administration (Accounting and Finance). He is licensed under the SFO to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) as a representative since 2003 and as a responsible officer since May 2008 to present. He was also licensed to carry out Type 1 (Dealing in Securities) from period May 2008 to February 2010.

Mr. Leong’s Asset management Experiences:

Years of experience : Over 16 years of experience in corporate finance, asset management and direct investments

Asset management companies worked for : (i) Hua Yu Investment Management Limited (2007 to present);

(ii) Mastermind Capital Limited (2007 to 2010); and

(iii) Yu Ming Investment Management Limited (1997 to 2010)

LETTER FROM THE BOARD

Any breached of laws or regulations : No

(i) *Asset Management at Hua Yu Investment Management Limited (“Hua Yu”)*

Hua Yu Information : Hua Yu was incorporated in Hong Kong in 1998 and is a licensed corporation to carry out types 4, 6 and 9 regulated activities under the SFO. Its principal business activities are advising on securities, advising on corporate finance and asset management

Mr. Leong’s role, duties and Responsibility : Director and Responsible Officer, responsible for business development; researching, analyzing and evaluating investments; investment advice and recommendation; monitoring of investments; compliance; and supervision of daily operations

Fund Managed : Hua Yu was the investment manager of Mastermind Capital Limited from May 2005 to May 2010 and is the investment manager of the Company since March 2009 to present

(ii) *Asset Management at Mastermind Capital Limited (“Mastermind”)*

Mastermind information : A Chapter 21 investment company listed on the Stock Exchange since 1998 and a licensed corporation to carry out type 9 regulated activity under the SFO

Mr. Leong’s roles, duties and positions held : Executive director of Mastermind and responsible for daily operation of Mastermind (March 2007 to May 2010), including business development; researching, analyzing and evaluating investments; conduct due diligence; investment and divestment advice and recommendation to board of directors; monitoring of investments; compliance of Listing Rules, Takeovers Code and SFO; and supervision of daily operations and administration.

Types and geographical coverage of the investments : Mainly listed and unlisted equities in Hong Kong and the PRC

Investment objectives : To provide an adequate return to the shareholders commensurate with the level of risk involved

Period under management : March 2007 to May 2010

LETTER FROM THE BOARD

Net asset value/ (Net liabilities) of Mastermind : 2007: Approx. HK\$1.9 million
2008: Approx. HK\$27.9 million/HK\$(0.4) million (excluding fundraising)
2009: Approx. HK\$29.1 million/HK\$23.2 million (excluding fundraising)

Year on year change in Net asset value : 2007: -62.6%
2008: 1,368.4%(-121.1%, excluding fundraising)
2009: 4.3%(-16.8%, excluding fundraising)

Note: Since March 2007, Mastermind only had Net asset value of about HK\$1.9 million, it was unable to make any investment until fund raising in December 2008 and June 2009. During the period from 2007 to 2009, administrative expenses alone were incurred as to HK\$3.2 million, HK\$2.4 million and HK\$5.4 million respectively. Despite the fundraisings, Mastermind only managed to make one investment in listed equity in 2008, and two investments in listed equities and a few investments in non-listed equities in 2009. As the majority of the investments made in 2009 were non-listed equities and were made close to the financial reporting date, the potential return of the investments might not have been reflected on the financial statements.

(iii) *Asset Management at Yu Ming Investment Management Limited (“Yu Ming”)*

Yu Ming Information : Yu Ming was incorporated in Hong Kong in 1996 and is a licensed corporation to carry out types 1, 4, 6 and 9 regulated activities under the SFO. Its principal business activities are dealing in securities, advising on securities, advising on corporate finance and asset management

Mr. Leong’s roles, duties and position held : Joined since 1997 and a representative since 2003 and as a responsible officer from 2008 to 2010

Responsible for identifying, researching, analysing and recommending investments and reporting to the managing director of Yu Ming. Mr. Leong is also responsible for corporate finance advisory, advisory on securities and investment management advisory services of Yu Ming.

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Fund Managed : Yu Ming is the investment manager of SHK Hong Kong Industries Limited (stock code: 666) (“*SHK HK IND*”)

SHK HK IND

SHK HK IND information : A Chapter 21 investment company listed on the Stock Exchange since 1990

Types and geographical coverage of the investments : Investing in listed and unlisted financial instruments, listed equities, bonds, investment funds, etc.

Actual investment portfolio under management includes securities in Hong Kong, Taiwan, United States, Australia, Japan and China

Investment objectives : To provide an adequate return to the shareholders of SHK HK IND

Period under management : July 1997 to February 2010

Net asset value of SHK HK IND : Approx. HK\$ 992 million as at 31 December 2007
Approx. HK\$598 million as at 31 December 2008
Approx. HK\$1,141 million as at 31 December 2009

Year on year change in Net asset value : 2007: 7%, HSI: 39%
2008: -40%, HSI : -48%
2009: +91% (+60% excluding fund raised under a right issue), HSI : +52%

Mr. Lewis Chan (“Mr. Chan”), aged 43, has over 13 years of experience in portfolio management and investment research. He is the Managing Partner and a Responsible Officer since 2004 at MaunaKai Capital Partners (Hong Kong) Limited (“MCPHK”).

Mr. Chan is also a co-founder of Symbior Energy, an alternative energy incubation company with distributed solar power pipeline in Thailand and feedstock supply chain business in China. Mr. Chan was formerly assistant professor of finance during 2000 to 2004 and adjunct associate professor of finance from 2004 to 2006 at Hong Kong University of Science and Technology. He was also an advisor during 2009 to 2013 to North Yard Economics, a non-profit consultancy to developing countries.

Mr. Chan was a winner of the Fama-DFA Prize of the Best Papers published in 2003 in the Journal of Financial Economics. He is also a research fellow at The China Center for Financial Research at Tsinghua University, and a member of the Admissions, Budgets and Allocations Committee, the Community Chest of Hong Kong.

LETTER FROM THE BOARD

Mr. Chan received his Ph.D. in economics from Harvard University, specializing in financial economics and quantitative methods. He received a Master degree from Columbia University and a Bachelor of Arts degree from the University of Chicago, both in economics. He is licensed under the SFO as responsible officer to carry out type 4 (securities advisory) and type 9 (asset management) regulated activities.

Mr. Chan's Asset management Experiences:

Years of experience : Over 13 years in portfolio management and investment research

Asset management companies worked for : MaunaKai Capital Partners (Hong Kong) Limited (2004 to present)

Any breaches of laws or regulations : N.A.

Asset management at MaunaKai Capital Partners (Hong Kong) Limited

MCPHK information : MCPHK is a licensed corporation to carry out types 4 and 9 regulated activities under the SFO. Its principal business activities are advising on securities and asset management

Mr. Chan's roles, duties and positions held : Director and Responsible Officer

Main responsibilities : Oversee company business activities, including business development, portfolio management and trading, risk management, legal and compliance, administration and IT.

Also designs and trades quantitative equity strategies in Asia markets, both on short-term and longer-term basis and develops in-house risk management analytics and performance attribution analysis tools

Types and geographical coverage of the investments : Mainly equities in Asia Pacific region, with smaller investments in other markets and asset classes

Investment objectives : Achieve risk-adjusted absolute returns over the 3-5 years horizon

Period under management : September 2004 to present

LETTER FROM THE BOARD

Funds managed by : Mont Blanc China Opportunity Fund
Mr. Chan in MCPHK (2010 to present)
Trinity WS Global Fund (2010 to present)

(i) *Mont Blanc China Opportunity Fund (“Mont Blanc”)*

Mont Blanc : Investment Fund under Liechtenstein Law
information

Mr. Chan’s roles, : Investment Advisor
duties and positions
held

Main responsibilities : Work with co-portfolio manager on investment research, analysis and assessments and evaluations, which form the core of asset management, through various measures, including but not limited to origination of ideas, segments and companies; (ii) evaluation of listed securities on its fundamental performance, financially and market position etc.; and (iii) analysis of industry, comparables, micro and macroeconomic trends etc.

In practice, majority of Mr. Chan’s investment recommendations were accepted on an annual basis since his involvement in 2010.

Types and geographical : At least 67 % of its investments in H shares and red
coverage of the chips traded in Hong Kong and issued by companies
investments that either have their registered office in China or Hong Kong, carry out the predominant part of their activity in China or Hong Kong or as holding companies mainly hold stakes in companies that have their registered offices in China or Hong Kong

Up to a maximum of 33 % of investments may be made globally

Fund size : Around US\$15 million

Investment objectives : To achieve capital appreciation through investments in Chinese equity securities

Period under : 2010 to present
management

Mont Blanc’s website : montblanccapital.com

LETTER FROM THE BOARD

(ii) *Trinity WS Global Fund (“Trinity WS”)*

- Trinity WS information : Investment Fund under Cayman Island Law
- Mr. Chan’s roles, duties and positions held : Co-portfolio manager/investment advisor
- Main responsibilities : Work with co-portfolio manager on investment research, analysis and assessments and evaluations, which form the core of asset management, through various measures, including but not limited to origination of ideas, segments and companies; (ii) evaluation of listed securities on its fundamental performance, financially and market position etc.; and (iii) analysis of industry, comparables, micro and macroeconomic trends etc.
- In practice, about 70% of Mr. Chan’s investment recommendations were accepted on an annual basis since his involvement in 2010.
- Types and geographical coverage of the investments : Mainly equities and commodities, with mostly in Hong Kong and APAC markets
- Fund size : Around US\$12 million
- Investment objectives : To achieve attractive risk adjusted return by combining top-down macro analysis and micro analysis. Macro analysis is used to determine which industries to invest into and bottom-up micro research is carried out to identify investments which have the best potential within those industries
- Period under management : 2010 to present

LETTER FROM THE BOARD

Mr. Ma Chun Fai (“Mr. Ma”), aged 43, has over 12 years of experience in private equity investment and is currently the investment director of Delta-Think (HK) Ltd, which provides advices to corporations for business expansion in public and private sectors. Mr. Ma is the founding partner and business development director of JL Advisory (Shanghai) Co., Ltd since 2008 and a director of Sinko Investment Limited since 2001. He was involved in a number of investment projects in Hong Kong, the PRC and Singapore, including (i) a bio-tech project that involves co-investment with a listed company in Hong Kong; (ii) an advanced IT platform company in Singapore; and (iii) real estate projects in the PRC and Indonesia.

Mr. Ma holds a bachelor degree in Management Science from London School of Economics and Political Science in the United Kingdom in 1993.

Ms. Chan Pui Kwan (“Ms. Chan”), aged 47, was a corporate banker for over a decade since when, worked in several prominent European banks, including Rabobank, ABN AMRO, Fortis and established the European desk for these banks to provide support to European companies expanding into China. During the period, she was Head of European Banking of the Fortis Bank, Hong Kong, and oversaw corporate financing of European based companies.

In 2002, Ms. Chan started her own company SINOVA to provide advice and support to investors entering into the PRC market, employing over 40 professionals with offices in three countries. In 2010, Dutch based financial group ANT acquired SINOVA and Ms. Chan remained as Chief Executive Officer of SINOVA till September 2012. During the period Ms. Chan was in SINOVA, she provided a number of direct investment advices for projects in China to her customers in the Europe and gained expertise in China’s investment environment and related issues.

She is currently the founder and Chief Executive Officer of Delta-Think (HK) Ltd (“Delta-Think”), which provides advices to corporations for business expansion in public and private sectors; and the founder and Vice Chairman of HT Strategy Ltd (“HT Strategy”), which provides business strategy advisory and financial management service in Hong Kong, PRC, Europe and other emerging markets. Ms. Chan is also the founder and chairwoman of China Business Club which is a networking organisation for decision makers of corporations in the Netherlands with an aim to help companies develop and grow their business in the PRC.

LETTER FROM THE BOARD

Ms. Chan received numerous awards in China and Hong Kong. In 2010, she was awarded “China’s Economy Industry Promotion Person of the Year Award” from Xinhua Economic Information Daily of Xinhua News Agency and China International Center for Economic and Technical Exchanges of Ministry of Commerce of the PRC. At the same year, she was also selected as one of “China’s 100 Outstanding Female Entrepreneurs” (中國百名傑出女企業家) by the China Association of Women Entrepreneurs. In 2006, she was awarded Hong Kong’s “Shooting Star” in the Cathay Pacific China Trade Awards in the Netherlands.

Ms. Chan has been active in the community services and holds advisory positions in various institutions, including the Hong Kong General Chamber of Commerce, Dutch Chamber in Hong Kong, the Shenzhen Association of Trade in Service and the Economic Development Board of Rotterdam in the Netherlands.

Ms. Chan graduated from Rotterdam Business School with a bachelor degree in banking and insurance in 1991.

Ms. Chan beneficially owns 70% of Fame Image Limited, which in turn owns 50% of the issued share capital of the First Offeror.

Mr. Erik, Lo Chi Ming (“Mr. Lo”), aged 49, is a solicitor of the High Court of Hong Kong with over 18 years of experience in private practice. Mr. Lo is currently a consultant at Messers Wat & Co., Solicitors and possessed 6 years of experience in the banking industry and was elected as an Associate of the Chartered Institute of Bankers. Mr. Lo was an independent non-executive director of China Investment and Finance Group Limited from October 2010 to April 2014, a company listed on the Main Board of the Stock Exchange (Stock code: 1226).

Mr. Lo holds a Bachelor of Social Sciences degree and Postgraduate Certificate in Laws from the University of Hong Kong and a diploma in Chinese Laws from the SouthWest University of Political Science & Law in the PRC.

Mr. Jochum Haakma (“Mr. Haakma”), aged 64, is the Global Director of Business Development of the TMF Group BV in Amsterdam in 2007, TMF Group BV is a provider of high-end administrative outsourcing services to international companies worldwide with more than 130 wholly owned offices in over 80 countries. He was appointed Director of the Netherlands Foreign Investment Agency (NFIA) within the Ministry of Economic Affairs in The Hague in 2006. NFIA is responsible for attracting foreign direct investments to the Netherlands. In 2002, He was appointed Consul General of the Kingdom of the Netherlands in Shanghai, also responsible for Jiangsu, Zhejiang and Anhui Provinces and was a member of the Advisory Board of the Benelux Business Association and founder of the prestigious CEO LunchClub consisting of the CEO’s in China of the Dutch listed companies in the Netherlands.

LETTER FROM THE BOARD

From 1997 until 2002, Mr. Haakma was the Consul General of the Kingdom of the Netherlands in Hong Kong and Macau and the Chairman of the Advisory Board of the Dutch Business Association in Hong Kong. In 1993, he was the Managing Director of the Centre for the Promotion of Imports from Developing Countries in Rotterdam, which is an agency under the Ministry of Foreign Affairs of the Netherlands. In 1989, he became the Director of the Indonesian Netherlands Association, he was appointed as representative of the Port and City of Rotterdam and the President of the Indonesian Forum of national and bilateral Chambers of Commerce.

Mr. Haakma was appointed as Commercial Counsellor and Head of the Economic Section at the Royal Netherlands Embassy in Jakarta in 1986, He has also worked in embassies in Rome, Lusaka and Bonn.

Mr. Haakma is currently an advisory board member of the Cathay Pacific China Trade Award and numerous institutions and organisations with a Far East link. He has been appointed in April 2008 to Chairman of the Board of The Netherlands Council for Trade Promotion and in June 2008 to Chairman of The China Working Group of the Holland Financial Centre. Furthermore, he is also member of the International Steering Committee of Nyenrode University and is the former Chief Advisor Public Affairs European Region for Huawei Technologies Co., Ltd., one of the biggest telecom infrastructure suppliers in the world.

Mr. Haakma holds a law degree from the University of Utrecht in the Netherlands. He received an honorary Doctorate Degree of the European University in Barcelona in Spain.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not raise any funds by issuing equity securities in the 12 months immediately preceding the Latest Practicable Date.

SPECIFIC MANDATE

The Subscription Shares will be issued and allotted under a specific mandate to be approved by the Independent Shareholders at the EGM by an ordinary resolution.

INCREASE IN AUTHORISED CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$5,000,000 divided into 500,000,000 Shares at par value of HK\$0.01 each, of which 72,000,000 Shares have been issued and allotted as fully paid or credited as fully paid.

LETTER FROM THE BOARD

In order to facilitate the issue and allotment of the Subscription Shares and future expansion in the share capital of the Company, the Board proposes that the authorised share capital of the Company be increased from HK\$5,000,000 divided into 500,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,500,000,000 Shares.

The Increase in Authorised Capital is conditional upon the passing of an ordinary resolution by the Independent Shareholders at the EGM and the fulfillment of the conditions of the Subscription Agreement.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot of 10,000 Shares. Based on the Subscription Price of HK\$0.1 per Subscription Share and the Open Offer Price of HK\$0.1 per Open Offer Share, each board lot of 10,000 Shares is value at HK\$1,000. In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, and to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size of the Shares from 10,000 Shares to 30,000 Shares, subject to Resumption. The theoretical market value per board lot of the Shares after the proposed change will become HK\$3,000.

The Change in Board Lot Size will not affect any of the Shareholders' rights.

Odd lot matching

To alleviate the difficulties in trading possible odd lots of the Shares arising from the Change in Board Lot Size of the Shares, the Company will appoint Quam Securities Company Limited as an agent to provide matching services to Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from Wednesday, 10 September 2014 to Friday, 3 October 2014 (both days inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot may directly or through their broker contact Quam Securities Company Limited at 18th Floor, China Building, 29 Queen's Road Central, Hong Kong at office hours (telephone: 2217 2851, Contact person: Mr. Wong Man Kit) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

All existing share certificates in board lot of 10,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share certificates in board lot size of 30,000 Shares is necessary.

With effect from Resumption, any new certificate of the Shares will be issued in new board lot size of 30,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)). Save and except for the change in the number of Shares for each board lot, new certificates of shares will have the same format and colour as the existing certificates of Shares.

EFFECT ON SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Sale and Purchase Agreement; and (iii) upon Completion:

Shareholders	As at the Latest Practicable Date		Upon completion of the Sale and Purchase Agreement		Upon Completion	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Vendor (Note 1)	15,000,000	20.83%	—	—	—	—
<i>Offerors and their concert parties</i>						
— First Offeror	—	—	7,500,000	10.415%	427,500,000	29.04%
— Second Offeror	—	—	7,500,000	10.415%	987,500,000	67.09%
<i>Subtotal</i>	—	—	15,000,000	20.83%	1,415,000,000	96.13%
Cheong Chi Man (Note 2)	7,350,000	10.21%	7,350,000	10.21%	—	—
<i>Public Shareholders</i>						
Cheong Chi Man (Note 2)	—	—	—	—	7,350,000	0.50%
Hugger Thomas Eugen (Note 3)	3,780,000	5.25%	3,780,000	5.25%	3,780,000	0.26%
Existing Public Shareholders	45,870,000	63.71%	45,870,000	63.71%	45,870,000	3.11%
<i>Sub-total (Public float)</i>	49,650,000	68.96%	49,650,000	68.96%	57,000,000	3.87%
Total	72,000,000	100.00%	72,000,000	100.00%	1,472,000,000	100.00%

LETTER FROM THE BOARD

The following table illustrates the changes in shareholding structure of the Company (a) upon completion of the Offer and the Open Offer (assuming none of the Existing Shareholders accepted the Offer) and if all of the Existing Shareholders would take up their respective Open Offer Shares; or (b) upon completion of the Offer, the Open Offer (assuming none of the Existing Shareholders accepted the Offer) and the Placing, if none of the Existing Shareholders would take up their respective Open Offer Shares.

Shareholders	Upon completion of the Offer and the Open Offer		Upon completion of the Offer, the Open Offer and the Placing (Note 4)	
	(a) if all of the Existing Shareholders take up the Open Offer Shares		(b) if none of the Existing Shareholders take up the Open Offer Shares	
	<i>No. of Shares</i>	<i>Approx.%</i>	<i>No. of Shares</i>	<i>Approx.%</i>
Vendor (Note 1)	—	—	—	—
<i>Offerors and their concert parties</i>				
— First Offeror	427,500,000	22.50%	430,387,500	22.66%
— Second Offeror	987,500,000	51.99%	994,237,500	52.34%
<i>Subtotal</i>	<i>1,415,000,000</i>	<i>74.49%</i>	<i>1,424,625,000</i>	<i>75.00%</i>
<i>Public Shareholders</i>				
Cheong Chi Man (Note 2)	62,475,000	3.29%	7,350,000	0.39%
Hugger Thomas Eugen (Note 3)	32,130,000	1.69%	3,780,000	0.20%
Existing Public Shareholders	389,895,000	20.53%	45,870,000	2.41%
Third party placees (Note 4)	—	—	417,875,000	22.00%
<i>Sub-total (Public float)</i>	<i>484,500,000</i>	<i>25.51%</i>	<i>474,875,000</i>	<i>25.00%</i>
Total	1,899,500,000	100.00%	1,899,500,000	100.00%

Notes:

- As at the Latest Practicable Date, Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are interested in the equity interest of the Vendor of 60% and 40% respectively. Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are deemed to be interested in 15,000,000 Shares held by the Vendor.
- As at the Latest Practicable Date, Mr. Cheong Chi Man, is a substantial Shareholder holding 10.21% of the entire issued share capital of the Company. Upon Completion, Mr. Cheong Chi Man's interest in the Shares will be reduced to 0.50% and will be regarded as part of the public float. Save for being a substantial Shareholder, Mr. Cheong Chi Man does not hold any position in the Company.
- Mr. Hugger Thomas Eugen does not hold any position in the Company.
- The Offerors will fully underwrite 427,500,000 Open Offer Shares and engage a third party agent to place down not more than 417,875,000 Shares to independent third party placees to restore the public float of the Company to be not less than 25%.

LETTER FROM THE BOARD

PLACING DOWN TO RESTORE PUBLIC FLOAT

Upon completion of the Open Offer, assuming all Qualifying Shareholders take up their entitlement under the Open Offer, there will be 484,500,000 Shares held by the public Shareholders, representing approximately 25.51% of the issued share capital of the Company upon completion of the Open Offer.

Upon completion of the Open Offer, assuming none of the Qualifying Shareholders take up their entitlements under the Open Offer and none of them accepted the Offer, there will be 57,000,000 Shares held by the public Shareholders, representing approximately 3.0% of the issued share capital of the Company upon completion of the Open Offer. The Offerors will place down not more than 417,875,000 Shares, representing approximately 22.0% issued share capital of the Company upon completion of the Open Offer. Together with the 3.0% new Shares already held by the public shareholders, not less than 25.0% issued share capital of the Company will be held by the public upon completion of the Placing. Accordingly, sufficient public float of the Company will be restored.

The Stock Exchange has indicated that if, upon closing of the Open Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued share capital, are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares. Given that trading in the Shares is currently under suspension, restoration of sufficient public float will have to be satisfied prior to Resumption.

LETTER FROM THE BOARD

OVERVIEW OF INVESTMENT POLICY AND PROCEDURES OF THE COMPANY

Investment Objectives, Policies and Restrictions

The investment objectives and policies, and the investment restrictions, of the Company as set out in the prospectus of the Company dated 27 May 2002 have not been amended, which are as follows:

Investment Objectives and Policies

- (i) A substantial portion of the Company's assets will be invested in equity securities, convertible notes, preference shares, options, warrants, futures contracts and debt securities issued by listed and unlisted companies in Hong Kong and the PRC, or such other types of investments in accordance with the investment objectives and policies and restrictions adopted by the Company;
- (ii) Investments will normally be made in the form of equity or equity-related securities and debt instruments in listed and unlisted companies engaged in industries including (but not limited to) the information technology, telecommunications, manufacturing, service, property and infrastructure sectors;
- (iii) The Company will seek to identify entities with a record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to long-term growth, but will also consider company as being special or in recovery situations;
- (iv) The Board and the Investment Manager would seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be mutual benefit to each other;
- (v) The Company's investments are intended to be held for short to medium term (i.e. less than one year to five years) capital appreciation. The Directors will from time to time realise investments where they believe the realisation would be in the best interests of the Company or where the terms on which such realisation can be achieved are believed by the Directors to be particularly favourable to the Company; and
- (vi) Investment limit exercisable by the Investment Manager for any single investment is the lower of 20% of the net asset value or HK\$10,000,000 or such other amount as may be resolved by the Board from time to time.

LETTER FROM THE BOARD

The Offerors intend to follow the existing investment policy of the Group.

Investment Restrictions

The Board has resolved that the Company may not:

- (i) either on its own or through its wholly-owned subsidiaries (formed solely for the purpose of holding listed and unlisted investments for the Company) or in conjunction with any connected person take legal, or effective, management control of underlying investments and in no event, will the Company on its own or through its wholly-owned subsidiaries own or control more than 30% (or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in any one company or body except in relation to wholly-owned subsidiaries of the Company, if any;
- (ii) invest in any company or entity other than wholly-owned subsidiaries of the Company if such investment will result in more than 20% of the NAV being invested in such company or entity as at the date the investment is made;
- (iii) buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; and
- (iv) invest more than 50% of its assets outside Hong Kong and the PRC to the extent of contravening its primary objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC.

The Company has to comply with investment restrictions (i) and (ii) above at all times, which are set out in the articles and association of the Company and cannot be changed while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Investment restrictions (iii) and (iv) cannot be changed without the approval of the Shareholders by way of an ordinary resolution.

The Board has no intention to change any of the above-mentioned investment restrictions.

LETTER FROM THE BOARD

Investment Identification and Assessment

Each of the Investment Manager and the Directors has a duty to identify investments for the Board's consideration, while the approval rests with the power of the Board. Source of investment may come from internal research, recommendations from Directors or senior management, or the Investment Manager and licensed research/brokerage institutes.

All the investment recommendations from Hua Yu and Mr. Leong Chi Wai (a proposed executive Director, who is also a responsible officer of Hua Yu) will be presented to the Board for approval. For any other investment recommendations not exceeding HK\$5,000,000 ("Authorized Limit"), each of the executive Director are authorized to approve such without referring to the Board, given that they have no conflict of interest in relevant investments. For any investment involving an amount or commitment over HK\$5,000,000, the executive Directors must refer the investment to the Board for consideration and approval. Each of the executive Directors may reject any investments in any amount. Any Director who has a conflict of interest in the relevant investment shall abstain from voting at the Board meetings approving such investment. Prior to any Board Approval, the executive Directors or the Investment Manager must present to the Board the analysis of an investment in an investment memo, setting out the essential factors for the Board's consideration. Regardless of Director's Authorized Limit investments or investments subject to Board Approval, a thorough analysis or due diligence is to be carried out by the persons proposing the investment ideas. The results of such due diligence will be documented in the investment memo. The investment memo requires documentation on the following analytical information on the target investments:

- (i) identify basic background: e.g. listing status, sector/industry, market capitalization, liquidity in terms of daily trading volume, share performance in terms of recent 52 week price movement;
- (ii) analyse business nature and revenue profile: e.g. the core business, products and markets, customer profile and geographical distribution, and assets owned by the target investment, to identify basic operating statistic of the target investment and its operating environment;
- (iii) ascertain the shareholder and management structure: e.g. majority shareholders, institutional investors, if any, and the management team, to analysis if the target investment's performance is aligned among shareholders and management, and also to analyse the target investment in terms of performance, market behavior, etc.;
- (iv) appraise 3-year financial performance: using different valuation criteria, such as, revenue growth, profitability, margin improvement, asset growth, accounts receivables and payables, to evaluate the financial and operational status of the target investment;

LETTER FROM THE BOARD

- (v) perform comparable analysis: compare to other companies in similar business, to identify the major competitors of the target investment, evaluate the fairness of the valuation of the target investment and if it is subject to particular risk in the industry;
- (vi) check on compliance with investment objective and investment restriction of the company;
- (vii) identify any potential conflict of interests; and
- (viii) formulate investment recommendation: reasons to invest, catalyst of the target investment, potential failure, possible investment duration, suggested investment amount and exit point, to formulate investment strategy and justify the potential upside/downside of the target investment.

The above steps are indicative only and may vary with different investment targets, and investment memo will be modified and customized base on different target from time to time.

The assessment of each investment exceeding HK\$5,000,000 will be approved by the Board, after considering the investment memo, or such other due diligence required by the Board. The investment memo is an adequate checklist, for the Board to make decision, or to commission further due diligence on the investment as it considers fit.

Procedure for Dealing with Conflict Situations

In accordance with Rule 13.44 of the Listing Rules, the Articles of the Company provide that any Director will generally not vote on any board resolution approving a contract or arrangement or any other proposal in which he or she has a material interest, except on certain issues (which are generally those listed in paragraph 4(1) of Appendix 3 of the Listing Rules), and those continuing connected transactions in relation to which waivers have been obtained from the Stock Exchange.

However, potential conflict may arise between the Company and proposed Directors when they compete for the same investments or other when one is taking the investments from the other.

LETTER FROM THE BOARD

The Directors are confident that, should any conflicting situations arise due to the overlapping directorship/involvement:

- (i) each conflicted Director will before entering into any transaction disclose and declare to the Board potential conflict of interest concerning relevant potential investment opportunities on a timely manner, and abstain from voting in respect of resolutions/decisions on whether to invest in those transactions;
- (ii) the conflicted Director will abide by and maintain the confidentiality of the information of other party interest and the Company in accordance with the confidentiality clauses stipulated in the respective employment agreements entered or to be entered into, as well as under the common law fiduciary duties of being a director. They are also aware of their obligations under the SFC's Internal Control Guidelines that they are required to establish and ensure the integrity and security of all information relevant to the business operations of the respective entities;
- (iii) the independent non-executive Directors to be retained and appointed by the Company, who have the requisite expertise and knowledge to make appropriate decisions on behalf of the Company, will participate in the Board meetings to assist the non-conflicted directors to make decisions in conflicted situations;
- (iv) non-conflicted directors and the independent non-executive Directors will seek independent expert advice from external legal counsel or other professionals to assist them in arriving at investment decisions, should they find such advice necessary; and
- (v) the Board intends to retain the existing investment manager as the Corporate Finance Adviser to pro-actively advise the Board compliance matters in respect of investment matters and consult its recommendations/opinions on investments when conflict situations arises for reference.

Risk Management Policy

The ultimate responsibility in defining and maintaining the Company's risk control framework, setting the appropriate risk parameters for the Company and in continuously monitoring compliance of the Company's portfolio with the investment objective and policies and investment restrictions lies with the Board, that will be advised by the Investment Manager.

LETTER FROM THE BOARD

The Board intends to appoint Hua Yu Investment Management Limited, the existing investment manager as the Corporate Finance Adviser, to pro-actively advise the company on various matters, including the following:

- (i) ensure the Company's investments comply with its investment objectives, investment policies and restrictions;
- (ii) advise on matters in relation to the Listing Rules, the Takeovers Code and other applicable laws and regulations; and
- (iii) review investment portfolio from time to time and prior to any investments, inter alia, current weighting of assets presently in the portfolio, risks assessment of the investment and the risk parameters of the Company against, and the then market outlook.

Daily Report

On a daily basis, the chief accountant of the Company will prepare a securities report setting out the market value of each investment, the gross and net cash balance, the actual and contingent liabilities, together with segment distribution.

Monthly accounts

On a monthly basis, the chief accountant of the Company will prepare a set of management accounts for the Investment Manager and the Board for consideration and approval. The Company will, based on the approval of the Board, publish the consolidated net asset value of the Company.

CONTINUING CONNECTED TRANSACTIONS

NEW MANAGEMENT AGREEMENT

On 28 May 2014, the Company entered into the New Management Agreement with Hua Yu in relation to the appointment of Hua Yu as the Company's investment manager from 1 June 2014 to 31 May 2017. Principal terms of the New Management Agreement are as follows.

LETTER FROM THE BOARD

Principal terms

- Duration: The Management Period (1 June 2014 to 31 May 2017)
- Services: Hua Yu shall provide non-exclusive investment management services to the Company, includes:–
- (a) to identify, review and evaluate investment and realisation opportunities for the Company;
 - (b) to make investment or realisation recommendations to the Company regarding potential investments prior to such action being consummated to be made by the Company and realisation opportunities for the Company;
 - (c) to execute investment and realisation decisions and instructions relating to the Company's investments as approved by the Board;
 - (d) to, based on such information as may reasonably be available to it, monitor the performance and supervise the maintenance of investments and, in the event of major problems or indications of major problems in relation to the investments, give written notice thereof to the Board as soon as reasonably practicable after becoming aware of the same; and
 - (e) to keep such accounts, books and records as may be required by law or, otherwise for the proper conduct of the affairs of Hua Yu under the New Management Agreement.
- Remuneration: Management Fee:
- Prior to Resumption — HK\$150,000 per quarter
- Upon Resumption — 1.5% of the Gross NAV per annum, calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant year, and payable quarterly in arrears by the Company to Hua Yu.
- Performance Fee:
- 15% on the amount of audited consolidated NAV of the Company (calculated as at the end of each respective Financial Year) exceeding the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to Hua Yu, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the Gross NAV.

LETTER FROM THE BOARD

Annual caps

The maximum annual remuneration payable by the Company to Hua Yu under the New Management Agreement is proposed to be as follows:

Period	2014	2015	2016	2017
	(1 Jun - 31 Dec) HK\$ 7 months	(1 Jan - 31 Dec) HK\$ 12 months	(1 Jan - 31 Dec) HK\$ 12 months	(1 Jan - 31 May) HK\$ 5 months
Management Fee (<i>note 1</i>)	950,000	3,200,000	4,000,000	1,800,000
Performance Fee (<i>note 2</i>)	<u>2,100,000</u>	<u>6,800,000</u>	<u>8,400,000</u>	<u>N.A.</u>
Total	<u><u>3,050,000</u></u>	<u><u>10,000,000</u></u>	<u><u>12,400,000</u></u>	<u><u>1,800,000</u></u>

Note:

- (1) The Management Fee for the 7 months period from 1 June 2014 to 31 December 2014 was computed based on the assumption that Resumption will be achieved in August 2014. From June to August 2014, the Management Fee will be prorated based on HK\$150,000 per quarter, and from September to December 2014, the Management Fee will be prorated based on 1.5% of the Gross NAV per annum.
- (2) Pursuant to the New Management Agreement, there will be no Performance Fee for the 5 months period from 1 January 2017 to 31 May 2017.

The computation basis of the proposed annual caps assumes that the Company will achieve approximately 30% annual increase in NAV. For convenience, the annual caps are rounded up or down to the nearest HK\$100,000.

The New Management Agreement is entered into after arm's length negotiation. The Management Fee and Performance Fee are determined with reference to the market range of management fee of other investment companies listed on the Stock Exchange under Chapter 21 of the Listing Rules that is comparable to the New Management Agreement (management fee are charged based on different criteria as the structure and level of fees for investment managers are not standardized in the market) based on research by the Company according to public information available on the Stock Exchange website, where the price offered by Hua Yu is within the market range. The annual caps of Management Fee and Performance Fee are determined after taking into account of (i) the NAV of the Group of approximately HK\$150.2 million according to the "unaudited pro forma financial information of the Group" in this circular assuming completion of the Subscription and the Open Offer has been completed at 1 January 2014; and (ii) an expected increase in volatility of the Hang Seng Index ("HSI") for the coming years as compared to the previous 3 years period.

LETTER FROM THE BOARD

The following table summarise the annual rate of return, average daily trading volume and volatility of HSI for the period from year 2004 to year 2013 and the year-to-date return for the three months ended 31 March 2014 (the “**Relevant Period**”) is set out below:

Year	Annual rate of return of HSI (%)	Average daily trading volume (HK\$ million)	Volatility of HSI (%)
2004	13.2	15,857	2.7
2005	4.5	18,205	1.3
2006	34.2	33,736	2.0
2007	39.3	87,427	6.8
2008	(48.3)	71,841	25.8
2009	52.0	62,007	10.6
2010	5.3	68,584	3.2
2011	(20.0)	69,473	6.4
2012	22.9	53,716	2.7
2013	2.9	62,235	2.3
3 months ended 31 March 2014	(5.0)	67,273	0.7
<i>Average</i>	<i>9.2</i>	<i>55,487</i>	<i>5.9</i>
<i>Highest</i>	<i>52.0</i>	<i>87,427</i>	<i>25.8</i>
<i>Lowest</i>	<i>(48.3)</i>	<i>15,857</i>	<i>0.7</i>

Source: Bloomberg

From the above table, it is noted that the annual rate of return of HSI during the Relevant Period ranged from (48.3)% to 52.0% and the volatility ranged from 0.7% to 25.8%.

Having considered the fact that changes in the NAV are subject to a number of factors, including the global economy, market sentiment and volatility; and amidst an expectation of a slower economic growth in the PRC and the possibility of an end to easing of quantitative economical policies in the United States, it is reasonable to consider the high side of the potential increase in NAV with reference to the historical annual return rate of HSI.

The Directors are of the view that an annual increase of 30% in NAV is reasonable to accommodate the market volatility. The estimated growth rate of the NAV of 30% over the Management Period is within the range as compares to the annual return of HSI during the Relevant Period.

LETTER FROM THE BOARD

The growth rates of the NAV are estimated with reference to the historical performance of HSI as described above is merely assumed for the purpose of determining the annual caps and shall not be taken as any indication directly or indirectly as to the performance of the Company's profitability or NAV.

Historical transaction amounts

The following is a summary of the historical transaction amounts under the Previous Management Agreements:–

Period	2011	2012	2013 (Mar - May)	2014
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Management Fee	600,000	600,000	600,000	150,000

The Company has entered into of the respective Previous Management Agreements on 1 March 2011, 25 February 2013 and 28 February 2014 to renew Hua Yu's appointment as investment manager of the Company for the period from 1 March 2011 to 28 February 2013 (Management Agreement-1), 1 March 2013 to 28 February 2014 (Management Agreement-2) and 1 March 2014 to 31 May 2014 (Management Agreement-3). During the relevant period, the net liabilities of the Company were approximately HK\$17.9 million as at 31 December 2011, HK\$21.8 million as at 31 December 2012 and HK\$28.5 million as at 31 December 2013, respectively.

The Company did not have much working capital for investment purpose and Hua Yu was retained to provide general investment and corporate finance compliance advisory services, and to comply with the Listing Rules requirements. Accordingly, the historical management fee charged by Hua Yu would not be comparable to the annual caps proposed under the New Management Agreement.

Condition of the New Management Agreement

The New Management Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If the condition is not satisfied, the New Management Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

Reasons for entering into the New Management Agreement

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company principally invests in securities listed on the Stock Exchange and unlisted securities with a potential for earning growth and capital appreciation.

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Hua Yu has provided investment management services to the Company since 1 March 2009. Since trading in the Shares has been suspended since 13 June 2008, financial performance of the Company has been deteriorated substantially. Net liabilities of the Company increased from approximately HK\$6.5 million as 31 December 2008 to approximately HK\$28.5 million as at 31 December 2013. Scarce financial resources has limited the Company's investment exposure and market value of the investment as at 31 December 2013 only amounted to approximated HK\$5.3 million. With limited resources, Hua Yu's advice to the Company on its investment portfolio has been restricted.

The Board has taken into account, amongst other things, the following factors when considering whether to continue to appoint Hua Yu:

- (i) Hua Yu's possession of the required professional qualifications, expertise and experience in providing the relevant services;
- (ii) Hua Yu's ability to introduce new investment opportunities and investors to the Company;
- (iii) the long-term relationship and trust between the Hua Yu and the Company;
- (iv) Hua Yu's in-depth understanding of the operations and business of the Company; and
- (v) notwithstanding the Company's inability to make investments due to lack of funding during the period of the Previous Management Agreements, Hua Yu's performance as investment manager of the Company was considered diligent, responsive, timely and trustworthy.

Having considered the above and with the expected cash inflow from proposed Subscription and Open Offer, the Board is of the view that continuity for provision of investment management services by the Hua Yu is important for the investment management of the Company. The transactions contemplated under the New Management Agreement will continue to be conducted in the ordinary and usual course of business of the Company.

CORPORATE FINANCE ADVISORY AGREEMENT

On 28 May 2014, the Company entered into the Corporate Finance Advisory Agreement with Hua Yu in relation to the appointment of Hua Yu as the Company's Corporate Finance Adviser from 1 June 2014 to 31 May 2017. Pursuant to the Corporate Finance Advisory Agreement, Hua Yu shall provide ongoing corporate finance advisory service

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to the Company. Hua Yu will (i) ensure the Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; (ii) accompany the Company to any meetings with the Stock Exchange; (iii) review and provide compliance advisory on the financial reports of the Company; (vi) deal with the Stock Exchange in respect of certain Listing Rules matters; and (v) advise the Company on its obligations and requirement on waiver applications under the Listing Rules.

Annual Caps

Hua Yu is entitled to a monthly retainer fee of HK\$30,000 for its services pursuant to the Corporate Finance Advisory Agreement. The maximum annual remuneration payable by the Company to Hua Yu under the Corporate Finance Advisory Agreement is proposed to be as follows:

Period	2014 (1 Jun - 31 Dec) <i>HK\$</i> <i>7 months</i>	2015 (1 Jan-31 Dec) <i>HK\$</i> <i>12 months</i>	2016 (1 Jan-31 Dec) <i>HK\$</i> <i>12 months</i>	2017 (1 Jan-31 May) <i>HK\$</i> <i>5 months</i>
Fee	210,000	360,000	360,000	150,000

The Corporate Finance Advisory Agreement is entered into after arm's length negotiation. The advisory fee are determined with reference to the market price charged by other regulated corporate finance advisors for provision of similar advisory services based on the research by the Company, where price offered by Hua Yu is within the market range. The annual caps of the advisory fee are determined after taking into account the expected growth in business of the Company and the anticipated corporate finance transactions after Resumption.

Condition of the Corporate Finance Advisory Agreement

The Corporate Finance Advisory Agreement is conditional upon the approval of the Independent Shareholders at the EGM. If the condition is not satisfied on or before the Long Stop Date, the Corporate Finance Advisory Agreement shall lapse and none of the parties thereto shall have any obligations and liabilities thereunder.

Reasons for entering into the Corporate Finance Advisory Agreement

The Company has devoted its effort in preparing for the Resumption since the suspension of the trading in Shares, and the Board may have inadvertently misunderstand or misinterpreted certain Listing Rules in the past. In order to avoid such situation, ensure

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better compliance with the Listing Rule and strengthen corporate governance of the Company, the Board decided to appoint Hua Yu as the Corporate Finance Advisor to advise the Company on corporate finance matters and ensure compliances to the Listing Rules.

Hua Yu's previous corporate finance advisory experience

Hua Yu was the investment manager of Mastermind Capital Limited (“**Mastermind**”, Stock Code: 905) from 2007 to 2009, during the period, in addition to the investment management service, Hua Yu had also advised Mastermind on its compliance to Listing Rules and provided corporate finance advisory, such as advise on the company's obligations under the Listing Rules, compliance on relevant rules and regulations, and assist in handling regulators' enquires, etc., on a number of corporate finance transactions, including but not limit to (i) open offer; (ii) change in authorized share capital and board lot size; (iii) subscription of new shares; and (iv) placing of shares.

Given Hua Yu's in-depth understanding of the operations and business of the Company and is also the Investment Manager of the Company and its previous experience in providing corporate finance and compliance advisory to other listed investment company under Chapter 21 of the Listing Rules as mentioned above, the Board is of the view that the appointment of Hua Yu is in the interest of the Company and Shareholders as a whole. The Corporate Finance Advisory Agreement will be conducted in the ordinary and usual course of business of the Company.

LISTING RULES IMPLICATIONS

Hua Yu, as the investment manager of the Company, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transactions contemplated under the New Management Agreement and the Corporate Finance Advisory Agreement constitute a continuing connected transaction of the Company under Rule 14A of the Listing Rules.

As the relevant percentage ratios for the New Management Agreement exceeded 25%, the transactions contemplated thereunder are subject to reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

As one of the relevant percentage ratios for the Corporate Finance Advisory Agreement exceeded 25%, the transactions contemplated thereunder are subject to reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

LETTER FROM THE BOARD

VOTING ABSTENTION

Based on the information available to the Company as at the date of this circular, no Shareholders are required to abstain from voting at the EGM for the Shareholders to approve the New Management Agreement and the Corporate Finance Advisory Agreement.

VIEWS OF DIRECTORS

The Directors are of the view that the transactions contemplated under the New Management Agreement and the Corporate Finance Advisory Agreement are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

None of the Directors has material interests in the transactions contemplated under the New Management Agreement and the Corporate Finance Advisory Agreement and therefore are not required to abstain from voting on the Board resolution approving the New Management Agreement and the Corporate Finance Advisory Agreement, and the annual caps thereunder.

PREVIOUS MANAGEMENT AGREEMENTS

The Company has entered into the Previous Management Agreements, namely Management Agreement-1, Management Agreement-2 and Management Agreement-3, respectively to renew Hua Yu's appointment as investment manager of the Company.

Principal Terms of the Previous Management Agreements

The principal terms of the Previous Management Agreements include:

Duration

The management period of the Previous Management Agreements are as follows:

Management Agreement-1: 1 March 2011 to 28 February 2013

Management Agreement-2: 1 March 2013 to 28 February 2014

Management Agreement-3: 1 March 2014 to 31 May 2014

LETTER FROM THE BOARD

Service

Hua Yu shall provide non-exclusive investment services to the Company, including:

- (a) identify and carry out analysis or investigation of investment opportunities; and
- (b) advise acquisitions and realizations of investments and submit relevant proposals to the Board for approval.

Remuneration

Investment management fee: investment management fee of HK\$600,000, payable quarterly in advance in the amount of HK\$150,000 per quarter.

Reasons for entering into the Previous Management Agreements

Hua Yu has been providing investment management services to the Company since 1 March 2009 and is still the existing investment manager of the Company. The Board is of view that the continued investment management services by Hua Yu is in the best interest of the Company and its Shareholders.

Listing Rules Implications and Non-compliance

Hua Yu, as the investment manager of the Company, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. Accordingly, the transactions contemplated under the Management Agreement constitute continuing connected transactions of the Company under Rule 14A of the Listing Rules.

As the relevant percentage ratios (other than profits ratio) exceeded 25%, the transactions contemplated under the Management Agreement-1 and Management Agreement-2 were subject to reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

At the time of entering into of the Management Agreement-1, due to misunderstanding and misinterpretation of certain Listing Rules so as to application of certain percentage ratios under Rule 14.06(6) of the Listing Rules, the Company considered the asset test and the revenue test inapplicable for the Management Agreement-1, which as a result was considered a transaction under the de minimis threshold under Rule 14A.33(3) of the Listing Rules and would be exempted from reporting, announcement, annual review and shareholder's approval requirement. Accordingly, the Company has failed to comply with

LETTER FROM THE BOARD

the announcement, reporting and shareholders' approval requirement under Rule 14A.17 of the Listing Rules on time for the Management Agreement-1. Shareholders could refer to more details about the inadvertent in compliance in the announcement of the Company dated 4 September 2012.

The Company had made announcement in respect the Management Agreement-2 dated 25 February 2013 and delayed the publication of relevant circular a few times. Since trading in the Shares was suspended and the Company devoted its effort in sourcing funds for investment, working capital and preparing for the Resumption, the Board decided to send the circular in respect of the Management Agreement-2 together with the resumption information in one circular and obtain Shareholders' approval on ratification on Management Agreement-2 and the New Management Agreement at the EGM all at once. As such, the Company failed to dispatch its circular and hold a shareholders' meeting to approve the Management Agreement-2 as required under Rule 14A.17 of the Listing Rules on time.

As relevant percentage ratio for Management Agreement-3 on a standalone basis would be below deminimis ratio, it is exempted from announcement, shareholders' approval and reporting requirement under the Listing Rules. However, pursuant to Rule 14A.25 of the Listing Rules, when relevant transactions are completed within a 12 months period or are otherwise related, the Stock Exchange will aggregate a series of connected transactions and treat them as if they were one transaction. Accordingly, if Management Agreement-3 is to be aggregated with the New Management Agreement, it would be subject to announcement, reporting and shareholders' approval requirement under Rule 14A.17 of the Listing Rules.

Accordingly, the Company will also seek Shareholders' approval for Management Agreement-3 at the EGM.

Remedial actions

In order to avoid the re-occurrence of similar breach in future, the Board intended to strengthen its internal control and to adopt a more stringent approach in interpretation of the Listing Rules by consulting relevant professionals as well as making prior enquiry to the Stock Exchange in case of doubt. The Company will appoint Hua Yu as the Corporate Finance Adviser to advise various compliance matters. Also, the Company will identify appropriate training courses on relevant Listing Rules for its Board members and senior staff in pursuit of higher standard of compliance with the Listing Rules.

VIEW OF DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Previous Management Agreements were (a) fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

LETTER FROM THE BOARD

APPROVAL OF THE MANAGEMENT AGREEMENT-2 AND MANAGEMENT AGREEMENT-3

Resolution will be proposed to the Shareholders other than those are required to abstain from voting at the EGM to approve, confirm and ratify the Management Agreement-2 and Management Agreement-3. Based on the information available to the Company as at the date of this circular, no Shareholder is required to abstain from voting at the EGM for the Shareholders to approve the Management Agreement-2 and Management Agreement-3. The Directors are of the view that the Management Agreement-2 and Management Agreement-3 and the transactions contemplated thereunder were in the best interest of the Company and the Shareholders as a whole and accordingly would recommend the Shareholders to vote for the resolution.

GENERAL

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Allan, Kwok Ming Fai, Mr. Robert, Siu Siu Ling and Mr. Stephen, Lee Ming Ching, has been formed to advise the Independent Shareholders in respect of the Subscription, the Open Offer, the Special Deal, Management Agreement-2, Management Agreement-3, the New Management Agreement and the annual caps thereunder and the Corporate Finance Advisory Agreement and the annual caps thereunder.

Quam Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the fairness and reasonableness of the Subscription, the Open Offer, the Special Deal, the Management Agreement-2 and the Management Agreement-3, the New Management Agreement and the annual caps thereunder, and the Corporate Finance Advisory Agreement and the annual caps thereunder.

EGM

A notice convening the EGM to be held at Seminar Room, 1/F., Centenary Building, Craigenower Cricket Club, 188 Wong Nai Chung Road, Happy Valley, Hong Kong on Tuesday, 24 June 2014 at 11:30 a.m. is set out on pages 160 to 164 of this circular.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed herein. Whether or not you are able to attend and vote at the EGM or at any adjournment thereof (as the case may be) in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or at any adjournment (as the case may be) thereof. Such form of proxy for the EGM is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.hklistedco.com/356.asp). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment (as the case may be) thereof should you so wish.

As at the Latest Practicable Date, Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are executive Directors and substantial Shareholders holding the Sale Shares through their respective holdings of 60% and 40% equity interest in the Vendor. As part of the proceeds from the Subscription will be applied towards repayment of the Liabilities, including the Shareholders' Indebtedness owed by the Company to Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah after Completion, they are believed to have material interests in the Subscription and the Special Deal. Accordingly, each of Mr. Tung Tat Wah, Mr. Michael, Wu Chun Wah and their respective associates will be required to abstain from voting in respect of the relevant resolutions approving the Subscription Agreement and transactions contemplated thereunder, and the Special Deal at the EGM.

RECOMMENDATION

The Directors (except Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah who will be abstained from voting) consider that the Subscription Agreement and the specific mandate thereunder, the Increase in Authorised Capital, the Oper Offer, the Special Deal, Management Agreement-2 and Management Agreement-3, the New Management Agreement and the annual caps thereunder as well as the Corporate Finance Advisory Agreement and the annual caps thereunder, are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to (i) the "Letter from the Independent Board Committee" as set out on pages 68 and 69 of this circular; and (ii) the "Letter from Quam Capital" as set out on pages 70 to 121 of this circular.

Yours faithfully,
For and on behalf of the Board
Incutech Investments Limited
Tung Tat Wah
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

To the Independent Shareholders

9 June 2014

Dear Sir or Madam,

- (1) STATUS OF RESUMPTION;
(2) CONDITIONAL PURCHASE OF EXISTING SHARES AND
CONDITIONAL SUBSCRIPTION OF NEW SHARES OF
INCUTECH INVESTMENTS LIMITED
BY
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
UNDER THE SPECIFIC MANDATE;
(3) POSSIBLE MANDATORY UNCONDITIONAL CASH OFFER
(4) PROPOSED OPEN OFFER;
(5) POSSIBLE SPECIAL DEAL;
(6) CHANGE IN BOARD LOT SIZE;
(7) PROPOSED INCREASE IN AUTHORISED CAPITAL;
(8) RATIFICATION OF PREVIOUS CONTINUING CONNECTED TRANSACTIONS; AND
(9) APPROVAL OF NEW CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular to the Company dated 9 June 2014 (the “Circular”), in which this letter forms a part. Terms used in this letter shall have the meanings as defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as a member of the Independent Board Committee to advise you as to whether, in our opinion, the terms of (i) the Subscription Agreement; (ii) Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and Management Agreement-3; (v) the New Management Agreement and the annual caps thereunder; and (vi) the Corporate Finance Advisory Agreement and the annual caps thereunder, are fair and reasonable so far as the Independent Shareholders are concerned, after taking into account the advice from Quam Capital, the independent financial adviser to the Independent Board Committee.

Details of advice from Quam Capital and the principal factors it has taken into consideration in arriving at its recommendations are set out in the “Letter from Quam Capital” on pages 70 to 121 of the Circular. Details of the terms of (i) the Subscription Agreement; (ii) Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and Management Agreement-3; (v) the New Management Agreement and the annual caps thereunder; and (vi) the Corporate Finance Advisory Agreement and the annual caps thereunder, are set out in the “Letter of the Board” contained in the Circular.

Having taken into account the advice and recommendations of Quam Capital and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of (i) the Subscription Agreement; (ii) Open Offer; (iii) the Special Deal; (iv) Management Agreement-2 and Management Agreement-3; (v) the New Management Agreement and the annual caps thereunder; and (vi) the Corporate Finance Advisory Agreement and the annual caps thereunder, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve (i) the Subscription Agreement; (ii) Open Offer; (iii) the Special Deal; (iv) Management Agreement-2 and Management Agreement-3; (v) the New Management Agreement and the annual caps thereunder; and (vi) the Corporate Finance Advisory Agreement and the annual caps thereunder.

Yours faithfully,

For and on behalf of the
Independent Board Committee of
Incutech Investments Limited

Allan Kwok Ming Fai
Independent
non-executive Director

Robert Siu Siu Ling
Independent
non-executive Director

Stephen Lee Ming Ching
Independent
non-executive Director

LETTER FROM THE QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Open Offer, the Special Deal, the Management Agreement-2, the Management Agreement-3, the New Management Agreement and the Corporate Finance Advisory Agreement.



Quam Capital Limited

A Member of The Quam Group

9 June 2014

To the Independent Board Committee and the Independent Shareholders

Incutech Investments Limited
Room 1704, 17th Floor,
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

Dear Sir or Madam,

- (1) CONDITIONAL SUBSCRIPTION OF NEW SHARES;**
- (2) PROPOSED OPEN OFFER;**
- (3) POSSIBLE SPECIAL DEAL;**
- (4) RATIFICATION OF PREVIOUS CONTINUING
CONNECTED TRANSACTIONS; AND**
- (5) NEW CONTINUING CONNECTED TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Subscription; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement (including the annual caps); and (vi) the Corporate Finance Advisory Agreement (including the annual caps), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 9 June 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

LETTER FROM THE QUAM CAPITAL

Trading in Shares on the Stock Exchange has been suspended since 13 June 2008. The Company was placed into the first and second stage of delisting procedure on 18 January 2013 and 31 July 2013 respectively pursuant to Practice Note 17 to the Listing Rules. Accordingly, the Company submitted the First Resumption Proposal on 10 July 2013 and the Revised Resumption Proposal to the Stock Exchange on 6 January 2014 (with various supplementary information between 23 January 2014 to 21 March 2014) which comprises, among others, the transactions contemplated under the Sale and Purchase Agreement, the Subscription Agreement, the Offer, the Open Offer and the Increase in Authorised Share Capital. The Company announced that on 25 March 2014, the Stock Exchange informed the Company that it has decided to allow the Company to resume trading in the Shares, subject to completion of the Subscription, the Offer, the Open Offer, and all other transactions contemplated in the Revised Resumption Proposal.

On 30 April 2013, the Company was informed by the Vendor that the Vendor and the Offerors entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Offerors conditionally agreed to acquire the Sale Shares free from all Encumbrances at a total Consideration of HK\$1,500,000, equivalent to HK\$0.1 per Sale Share. On the same day, the Company and the Offerors entered into the Subscription Agreement (as supplemented on 31 July 2013, 31 December 2013 and 2 January 2014), pursuant to which the Company conditionally agreed to issue and allot and the Offerors conditionally agreed to subscribe in cash an aggregate of 1.4 billion Subscription Shares at the Subscription Price of HK\$0.1 per Subscription Share. The Subscription Shares will be issued under a specific mandate to be approved by the Independent Shareholders at the EGM.

The Sale and Purchase Agreement and the Subscription Agreement are inter-conditional with each other.

Pursuant to the Subscription Agreement, part of the proceeds from the Subscription will be applied to repay the Liabilities after Completion, including the Shareholders' Indebtedness due to Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah, who are executive Directors and substantial Shareholders holding the Sale Shares through their respective holdings of 60% and 40% equity interest in the Vendor as at the Latest Practicable Date. The repayment of the Shareholders' Indebtedness out of the proceeds from the Subscription, which is not extended to all other Shareholders, constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code.

Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are believed to have material interests in the Subscription and the Special Deal. Accordingly, each of Mr. Tung Tat Wah, Mr. Michael, Wu Chun Wah and their respective associates will be required to abstain from voting in respect of the relevant resolutions approving the Subscription Agreement and transactions contemplated thereunder, and the Special Deal at the EGM.

LETTER FROM THE QUAM CAPITAL

Upon Completion, the Offerors and parties acting in concert with any of them will hold an aggregate of 1,415,000,000 Shares, representing approximately 96.13% of the entire issued share capital of the Company as enlarged by the issue and allotment of Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offerors will be required to make a mandatory unconditional cash offer for all issued Shares which are not already acquired or agreed to be acquired by them and parties acting in concert with any of them. The making of the Offer by the Offerors is subject to the Completion.

Upon completion of the Offer, the Company proposes to carry out the Open Offer on the basis of fifteen (15) Open Offer Shares for every two (2) Shares held on the Record Date. As the Open Offer will increase the total issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the announcement of the Open Offer, the Open Offer is subject to Shareholders' approval at the EGM under the Listing Rules. The Offerors shall abstain from voting on the relevant resolution of the EGM.

On 28 May 2014, the Company entered into the New Management Agreement with Hua Yu in relation to the appointment of Hua Yu as the investment manager of the Company for the Management Period. Hua Yu, as the investment manager of the Company, is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules and thus, the New Management Agreement and the transactions contemplated thereunder constitute a continuing connected transaction of the Company under the Listing Rules. As the relevant ratios exceeded 25%, the New Management Agreement and the transactions contemplated thereunder are subject to reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

The Company has entered into the Previous Management Agreements in relation to the appointment of Hua Yu as the investment manager of the Company for the period from 1 March 2011 to 28 February 2013, from 1 March 2013 to 28 February 2014 and 1 March 2014 to 31 May 2014 respectively. As the relevant percentage ratios (other than profits ratio) exceeded 25%, the transactions contemplated under the Management Agreement-1 and Management Agreement-2 were subject to reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. The Company has failed to comply with the announcement, reporting and shareholders' approval requirement under Rule 14A.17 of the Listing Rules on time for the Management Agreement-1. The Company had made the announcement in respect of the Management Agreement-2 and delayed in the publication of relevant circular a few times. The transactions contemplated under the Management Agreement-3, pursuant to Rule 14A.25 of the Listing Rules, are required to be aggregated with the New Management Agreement, and subject to announcement, reporting and shareholders' approval requirements under the Listing Rules.

LETTER FROM THE QUAM CAPITAL

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Allan, Kwok Ming Fai, Mr. Robert, Siu Siu Ling and Mr. Stephen, Lee Ming Ching, has been formed to advise the Independent Shareholders as to whether the terms of (i) the Subscription Agreement; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement (including the annual caps); and (vi) the Corporate Finance Advisory Agreement (including the annual caps) 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, and to advise the Independent Shareholders as to whether to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Subscription; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement; and (vi) the Corporate Finance Advisory Agreement (including the annual caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in such regard.

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the Group, the Directors and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Company, Vendor, Offerors, the Subscription, the Open Offer, the Special Deal, the Management Agreement-2, the Management Agreement-3, the New Management Agreement and the Corporate Finance Advisory Agreement provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

LETTER FROM THE QUAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the terms of (i) the Subscription; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement (including the annual caps); and (vi) the Corporate Finance Advisory Agreement (including the annual caps), we have taken into consideration of the following factors and reasons:

A. The Subscription

1. *Background and reasons for the Subscription*

(a) *Background information of the Group*

The Company is an investment company and the Shares of which are listed on the Main Board of the Stock Exchange pursuant to the Chapter 21 of the Listing Rules. The Group is principally engaged in the investments in securities listed on the Stock Exchange and in the unlisted equities with a potential for earnings growth and capital appreciation. At the request of the Company, trading in Shares on the Stock Exchange was suspended on 13 June 2008 pending for the release of a clarification announcement on certain articles in various newspapers and media published on 13 June 2008 reported a police investigation on alleged frauds involving one or two companies listed in the Stock Exchange.

As referred to in the announcement of the Company dated 21 January 2013, the Stock Exchange issued a letter addressing its concerns over the condition of the Company and requires the Company to (i) demonstrates its has sufficient level of operations or assets of sufficient value under Rule 13.24 of the Listing Rules; and (ii) satisfies Rule 21.04(1) on, among others, the character, experience and integrity of the directors of the Company, its management company and/or its investment adviser (if any) (collectively, the “**Resumption Conditions**”), before the Company can resume trading.

In this regard, as referred to in the announcement of the Company dated 31 July 2013 (the “**Announcement**”), the Company submitted the First Resumption Proposal to the Stock Exchange on 10 July 2013. The Stock Exchange considered the First Resumption Proposal was short of the requirements under the Resumption Conditions, and thus, decided to place the Company into second delisting stage on 31 July

LETTER FROM THE QUAM CAPITAL

2013 pursuant to Practice Note 17 of the Listing Rules. On 6 January 2014, the Company further submitted to the Stock Exchange the Revised Resumption Proposal (with various supplementary information between 23 January 2014 to 21 March 2014). The Revised Resumption Proposal includes the following elements:

- (i) Acquisition of 15,000,000 Sale Shares in aggregate by the Offerors from the Vendor (existing substantial Shareholder) at HK\$0.1 per Sale Share for a total Consideration of HK\$1.5 million, representing approximately 20.83% of the existing issued share capital of the Company and 1.02% as enlarged by the issue and allotment of the Subscription Shares;
- (ii) Subscription of 1,400,000,000 Subscription Shares in aggregate by the Offerors at HK\$0.1 per Subscription Share at a total subscription price of HK\$140 million, representing approximately 95.11% of the entire issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares;
- (iii) Upon Completion, the Offerors will pursuant to Rule 26.1 of the Takeovers Code make the Offer for 57,000,000 Shares held by public Shareholders at the Offer Price, representing approximately 3.87% of the entire issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares;
- (iv) Upon completion of the Offer, the Company and the Offerors agree to extend the Open Offer to the Existing Shareholders at the Open Offer Price to afford the Existing Shareholders equal opportunity to enlarge their shareholdings in the Company to raise a gross proceeds of HK\$42.8 million before expenses, while the Open Offer will be fully underwritten by the Offerors;
- (v) Increase in Authorised Capital to facilitate the issue and allotment of the Subscription Shares and future expansion in the share capital of the Company;
- (vi) Hua Yu, the existing investment manager of the Company will remain as the investment manager to identify and carry out analysis on investment opportunities; and advise the Company on acquisitions and realizations of investment; and

LETTER FROM THE QUAM CAPITAL

- (vii) Subject to Completion, new Directors will be appointed to fulfil Rule 21.04 of the Listing Rules at the earliest time permissible under the Code.

On 25 March 2014, the Stock Exchange informed the Company that it has decided to allow the Company to resume trading in the Shares, subject to the completion of the Subscription, the Open Offer and all other transactions contemplated in the Revised Resumption Proposal.

(b) *Financial information of the Group*

According to the audited financial statements of the Group, the Group has been in net loss, net current liabilities and net liabilities position for more than five years. As referred to in the annual report of the Group for the year ended 31 December 2013 (the “**AR 2013**”), the condition of the net loss, net current liabilities and net liabilities position of the Group indicates the existence of material uncertainty that may cast significant doubt about the Group’s ability to continue as going concern. It is also stated in the AR 2013 that the Directors have taken measures to improve the liquidity of the Group including, among other things, extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fund raising. In addition, a substantial Shareholder and a Director have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern.

LETTER FROM THE QUAM CAPITAL

The following is a summary of the statement of profit or loss of the Group for the five years ended 31 December 2013 as extracted from the respective annual reports of the Company and the consolidated statement of profit or loss of the Group for the year ended 31 December 2013 as extracted from the AR 2013:

	For the year ended 31 December				
	2009	2010	2011	2012	2013
	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
Turnover	225,978	132,120	132,120	190,960	182,016
Realised gain/(loss) on disposal of listed securities	28,145	—	—	(11,500)	—
Interest income from bank deposit	—	1	—	—	—
Gain on disposal of a subsidiary	—	—	1,017,152	—	—
Unrealised gain/(loss) on listed securities	2,781,870	(34,164)	(1,492,884)	450,308	134,000
Investment management fee	(621,445)	(600,000)	(600,000)	(600,000)	(600,000)
Other operating expenses	<u>(3,996,029)</u>	<u>(3,279,110)</u>	<u>(3,433,522)</u>	<u>(3,309,271)</u>	<u>(5,674,823)</u>
Operating loss	(1,581,481)	(3,781,153)	(4,377,134)	(3,279,503)	(5,958,807)
Finance costs	<u>(491,158)</u>	<u>(542,656)</u>	<u>(594,030)</u>	<u>(648,245)</u>	<u>(706,068)</u>
Net loss attributable to equity holders of the Company	<u><u>(2,072,639)</u></u>	<u><u>(4,323,809)</u></u>	<u><u>(4,971,164)</u></u>	<u><u>(3,927,748)</u></u>	<u><u>(6,664,875)</u></u>

The turnover of the Group for the five years ended 31 December 2013 was generated from the dividend income from listed securities. The fluctuation of the turnover of the Group for the five years ended 31 December 2013 was mainly attributable to the financial performance and dividend policies of the companies which securities were held by the Group for trading. The operating costs, including the investment management fee and other operating expenses, were stable for the financial years from 2009 to 2012. The increase in other operating

LETTER FROM THE QUAM CAPITAL

expenses for the year ended 31 December 2013 was mainly due to the increase in legal and professional fee incurred for the Resumption and a hostile takeover bid from Ample Orient Capital Limited. Save for the gain on disposal of a subsidiary for the year ended 31 December 2011 and the increase in the operating costs for the year ended 31 December 2013 as discussed above, the net loss attributable to equity holders of the Company was mainly affected by the unrealised gain or loss on listed securities as a result of the change in fair value.

The following is the summary of the consolidated balance sheet of the Group as at 31 December 2009, 2010, 2011, 2012 and 2013 and as extracted from the respective annual reports of the Company:

	As at 31 December				
	2009	2010	2011	2012	2013
	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
Current assets	7,814,645	7,949,232	6,385,231	5,570,223	5,463,925
Non-current assets	<u>3,992</u>	<u>1</u>	<u>145,170</u>	<u>72,585</u>	<u>1</u>
Total assets	7,818,637	7,949,233	6,530,401	5,642,808	5,463,926
Current liabilities	<u>16,383,124</u>	<u>20,837,529</u>	<u>24,389,861</u>	<u>27,430,016</u>	<u>33,916,009</u>
Net current liabilities	(8,568,479)	(12,888,297)	(18,004,630)	(21,859,793)	(28,452,084)
Net Liabilities	(8,564,487)	(12,888,296)	(17,859,460)	(21,787,208)	(28,452,083)
Current ratio	0.5	0.4	0.3	0.2	0.2

Current assets of the Group were mainly consisted of the listed securities held for trading. The current liabilities of the Group mainly consisted of the short term loans, unsettled directors' fee, unsettled investment management fee and amount due to a director. The Group recorded the net liabilities position as at 31 December 2009, 2010, 2011, 2012 and 2013 and the net liabilities were increasing as a result of the increase in short term loans, unsettled directors' fees, unsettled investment management fee and amount due to Mr. Tung Tat Wah, the executive Director. The current ratio of the Company has been decreasing from 0.5 as at 31 December 2009 to 0.2 as at 31 December 2013.

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(c) *Prospects*

As set out in the Letter from the Board, following Completion, the Offerors will continue to operate the existing businesses of the Group. The Offerors will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group. The investment objectives and policies, and the investment restrictions, of the Company as set out in the prospectus of the Company dated 27 May 2002 have not been amended and the Offerors intend to follow the existing investment policy of the Group. Details of the investment objectives and policies and investment restrictions are referred to in the paragraph headed “Overview of Investment Policy and Procedures of the Company” in the Letter from the Board.

(d) *Background information of the subscriber and proposed Directors*

Sharp Years Limited and Hugo Lucky Limited, being the subscribers, are investment holding companies established in the British Virgin Islands and for the purpose of holding the Sale Shares and the Subscription Shares. Sharp Years Limited is owned as to 50% by Long Surplus International Limited and 50% by Fame Image Limited. Long Surplus International Limited is beneficially and ultimately owned as to approximately 66.66% by Ms. Wisery, Ho Hoi Yee and 33.33% by Ms. Lai Tsui Har. Fame Image Limited is beneficially and ultimately owned as to 70% by Ms. Chan Pui Kwan (“**Ms. Chan**”) and 30% by Mr. Tony, Wu Weihong and Hugo Lucky Limited is beneficially and ultimately wholly-owned by Mr. Alex, Leung King Yue (“**Mr. Leung**”). Save for the Sale Shares, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Offerors are third parties independent of the Company and its connected persons under the Listing Rules.

Upon Completion or earliest date permitted under the Takeovers Code, it is intended that (i) all of the existing Directors except Mr. Allan, Kwok Ming Fai, an independent non-executive Director, will resign and the Offerors will appoint Mr. Leung, Mr. Leong Chi Wai and Mr. Lewis Chan as executive Directors; Mr. Ma Chun Fai and Ms. Chan Pui Kwan, as non-executive Directors and Mr. Erik, Lo Chi Ming, and Mr. Jochum Haakma as independent non-executive Directors (collectively, the “**Proposed Directors**”). Most of the Proposed Directors possess relevant experience in the investment or business development of listed or unlisted companies.

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Details of the biographies of the Proposed Directors are set out in the Letter from the Board.

(e) Reasons for the Subscription and use of proceeds

As set out in the Letter from the Board, the net proceeds of the Subscription, which are estimated to be approximately HK\$137.2 million, which enable the Company to replenish its cash and working capital for investments, repayments of Liabilities and increase its capital base assuming the Resumption take place. As at 31 December 2013, the Liabilities (being the Shareholders' Indebtedness, short-term loans and other expenses and liabilities incurred in the ordinary course of business of the Group) amounted to approximately HK\$33.9 million. It is also stated in the Letter from the Board that the Subscription enables the Company to improve the gearing ratio and strengthen the balance sheet of the Group as a whole.

Save for decreasing the number of shares held by the Group, the investment portfolio of the Group on listed securities remained unchanged for more than six Financial Years. The Group held no unlisted securities since 2010. And thus, the management of the Company expects the net proceeds from the Subscription can provide funding to the Group for investments and strengthening its revenue base.

Having considered that (i) the financial position of the Group has continued to deteriorate, and it is imperative for the Group to obtain funding to improve its financial position and liquidity; (ii) the application of net proceeds of the Subscription towards the settlement of the Liabilities in full can substantially reduce the gearing and strengthen the financial position of the Group; (iii) other than the repayment of the Liabilities, the Subscription also enables the Company to raise funds for its working capital and investments, which in turn, can strengthen its investment portfolio and revenue base; (iv) in view of the financial position of the Group and that the trading of issued Shares was remained suspended, the Company is difficult to arrange alternative funding other than the Subscription (details of the discussion are set out in the paragraph headed "Other financing alternatives" below); and (v) the Proposed Directors are intended to be appointed upon Completion or earliest date permitted under the Takeovers Code and the Group can leverage the relevant experience of the Proposed Directors for future business development, we concur with the view of the Directors that the Subscription is in the interest of the Company and the Shareholders as a whole.

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2. *Principal terms of the Subscription Agreement*

Pursuant to the Supplemental Subscription Agreement, the Company conditionally agreed to issue and allot and the Offerors conditionally agreed to subscribe in cash the 1,400,000,000 Subscription Shares, out of which the First Offeror agreed to subscribe 420,000,000 Shares and the Second Offeror agreed to subscribe 980,000,000 Shares. The Subscription Agreement is inter-conditional with the Sale and Purchase Agreement and conditional upon, among other things, the approval of the Subscription Agreement and the transactions contemplated thereunder, the Increase in Authorised Capital and the Special Deal. Details of other condition precedent of the Subscription are set out in the paragraph headed “The Subscriptions – conditions precedent of the Subscription” in the Letter from the Board.

The Subscription Shares, when issued and fully paid, shall rank pari passu in all respects among themselves and with all the Shares in issue on the date of issue and allotment of the Subscription Shares except that they will not rank for any dividend and other distribution of the Company declared, made or paid by reference to a record date prior to the date of issue. The Subscription Shares represent approximately 19.44 times of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 95.11% of the entire issued share capital of the Company as enlarged by issue and allotment of the Subscription Shares.

(a) The Subscription Price

The Subscription Price of HK\$0.1 per Subscription Share represents:

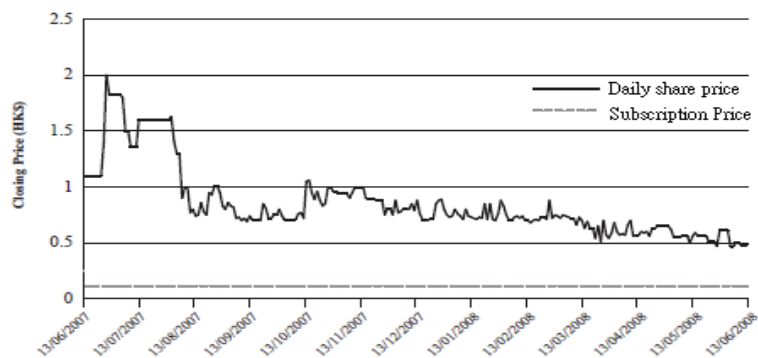
- (i) the same price as each Sale Share;
- (ii) a discount of approximately 79.17% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 79.59% to the average of the closing prices of approximately HK\$0.49 per Share for the last five trading days immediately prior to and including the Last Trading Date;

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- (iv) a discount of approximately 80.77% to the average of the closing prices of approximately HK\$0.52 per Share for the last ten trading days immediately prior to and including the Last Trading Date;
- (v) a discount of approximately 81.48% to the average of the closing prices of approximately HK\$0.54 per Share for the last thirty trading days immediately prior to and including the Last Trading Date; and
- (vi) a premium of approximately HK\$0.50 over the audited net liabilities per Share of approximately HK\$0.40 calculated based on the Group's audited consolidated net liabilities of approximately HK\$28.5 million as at 31 December 2013.

According to the “Letter from the Board”, the Subscription Price of HK\$0.1 per Subscription Share was determined after arm’s length negotiations between the Company and the Offerors taking into account of the net liabilities of the Company of approximately HK\$0.30 per Share as at 31 December 2012.

The graph below sets out the daily closing prices of the Shares during the period from 13 June 2007 (being 12 full calendar months period prior to the Last Trading Day) to the Last Trading Day (the “**Review Period**”) as quoted on the Stock Exchange’s website as compared with the Subscription Price. Trading in the Shares on the Stock Exchange had been suspended since 13 June 2008. The Independent Shareholders should note that as the trading in the Shares has been suspended for over five years, and heavy reliance should not be placed on the below comparison of the Subscription Price to the closing prices of the Shares prior to the Last Trading Day. For reference only, the historical trading pattern of the Shares for the Review Period is illustrated as follows.



Source: The website of the Stock Exchange (<http://www.hkex.com.hk>)

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As illustrated on the above graph, during the Review Period, the market price of the Shares showed a downward trend in general, with the highest closing price of HK\$2.00 per Share on 26 June 2007 and the lowest closing price of HK\$0.47 per Share on 27 May 2008, 3 June 2008 and 4 June 2008, respectively. The Subscription Price represents a discount of approximately 95.00% to the highest closing price per Share and a discount of approximately 78.72% to the lowest closing price per Share during the Review Period, and a discount of approximately 79.17% to the closing price of HK\$0.48 per Share on the Last Trading Day.

Despite the Subscription Price represents a discount to the closing price of the Share during the Review Period, after taking into consideration that (i) the comparison of the Subscription Price with the quoted price of the Shares prior to its suspension of trading may not be appropriate given the prolonged suspension in trading of the Shares for over five years; (ii) the Subscription Price is the same as the Open Offer Price which will be offered to the Existing Shareholders by Open Offer and the Open Offer Price is fair and reasonable as discussed in the paragraph headed “B. Proposed Open Offer – 2. Principal terms for the Open Offer – Open Offer Price”; and (iii) the Subscription Price represents a notable premium to the audited consolidated net liabilities per Share as at 31 December 2013, we are of the view that the Subscription Price is fair and reasonable.

Based on the above, and having considered that the Subscription Shares shall rank pari passu in all respects among themselves and with all the Shares in issue on the date of issue of the Subscription Shares, we are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. *Other financing alternatives*

We note that the Company reported net loss attributable to shareholders of the Company for five financial years ended 31 December 2009, 2010, 2011, 2012 and 2013. The net liabilities value of the Company has continued to deteriorate from 31 December 2009 to 31 December 2013. As at 31 December 2013, the Company recorded consolidated net liabilities value per Share of the Company of HK\$0.40. Given the financial track record and conditions, it may be difficult for the Company to obtain financial facilities from financial institutions at rates and conditions considered favourable, if at all. Also, we note that the Directors have tried to arrange for alternative funding (such as financing from brokerage firm) and have not been successful in this regard.

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Having considered that (i) the less than satisfactory financial conditions of the Company and the absence of tangible or intangible securities or assets available as collateral for credit facilities, if available at all; and (ii) the Directors have considered and tried to arrange for alternative funding (such as financing from brokerage firm) and have not been successful in this regard, we consider that fund raising by way of the Subscription is acceptable.

4. *Effect on the shareholding structure of the Company*

We refer to the shareholding structure of the Company as set out in the Letter from the Board in the Circular. Upon the Completion and the Open Offer (assuming all of the Existing Shareholders would take up their respective Open Offer Shares), the shareholding in the Company held by the existing Shareholders (being the Shareholders other than the Vendor and Offerors) will be diluted from approximately 79.17% to approximately 25.51%, which represented a dilution effect of approximately 67.78%.

In order to assess the fairness and reasonableness of the dilution effect, we have based on the information publicly available on the website of the Stock Exchange and with our best endeavour identified the companies listed on the Stock Exchange which had been placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 with resumption plans involving the open offer and subscription of shares which was approved by the Stock Exchange (subject to resumption conditions) during the three years preceding the Latest Practicable Date (the “**Resumption Comparables**”). We have also assumed each of the open offer shares were taken up by their respective

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existing shareholders of the Resumption Comparables in full. Details of the Resumption Comparables are summarized in the following table:

Resumption Comparables	Date of announcement	Potential maximum dilution as a result of the subscription and open offer
Mitsumaru East (Holdings) Limited (2358)	28/8/2013	26.32%
U-Right International Holding Limited (627)	9/7/2013	77.26%
FU JI Food and Catering Services Holdings Limited (1175)	21/1/2013	65.19%
First Natural Foods Holdings Limited (1076)	26/3/2012	69.23%
Climax International Company Limited (439)	5/3/2012	55.70%
New City (China) Development Limited (456)	15/11/2011	65.39%
Sunlink International Holdings Limited (2336)	11/11/2011	72.84%
Ocean Grand Holdings Limited (1220)	8/8/2011	63.35%
	Maximum	77.26%
	Minimum	26.32%
	Mean	61.91%
The Company		67.78%

As shown in the above table, we note that the dilution effect upon the Completion and the Open Offer (assuming all of the Existing Shareholders take up the Open Offer Shares) was within the range of the dilution effect of the Resumption Comparables.

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Notwithstanding the potential dilution effect to the shareholding of the existing Shareholders, having considered the fact that (i) the Subscription and the Open Offer will strengthen the financial position of the Group and enable the Group to repay the Liabilities; (ii) the dilution effect upon the Subscription and the Open Offer was within the range of the dilution effect of the Resumption Comparables; and (iii) upon Completion and the completion of the Offer, the Company and the Offerors agree to extend the Open Offer to the Existing Shareholders, which provides the Existing Shareholders opportunity to enlarge their shareholdings in the Company, we are of the view that such potential dilution effect is acceptable.

B. Proposed Open Offer

1. Background of and reasons for the Open Offer

Upon completion of the Offer, the Company proposes to carry out the Open Offer to offer the Existing Shareholders a pre-emptive right to subscribe for Shares at the same issue price as the Sale Shares and the Subscription Shares so that the Existing Shareholders are provided an opportunity to enlarge their shareholdings in the Group.

Given that upon the Completion and before the Open Offer, the shareholding in the Company held by the existing Shareholders (being the Shareholders other than the Vendor and Offerors) will be diluted from approximately 79.17% to approximately 3.87%, which represented a dilution effect of approximately 95.11%. Upon the Completion and the Open Offer (assuming all of the Existing Shareholders would take up their respective Open Offer Shares), their shareholding in the Company will be diluted from approximately 79.17% to approximately 25.51%, which represented a dilution effect of approximately 67.78%. Thus, participation in the Open Offer by the Existing Shareholders would increase their proportion of shareholding substantially and lessen the dilution effect from the Subscription.

The gross proceeds from the Subscription and the Open Offer before expenses will be approximately HK\$140 million and HK\$42.8 million respectively. The net proceeds from the Subscription (after deducting the costs and expenses in connection with the Resumption) and the Open Offer (after deducting the underwriting commission fee at market rate of 3%) are estimated to be approximately HK\$178.7 million in aggregate, which are expected to be applied as to (i) HK\$39.9 million for the settlement of the Liabilities of the

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Company; (ii) HK\$83.3 million for the investment in listed companies and fixed income instruments of listed and non-listed companies; and (iii) HK\$55.5 million for the investment in private equities.

Having considered the Open Offer can (i) provide the Existing Shareholders an opportunity to enlarge their shareholding in the Group and lessen the dilution effect from the Subscription; and (ii) raise additional funds to strengthen the financial position and investment portfolio of the Group, we are of the view that the Open Offer is in the interests of the Company and Shareholders as a whole.

2. *Principal terms for the Open Offer*

Set out below is the principal terms of the Open Offer.

Number of Open Offer Shares to be issued:	Not less than 427,500,000 Open Offer Shares
Basis of the open offer:	Fifteen (15) Open Offer Shares for every two (2) Shares held on the Record Date and payable in full on acceptance.
Open Offer Price:	HK\$0.1 per Open Offer Share
Excluded Shareholders:	The Offerors holding 1,415,000,000 Shares and the Overseas Shareholders as at the Record Date whom the Directors with reference to on legal opinions provided by the Company's legal adviser, consider if necessary or expedient not to offer the Open Offer Shares on account either of legal restrictions or requirements of the relevant laws and regulations of overseas jurisdictions
Qualifying Shareholders:	All Shareholders as at the Record Date other than the Excluded Shareholders
Underwriting:	The Open Offer will be fully underwritten by the Offerors
Underwriting fee:	3%

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Open Offer Price

The Open Offer Price of HK\$0.1 per Open Offer Share is the same with the Subscription Price, which represents a discount of approximately 79.17% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**Discount**”).

As stated in the Letter from the Board, after taking into account that trading of the Shares had been suspended since 13 June 2008, the financial performance of the Company has deteriorated substantially over the years, where net liabilities was amounted to HK\$0.4 per Share as at 31 December 2013, and the Open Offer Price is the same as the Subscription Price, the Directors (including the proposed Directors and the independent non-executive Directors) consider the Open Offer Price is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As the trading of Shares has been suspended since the Last Trading Date, we are in the opinion that the closing price of the Share at the Last Trading Date did not reflect the market sentiment towards the current financial performance of the Group as well as the business prospect of the Group, due to the substantial deteriorations from the then financial performance and financial position of the Group.

In assessing the fairness and reasonableness of the Open Offer Price, we have attempted to perform a price-to-earnings multiple (“**P/E Ratio**”) analysis, which is the most widely used and accepted method for valuing a business with recurrent income. Given the Company has been loss-making since the financial year ended 31 December 2010, we consider that it is not feasible to assess the Open Offer Price using the P/E Ratio approach. Taking into account the nature of the business of the Company and as advised by the Company, the total assets of the Company is mainly composed of investment on listed securities and unlisted securities, we consider the net asset approach is an appropriate approach to assess the fairness and reasonableness of the Open Offer Price.

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As announced by the Company on 14 May 2014, the latest unaudited consolidated net liabilities per Share was approximately HK\$0.429 (the “NAV”) as at 30 April 2014 and the Open Offer Price represented a premium of approximately HK\$0.53 (the “NAV Premium”) over the NAV. Taking into consideration of the value of the Shares of approximately HK\$190 million upon completion of the Subscription and the Open Offer at HK\$ 0.1 per Share, we have identified companies listed on the Stock Exchange pursuant to Chapter 21 of the Listing Rules with market capitalisation below HK\$300 million (the “Business Comparables”) which we consider being exhaustive, being approximately 1.5 times the value of the Shares upon completion of the Subscription and the Open Offer which we consider an acceptable size for our analysis below and we have reviewed and tabulated below the premium/(discounts) of the share closing price of the Business Comparables as at the Latest Practicable Date (or trading day immediately before the Latest Practicable Date if the Business Comparables have been suspended in trading on the Latest Practicable Date) over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date, for comparison purposes. In view that the Business Comparables chosen are (i) companies listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules with comparable size with the Company; (ii) of similar principal businesses and nature with the Company; and (iii) do not possess any other active businesses, we consider the Business Comparables are fair and representative samples.

Stock Code	Company Name	Market capitalization as at the Latest Practicable Date (HK\$ million)	Closing price as at the Latest Practicable Date (HK\$)	Latest published net asset/ (liability) value per share prior to the Latest Practicable Date (HK\$)	Premium/(discounts) of the closing share price of the Business Comparables as at the Latest Practicable Date over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date (HK\$)	(%)
80	CHINA NEW ECONOMY FUND LIMITED	104.5	0.345	0.82	(0.48)	-57.9
170	CHINA ASSETS (HOLDINGS) LIMITED**	188.8	2.46	16.112	(13.652)	-84.7
310	PROSPERITY INVESTMENT HOLDINGS LIMITED	148.9	0.209	0.39	(0.181)	-46.4
339	EARNEST INVESTMENTS HOLDINGS LIMITED	89.9	1.11	0.593	0.517	87.1
428	HARMONY ASSET LIMITED	140.6	3.6	5.76	(2.16)	-37.5
612	CHINA INVESTMENT FUND COMPANY LIMITED	191.3	0.25	0.22	0.03	13.6
768	UBA INVESTMENTS LIMITED	179.1	0.169	0.107	0.062	57.9

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770	SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED**	55.9	6.278	13.64	(7.363)	-54.0
810	OPES ASIA DEVELOPMENT LIMITED	215.7	0.415	0.198	0.217	109.6
905	MASTERMIND CAPITAL LIMITED	174.1	0.067	0.034	0.033	97.1
1160	GRAND INVESTMENT INTERNATIONAL LIMITED	119.2	0.69	0.27	0.42	155.6
1217	CHINA INNOVATION INVESTMENT LIMITED	265.2	0.038	0.042	(0.004)	-9.5
1226	CHINA INVESTMENT AND FINANCE GROUP LIMITED	221.0	0.38	0.91	(0.53)	-58.2
2324	CAPITAL VC LIMITED	122.3	0.128	0.703	(0.575)	-81.8
				Maximum	0.52	155.6
				Minimum	(13.65)	-84.7
	The Open Offer Price and the Subscription Price	0.1		(0.429)	0.529	123.3

** The net asset value was recorded in USD has been converted into HK\$ based on the exchange rate of USD1.0 = HK\$7.75.

We have also considered the range of the Business Comparables with share closing price on the Latest Practicable Date which represented a premium over the latest published net asset value per share prior to the Latest Practicable Date (the “**Premium Comparables**”). The range of the Premium Comparables is set as below:

Maximum	0.52	155.6
Minimum	0.03	13.6

**The Open Offer Price
and the Subscription**

Price	0.1	(0.429)	0.529	123.3
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As shown in the above table, the premium/(discount) represented by the closing share price of the Business Comparables as at the Latest Practicable Date over/ (to) their respective latest published net asset value per share prior to the Latest Practicable Date ranged from a premium of approximately 155.6% to a discount of approximately 84.7% (the “**Overall Range**”). We noted that the NAV Premium represented by the Open Offer Price falls within the Overall Range. Given that the Overall Range is large, we have also considered the range of the Premium Comparables. The premium represented by the share

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closing price of the Premium Comparables as at the Latest Practicable Date over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date ranged from approximately 13.6% to approximately 155.6% (the “**Premium Range**”). The NAV Premium as derived by the Open Offer Price also falls within the Premium Range.

As the Premium Range is large, we have also compared the Open Offer Price with the Resumption Comparables. In view that for prolonged suspension companies, it is a common market practice to price the open offer at a substantial discount to the market price of relevant shares in order to encourage subscription by their shareholders, and we believe that the Resumption Comparables may reflect the recent trend of open offer transactions in the market for prolonged suspension companies and consider the Resumption Comparables are fair and representative samples. Details of the discount of offer price of open offer to the closing price of Resumption Comparables are summarized in the following table:

Resumption Comparables	Date of announcement	Discount of offer price to the closing price on the last trading day (%)
Mitsumaru East (Holdings) Limited (2358)	28/8/2013	89.36%
U-Right International Holding Limited (627)	9/7/2013	89.29%
FU JI Food and Catering Services Holdings Limited (1175)	21/1/2013	99.03%
First Natural Foods Holdings Limited (1076)	26/3/2012	97.6%
Climax International Company Limited (439)	5/3/2012	80.0%
New City (China) Development Limited (456)	15/11/2011	77.36%

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Resumption Comparables	Date of announcement	Discount of offer price to the closing price on the last trading day (%)
Sunlink International Holdings Limited (2336)	11/11/2011	85.71%
Ocean Grand Holdings Limited (1220)	8/8/2011	95.61%
	Maximum	99.03%
	Minimum	77.36%
The Company		79.17%

As shown in the above table, the discount of offer price to the closing prices on the last trading day of Resumption Comparables ranged from a discount of approximately 77.36% to 99.03% (the “**Discount Range**”). We note that the Discount falls within the Discount Range.

Having considered that (i) the Company was in loss-making position for the last five financial years; (ii) the NAV Premium as derived by the Open Offer Price falls within the Overall Range and the Premium Range, and (iii) the Discount falls within the Discount Range, we consider the Open Offer Price is fair and reasonable.

3. *Underwriting Agreement*

The Company and the Underwriters entered into the Underwriting Agreement pursuant to which the Underwriters will fully underwrite the Open Offer Shares. Details of the Underwriting Agreement are set out in the subsection headed “Underwriting Agreement” in the Letter from the Board. The maximum number of the Open Offer Shares underwritten by the Underwriters is 427,500,000. The Underwriters will receive an underwriting commission of 3%.

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To further assess the fairness and reasonableness of the Open Offer, we have, to the best of our effort, knowledge and endeavour, selected and identified a list of open offers conducted by companies (the “**Open Offer Comparables**”) listed on the Stock Exchange for the six months period from 7 December 2013 up to and including the Latest Practicable Date (the “**Comparable Period**”), which we consider being exhaustive, for comparison purpose. We are of the view that the Comparable Period would provide us with the recent relevant information on the market sentiment, which plays an important role in the determination of the subscription price of an open offer in general. We also noted that the business activities of the Open Offer Comparables are not directly comparable to those carried out by the Group and the terms of the open offer of the Open Offer Comparables may vary from companies with different financial standings, business performance and future prospects. Since the Open Offer Comparables are the most recent open offer transactions announced to the public, we consider that the Open Offer Comparables could represent the recent trend of the open offer transactions in the prevailing market condition and could provide a general reference for the terms of the underwriting commission. Details of the Open Offer Comparables are summarized in the following table:

Company name (Stock Code)	Date of Announcement	Underwriting commission (%)
Green International Holdings Limited (2700)	5/6/2014	nil
Proview International Holdings Limited (334)	30/5/2014	3.0
Cosmopolitan International Holdings Limited (120)	30/4/2014	nil
Inno-Tech Holdings Limited (8202)	28/4/2014	3.0
Hao Tian Development Group Limited (474)	25/4/2014	2.5
21 Holdings Limited (1003)	25/4/2014	3.5
China Packaging Group Company Limited (572)	22/4/2014	2.5

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Company name (Stock Code)	Date of Announcement	Underwriting commission (%)
MelcoLot Limited (8198)	11/4/2014	3.0
Sunwah Kingsway Capital Holdings Limited (188)	11/4/2014	2.0
Well Way Group Limited (8063)	1/4/2014	3.5
Ground Properties Company Limited (989)	28/3/2014	nil
Sustainable Forest Holdings Limited (723)	27/2/2014	2.5
Ming Fung Jewellery Group Limited (860)	26/2/2014	1.0
Capital VC Limited (2324)	27/1/2014	2.5
Coastal Greenland Limited (1124)	24/1/2014	1.5
Solartech International Holdings Limited (1166)	21/1/2014	2.5
Grand Field Group Holdings Limited (115)	17/1/2014	3.5
Larry Jewelry International Company Limited (8351)	3/1/2014	2.5
China Leason CBM & Shale Gas Group Company Limited (8270)	22/12/2013	3.5
	Maximum	3.5
	Minimum	nil

As shown in the above table, we note that the underwriting commission to be paid to the Underwriters are within the range of the underwriting commission of the Open Offer Comparables, which the rate charged is common in the market and not excessive. Based on the above, we are of the view that the terms of the Underwriting Agreement including the underwriting commission are fair and reasonable.

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C. Possible Special Deals

As stated in the “Letter from the Board”, part of the proceeds from the Subscription will be applied to repay the Liability in full after Completion, including the Shareholders’ Indebtedness due to Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah, who are executive Directors and substantial Shareholders holding the Sale Shares through their respective holdings of 60% and 40% equity interest in the Vendor as at the Latest Practicable Date.

The repayment of the Shareholders’ Indebtedness out of the proceeds from the Subscription, which is not extended to all other Shareholders, constitutes a special deal under Note 5 to Rule 25 of the Takeovers Code.

The Group recorded the net liabilities position as at 31 December, 2009, 2010, 2011, 2012 and 2013 and the net liabilities were increasing as a result of the increase in short term loans, unsettled directors’ fees, unsettled investment management fee and amount due to Mr. Tung Tat Wah, the executive Director. The Board represents that the proceeds from the Subscription to repay the Shareholders’ Indebtedness would reduce the Group’s liabilities and hence strengthen the Group’s overall financial position.

Having considered that (i) the Shareholders’ Indebtedness as at 31 December 2013 amounted to approximately HK\$16.5 million, which only represented approximately 12.0% of the net proceed from the Subscription; (ii) the repayment of the Shareholders’ Indebtedness is on a dollar-to-dollar basis; and (iii) the settlement of the Liabilities (including of the Shareholders’ Indebtedness) in full by the net proceeds from the Subscription can reduce the indebtedness of the Group and strengthen the financial position of the Group, we are of the view that the repayment of the Shareholders’ Indebtedness is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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D. Possible financial effects

1. *Net tangible asset value*

According to the unaudited pro forma net assets statement of the Group as set out in appendix III of this circular, as a result of the Subscription (including the repayment of the Liability), Open Offer and the settlement of the resumption cost, (i) the total tangible asset value of the Group will increase from approximately HK\$5.5 million to approximately HK\$150.2 million; and (ii) the net tangible liabilities position of the Group will be improved from the net tangible liabilities of approximately HK\$28.5 million to the net tangible assets of approximately HK\$150.2 million.

2. *Gearing ratio*

According to the AR 2013, the Company had cash and bank balances of approximately HK\$6,282 as at 31 December 2013. As set out in the Letter from the Board, the net proceeds of the Subscription and the Open Offer of approximately HK\$178.7 million shall be applied as to (i) HK\$39.9 million to the settlement of the Liabilities of the Company; (ii) HK\$83.3 million to invest in listed companies and fixed income instruments of listed and non-listed companies; and (iii) HK\$55.5 million to invest in private equities. Due to the reduction of the liabilities of the Group and the enlargement of the Group's total assets, it is expected that the Group's gearing level would shrink.

E. New Management Agreement

1. *Background of and reasons for the New Management Agreement*

In light of the expiry of the Previous Management Agreements, the Company entered into the New Management Agreement on 28 May 2014 to continue the appointment of Hua Yu as the investment manager of the Company for the Management Period (i.e. from 1 June 2014 to 31 May 2017). Pursuant to the New Management Agreement, Hua Yu shall provide non-exclusive investment management services to the Company.

Hua Yu was incorporated in Hong Kong in 1998 and is a licensed corporation under the SFO authorised to carry out regulated activities of type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). Hua Yu is principally engaged in the business of investment management and provision of corporate advisory services and has provided

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investment management services to the Company for more than 5 years. Hua Yu also has experience of providing investment management services to other investment companies listed on the Stock Exchange which includes China Innovation Investment Limited (stock code: 1217) and Mastermind Capital Limited (stock code: 905).

We are advised by the Company that, having considered, among others, (i) the long-term and satisfactory relationship with Hua Yu; (ii) that Hua Yu is familiar with the investment objectives, policies, restrictions and operations of the Group; and (iii) the professional qualification, expertise and experience of Hua Yu in providing the relevant services, the Company is of the view that it is beneficial of the Group to continue to appoint Hua Yu as the investment manager of the Group.

We note from the Appendix IV – Additional Information of the New Management Agreement and the Corporate Finance Advisory Agreement of this circular that Hua Yu has three directors (namely Mr. Leong Chi Wai (“**Mr. Leong**”), Mr. Wang Yinan (“**Mr. Wang**”) and Mr. Lau Lap Kwan (“**Mr. Lau**”)) who are the Responsible Officers and licensed under the SFO to carry out type 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities and one non-executive director (namely Mr. Warren Lee Wa Lun). We also note that Mr. Leong, Mr. Wang and Mr. Lau have gained experience in investment management such as advising on investments, evaluating investment projects and financial and risk analysis, which are similar in nature to the investment management services to be provided under the New Management Agreement. Set out below are the relevant experience and information of Mr. Leong, Mr. Wang and Mr. Lau.

Mr. Leong Chi Wai

Mr. Leong has over 16 years of experience in corporate finance, asset management, direct investments and property investments and developments. Mr. Leong is a director of Hua Yu. Mr. Leong was also an executive director of Mastermind Capital Limited (stock code: 905), an investment company listed on the Main Board of the Stock Exchange, from March 2007 to May 2010 and was a representative and responsible officer of Yu Ming since 2003 and from May 2008 to February 2010 respectively.

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Being the director and Responsible Officer of Hua Yu, Mr. Leong is responsible for (i) business development; (ii) researching, analysing and evaluating investments; (iii) provision of investment advice and recommendation; (iv) monitoring the investments; and (v) compliance and supervision of daily operations (collectively the “**RO Responsibilities**”). During Mr. Leong’s appointment period in Hua Yu, Hua Yu was the investment manager of Mastermind Capital Limited, managing net asset value of approximately HK\$1.9 million, HK\$27.9 million and HK\$29.1 million as at 31 December 2007, 2008 and 2009 respectively. Mr. Leong was also the executive director of Mastermind Capital Limited from March 2007 to May 2010 and was responsible of (i) daily operation of Mastermind Capital Limited; (ii) researching, analysing and evaluating investments; (iii) conducting due diligence; (iv) providing investment and divestment advice and recommendation to board of directors; (v) monitoring of investments; (vi) compliance of Listing Rules, Takeovers Code and SFO and supervision of daily operations and administration.

During the period of being the representative and responsible office of Yu Ming, Mr. Leong was responsible for (i) identifying, researching, analysing and recommending investments and reporting to the managing director of Yu Ming; and (ii) advising on corporate finance, securities and investment management. Yu Ming is the investment manager of SHK Hong Kong Industries Limited (stock code: 666), managing net asset value of approximately HK\$992 million, HK\$598 million and HK\$1,141 million as at 31 December 2007, 2008 and 2009 respectively.

Mr. Wang Yinan

Mr. Wang has over 15 years experience in licensed investment management. Mr. Wang was appointed as a director of Hua Yu in July 1998 and is a Responsible Officer of Hua Yu and responsible for the RO Responsibilities. During Mr. Wang’s appointment period in Hua Yu, Hua Yu was the investment manager of China Innovation Investment Limited (managing net asset value of approximately HK\$46.1 million as at 31 December 2002) and Mastermind Capital Limited (managing net asset value of approximately HK\$1.9 million, HK\$27.9 million and HK\$29.1 million as at 31 December 2007, 2008 and 2009 respectively).

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Mr. Wang has also gained experience in securities market from being the managing director and general manager of Shenzhen Special Economic Zone Securities Company, a securities brokerage firm in Shenzhen between 2000 and 2003.

Mr. Lau Lap Kwan

Mr. Lau has over 15 years experience in licensed investment management. Mr. Lau was appointed as a director of Hua Yu in July 1998 and is a Responsible Officer of Hua Yu and responsible for the RO Responsibilities. During Mr. Lau's appointment period in Hua Yu, Hua Yu was the investment manager of China Innovation Investment Limited (managing net asset value of approximately HK\$46.1 million as at 31 December 2002) and Mastermind Capital Limited (managing net asset value of approximately HK\$1.9 million, HK\$27.9 million and HK\$29.1 million as at 31 December 2007, 2008 and 2009 respectively).

Save for being the director and Responsible Officer of Hua Yu, Mr. Lau has also gained the experience in evaluating investment projects from being a director of HHK Consultancy and Development Company Limited in 1988 that he was involved mainly in the evaluation of the feasibility of investment projects including investment structure, capital raising, debt repayment, risk return evaluation and long term prospects. Mr. Lau was also the vice president of Hua Jian and involved in advising the subsidiaries of China Huaneng Group on matters relating to investment, capital raising, investment evaluation in Hong Kong, project appraisal in the PRC, direct investment in the PRC projects and infrastructure investment.

Based on the above, we are of the view that Hua Yu and its management have relevant experience and qualification in investment management which the Group can leverage on.

As set out in the Appendix IV – additional information of the New Management Agreement and the Corporate Finance Advisory Agreement of this circular, Hua Yu is responsible for advising the Board on investments, carrying out research on investment ideas and executions of investment decision approved by the Board in accordance with the New Management Agreement and the investment policies of the Company and the Board is responsible for setting and modifying investment strategies and policies of the Company and has the final investment decisions.

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We also note that Mr. Leong is both a proposed Director and a director of Hua Yu and he is involved in the day-to-day operations of each of the Company and Hua Yu, which constitutes a potential conflict of interest between the Company and Hua Yu. Having considered, (i) all major decisions of the Company and the final investment decision will be made by the Board, instead of based on sole discretion of Mr. Leong; (ii) Mr. Leong, pursuant to Rule 13.44 of the Listing Rules, will abstain from voting on relevant Board resolutions approving any contract or arrangement or any other proposal in which the Director or his associate(s) has or have a material interest; and (iii) the overall interests of the Company and Hua Yu are aligned, we are of the view that the potential conflict of interest between the Company and Hua Yu could be mitigated.

As stated in the Letter from the Board, each of the Investment Manager and the Directors has a duty to identify investments for the Board's consideration, while the approval rests with the power of the Board. Save for the proposed executive Director Mr. Leong Chi Wai and Directors who may have conflict of interest in relevant investments from time to time, each of the executive Director may reject any investments in any amount, and approve any investment not exceeding an authorized limit without referring to the Board. For any investment involving an amount or commitment over the authorized limit, the executive Directors must refer the investment to the Board for consideration and approval. Prior to any Board approval, the executive Directors or the Investment Manager must present to the Board the analysis of an investment in an investment memo, setting out the essential factors for the Board's consideration. Regardless of Director's authorized limit investments or investments subject to Board approval, a thorough analysis or due diligence is to be carried out by the persons proposing the investment ideas. The results of such due diligence will be documented in the investment memo. The assessment of each investment exceeding the authorised limited will be approved by the Board, after considering the investment memo, or such other due diligence required by the Board. Thus, the responsibility of making the Company's investment decisions ultimately rests on the Board rather than the Investment Manager. Since the performance of the Company is not directly or solely attributable to the Investment Manager, we have not considered (i) historical performance of the Investment Manager; and (ii) a comparison of the performance of the Company's investment with a relevant index, in assessing whether it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the New Management Agreement.

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Having considered that (i) the continuing connected transaction contemplated under the New Management Agreement for the appointment of investment manager is in the ordinary and usual course of the Group, which is principally engaged in the investments in the listed securities and in the unlisted equities; (ii) Hua Yu and its investment professional have relevant experience and qualifications in investment management which the Group can leverage on; and (iii) Hua Yu has advantage in managing the Group's investment earned through the long-term relationship since 1 March 2009, we are of the view that the entering into of the New Management Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. *Principal Terms of the New Management Agreement*

The principal terms of the New Management Agreement include:

- Duration: The Management Period (1 June 2014 to 31 May 2017)
- Services: Hua Yu shall provide non-exclusive investment management services to the Company, including:
- (a) to identify, review and evaluate investment and realisation opportunities for the Company;
 - (b) to make investment or realisation recommendations to the Company regarding potential investments prior to such action being consummated to be made by the Company and realisation opportunities for the Company;
 - (c) to execute investment and realisation decisions and instructions relating to the Company's investments as approved by the Board;

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- (d) to, based on such information as may reasonably be available to it, monitor the performance and supervise the maintenance of investments and, in the event of major problems or indications of major problems in relation to the investments, give written notice thereof to the Board as soon as reasonably practicable after becoming aware of the same; and
- (e) to keep such accounts, books and records as may be required by law or, otherwise for the proper conduct of the affairs of Hua Yu under the New Management Agreement.

Remuneration: Management fee:

Prior to Resumption — HK\$150,000 per quarter

Upon Resumption — 1.5% of the Gross NAV per annum, calculated as the arithmetical average of the published Gross NAV on the last day of each calendar month during each relevant year, and payable quarterly in arrears by the Company to Hua Yu.

Performance fee:

15% on the amount of audited consolidated NAV of the Company (calculated as at the end of each respective Financial Year) exceeding the High Watermark as at the relevant Financial Year, and payable annually in arrears by the Company to Hua Yu, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the Gross NAV.

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The High Watermark represents: (a) if a Performance Fee has been paid, the audited consolidated NAV of the Company as at the end of the latest Financial Year in which Hua Yu was entitled to a Performance Fee; or (b) if no Performance Fee has been paid, the consolidated pro forma NAV of the Company as at the commencement date of the New Management Agreement assuming the transactions under the Resumption Proposal are completed.

We have based on the information publicly available on the website of the Stock Exchange and with our best endeavour identified the existing management service agreements for the investment companies listed under Chapter 21 of the Listing Rules on the Main Board of the Stock Exchange as at Latest Practicable Date (the “**IM Comparables**”), being an exhaustive list, with remuneration packages include both management fee and performance fee. We consider that the IM Comparables, which relate to investment management arrangement of investment companies similar to that of the New Management Agreement, are appropriate samples and the analysis of which could provide a general reference for the fairness and reasonableness of the fee structure under the New Management Agreement upon Resumption. Details of the IM Comparables are summarized as below:

Stock Code	Company name	Management fee	Performance fee or equivalent
133	CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED	(a) on the invested portion of the assets of the company represented by unlisted securities or interests: 2.25% of the book value (net of taxes);	Conditional upon the net asset value at the end of each financial year exceeding: (a) the net asset value of the financial year ended 31 December 2009 (the “Reference Year”); and

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Stock Code	Company name	Management fee	Performance fee or equivalent
		(b) on the invested portion of the assets of the company represented by securities listed on a recognized stock exchange: <ul style="list-style-type: none">— during the lockup period following listing: 2.25% of the book value (net of taxes);— for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);— thereafter: 1.50% of the book value (net of taxes); and— in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and	(b) the net asset value of the most recent financial year after the Reference Year in which performance fee was paid. Annual performance fee will be paid equal to 8% of the amount by which the net asset value of at the end of the relevant financial year exceeds the higher of (a) or (b)
		(c) on the un-invested portion of the assets of the company: 0.75% of the book value	

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Stock Code	Company name	Management fee	Performance fee or equivalent
170	CHINA ASSETS (HOLDINGS) LIMITED	<p>(a) 2.75% per annum on the aggregate cost to the company of the investment (less any provisions in respect thereof) held by it from time to time; and</p> <p>(b) 1% per annum on the value of the uninvested net assets of the company</p>	<p>(a) nil on the first 10% return on net assets;</p> <p>(b) 15% x (net profit after tax minus 10% of the net assets) on the next 10% return on net assets;</p> <p>(c) 20% x (net profit after tax minus 20% of the net assets) on the excess over 20% net assets.</p> <p>An additional performance fee of 20% of the net capital gains is also payable if the net asset value at the end of each quarterly month equals to or greater than 100% of the aggregate of the original subscription price of the remaining shares</p> <p>The performance fee and/or the additional performance fee are/ is payable in respect of any year if and only if the net asset value for the relevant year is greater than the greatest of all previous net asset values (both prior to deduction of any performance fee or additional performance fee payable)</p>
310	PROSPERITY INVESTMENT HOLDINGS LIMITED	a monthly fee of HK\$300,000	Discretionary bonus, if any and at such amount as the board may at its discretion determine, provided that no such bonus shall be payable unless the adjusted net assets value as at the end of each financial year exceeds the higher of: (i) HK\$284,792,000, being net asset value for the year ended 31 December 2012; and (ii) the adjusted net assets value of the most recent financial year after year 2012 for which the investment manager is paid a discretionary bonus and the amount of such bonus shall not exceed 10% of such excess.

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Stock Code	Company name	Management fee	Performance fee or equivalent
428	HARMONY ASSET LIMITED	1.5% per annum of the net asset value of the group	<p>10% of the audited net profit of the company of the financial year.</p> <p>Any audited net loss of the company in any financial year commencing 1 January 2013 shall be carried forward and set off against the audited net profit of the company in subsequent financial years. The audited net profit of the financial year shall be calculated before accrual of any incentive fee that will be payable</p>
666	SHK HONG KONG INDUSTRIES LIMITED	0.375% of the gross net asset value of each quarter as calculated by the average last day the gross net asset value of each month in the relevant quarter (equivalent to 1.5% per annum)	<p>20% of the amount by which the audited consolidated net asset value of the group attributable to the owners of the company of each year ending 31 December exceeds that of the following high watermark:</p> <p>(a) if a performance fee has been paid during the management period or in accordance with the previous agreement, the audited net asset value as at 31 December of the latest financial year in which the investment manager was entitled to a performance fee; or</p> <p>(b) if no performance fee has been paid during the term of the management agreement or in accordance with the previous agreement entered into between the same parties on 30 October 2009 during that term, the net asset value on the renewal date</p>

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Stock Code	Company name	Management fee	Performance fee or equivalent
768	UBA INVESTMENTS LIMITED	1.5% per annum of the net asset value of the group	20% of net profit of the group before taxation and before deduction of management fee
770	SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED	0.5% per quarter of the net asset value (calculated before deduction of the fees payable to the investment manager and the Company's investment adviser and custodian for that quarter) of the group (equivalent to 2% per annum)	20% of the amount by which the net asset value as at 31 December in the year for which the incentive fee is being calculated (each such year, being a "Calculation Year") exceeds the highest net asset value as at 31 December in any year from (and including) the year ended 31 December 2010 (in which the incentive fee was accrued) other than the applicable calculation year, less the aggregate amount of all dividends actually paid by the company during the period commencing on the day following the end of the high water mark year and ending on (and including) the date on which such calculation year ends
810	OPES ASIA DEVELOPMENT LIMITED	2% per annum of the net asset value of the group	<p>15% of the increase in the net asset value (after the deduction of the management fee for the relevant period, but before the deduction of the performance fee) over:</p> <p>(a) the net asset value of 30 June or 31 December (as the case may be) whichever is immediately before the commencement of the new investment management agreement, if no performance fee has been paid; and</p> <p>(b) the net asset value of the most recent financial year in which an incentive fee was paid</p>

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Stock Code	Company name	Management fee	Performance fee or equivalent
901	EAGLE RIDE INVESTMENT HOLDINGS LIMITED	2% per annum of the net asset value of the group	15% per annum of any net appreciation in the net asset value at the financial year end dates above the benchmark net asset value, which is the greater of: (i) if a performance fee has been paid during the period of the management agreement, the previous highest net asset value (after the deduction of all fees including management fee and performance fee paid in the relevant year) on any preceding financial year end date in respect of which the investment manager was entitled to a performance fee; or (ii) if no performance fee has been paid during the period of the management agreement, the net asset value on the commencement date of the management agreement; or (iii) the value as at any preceding financial year end date in relation to which a performance fee was calculated after deduction of all fees including management fee and performance fee paid in the relevant year and taking into account the result of any capital reorganisation activities of the company in the relevant year.

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Stock Code	Company name	Management fee	Performance fee or equivalent
1140	OP FINANCIAL INVESTMENTS LIMITED	1.5% per annum of the net asset value of the group	10% of the increase in the net asset value over the greater of: <ul style="list-style-type: none"> (a) the net asset value of 1 April 2011 (being the commencement date of the new investment management agreement); (b) the net asset value of the most recent financial year in which an incentive fee was paid times the average number of shares in issue for the period from the appointment of the investment manager to latest year ended 31 March 2014

Based on the above table, we note that the management fee of the New Management Agreement of 1.5% of the Gross NAV is within the range of those of IM Comparables (excluding China Asset (Holdings) Limited and China Merchants China Direct Investment Limited, which adopted a split management fee structure based on invested/uninvested assets and such management fee structure may not be directly comparable to that under the New Management Agreement, and Prosperity Investment Holdings Limited, which adopted the fixed management fee structure and such management fee structure may not be directly comparable to that under the New Management Agreement).

In respect of the performance fee, we have reviewed the fee structure of the IM Comparables and note that the performance fee structure varies for the IM Comparables and save for China Asset (Holdings) Limited, Harmony Asset Limited and UBA Investments Limited, the performance fee is structured to be based on the appreciation in net asset value, which we consider are acceptable and reasonable benchmark for measuring the performance of investment managers. We also note that the IM Comparables with performance fee based on the appreciation in net asset value (the “NAV Comparables”) have adopted the higher watermark arrangement. We consider the performance fee structure under the New Management Agreement, which is charged based on the appreciation in NAV with higher watermark arrangement, is consistent with market practice. We further reviewed the NAV Comparables and note that, the performance fees of the NAV Comparables are calculated by a charging rate ranging from 8% to 20%. The performance fee under the New Management Agreement which is calculated based on the charging rate of 15% is within such range of the NAV Comparables.

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Based on the above, in particular, (i) the management fee of the New Management Agreement of 1.5% of the Gross NAV is within the range of those of IM Comparables (excluding China Asset (Holdings) Limited, China Merchants China Direct Investment Limited and Prosperity Investment Holdings Limited); (ii) the performance fee structure under the New Management Agreement, which is charged based on the appreciation in NAV with higher watermark arrangement, is consistent with market practice; and (iii) the performance fee under the New Management Agreement which is calculated based on the charging rate of 15% is within the range of the NAV Comparables, and having considered that the management fee charged prior to the resumption is same as the management fee charged under the Previous Management Agreement (which the fairness and reasonableness is discussed in the section headed “4. Management Agreement-2 and Management Agreement-3” below), we are of the view that the remuneration basis adopted by the Company is in line with market practice and the management fee and performance fee charged under the New Management Agreement are fair and reasonable.

3. *Proposed annual caps and historical transaction amounts*

The maximum annual remuneration payable by the Company to Hua Yu under the New Management Agreement is proposed to be as follows:

Financial Year	2014 (1 June- 31 December) <i>HK\$</i>	2015 (1 January- 31 December) <i>HK\$</i>	2016 (1 January- 31 December) <i>HK\$</i>	2017 (1 January- 31 May) <i>HK\$</i>
Period	7 months	12 months	12 months	5 months
Management Fee <i>(Note 1)</i>	950,000	3,200,000	4,000,000	1,800,000
Performance Fee <i>(Note 2)</i>	<u>2,100,000</u>	<u>6,800,000</u>	<u>8,400,000</u>	<u>Not applicable</u>
Total	<u><u>3,050,000</u></u>	<u><u>10,000,000</u></u>	<u><u>12,400,000</u></u>	<u><u>1,800,000</u></u>

Notes:

- The Management Fee for the 7 months period from 1 June 2014 to 31 December 2014 was computed based on the assumption that Resumption will be achieved in August 2014. From June to August 2014, the Management Fee will be prorated based on HK\$150,000 per quarter, and from September to December 2014, the Management Fee will be prorated based on 1.5% of the Gross NAV per annum.
- Pursuant to the New Management Agreement, there will be no Performance Fee for the 5 months period from 1 January 2017 to 31 May 2017.

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We understand from the Company that the proposed annual caps under the New Management Agreement, being the aggregate of the estimated management fee and performance fee, are calculated based on the (i) the NAV of the Group of approximately HK\$150.2 million according to the “Unaudited pro forma financial information of the Group” in this circular assuming completion of the Subscription and the Open Offer has been completed at 1 January 2014; and (ii) the assumption of 30% annual increase in NAV.

Having taken into account the lack of working capital for investment purpose in the past and Hua Yu was retained to provide general investment and corporate finance compliance advisory services and to comply with Listing Rules requirements, we consider it may not be appropriate to compare the historical transaction amounts under the Previous Management Agreements with the proposed annual caps under the New Management Agreement.

As the growth rates of the net asset value of the Group is considered to be relevant to the rate of return of the equities invested, we concur with the Directors that the historical rate of return of HSI is a reasonable reference of the estimated growth rate of the NAV. As set out in the Letter from the Board, the annual rate of return of HSI for the past three years ranged from -20.0% to 22.9% and the volatility ranged from 2.3% to 6.4%.

Having considered that the estimated growth rate in NAV is near the high end of the annual rate of return of HSI for the past three years and included a buffer to accommodate the market volatility, and the fact that the actual amount of the remuneration under the New Management Agreement will be determined based on the actual figures of the net asset value of the Group and in accordance with the formula set out in the New Management Agreement, we consider the proposed annual caps, being the expected maximum amount for the aggregate of the management fee and performance fee, are fair and reasonable.

4. *Management Agreement-2 and Management Agreement-3*

Background

The Company has entered into the Previous Management Agreements on 1 March 2011, 25 February 2013 and 28 February 2014 respectively to renew Hua Yu’s appointment as the Company investment manager for the period from 1 March 2011 to 28 February 2013, from 1 March 2013 to 28 February

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2014 and from 1 March 2014 to 31 May 2014 respectively. Hua Yu, as the investment manager of the Company, is a connected person of the Company, and thus the transactions contemplated under the Previous Management Agreements constitute continuing connected transactions of the Company.

As the relevant percentage ratios (other than profits ratio) exceeded 25%, the transactions contemplated under the Management Agreement-1 and Management Agreement-2 are subject to reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. As set out in the Letter from the Board, the Company has failed to comply with the announcement, reporting and shareholders' approval requirement under Rule 14A.17 of the Listing Rules on time for the Management Agreement-1. The Company had made the announcement in respect of the Management Agreement-2 and delayed the publication of relevant circular a few times. Since trading in the Shares was suspended and the Company devoted its effort in sourcing funds for investment, working capital and preparing for the Resumption, the Board decided to send the circular in respect of the Management Agreement-2 together with the resumption information in one circular and obtain Shareholders' approval on ratification on Management Agreement-2 and the New Management Agreement at the EGM all at once. As such, the Company failed to dispatch its circular and hold a shareholders' meeting to approve the Management Agreement-2 as required under Rule 14A.17 of the Listing Rules on time.

As set out in the Letter from the Board, in order to avoid the re-occurrence of similar breach in future, the Board intended to strengthen its internal control and to adopt a more stringent approach in interpretation of the Listing Rules by consulting relevant professionals as well as making prior enquiry to the Stock Exchange in case of doubt. Also, the Company will identify appropriate training courses on relevant Listing Rules for its Board members and senior staff in pursuit of higher standard of compliance with the Listing Rules.

The transactions contemplated under the Management Agreement-3, pursuant to Rule 14A.25 of the Listing Rules, are required to be aggregated with the New Management Agreement, and subject to announcement, reporting and shareholders' approval requirements under the Listing Rules.

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Principal terms of the Management Agreement-2 and Management Agreement-3

Pursuant to the Management Agreement-2 and Management Agreement-3, Hua Yu shall provide non-exclusive investment services to the Company which includes (i) identifying and carrying out analysis or investigation of investment opportunities; and (ii) advising acquisitions and realizations of investments and submit relevant proposals to the Board for approval for the period from 1 March 2013 to 28 February 2014 and from 1 March 2014 to 31 May 2014 respectively.

Pursuant to the Management Agreement-2 and Management Agreement-3, a fixed management fee of HK\$600,000 was payable quarterly in advance in the amount of HK\$150,000 per quarter.

In assessing the fairness and reasonableness of the fixed management fee of HK\$150,000 per quarter under the Management Agreement-2 and Management Agreement-3, we have based on the information publicly available on the website of the Stock Exchange and with our best endeavour identified the existing management service agreements as at Latest Practicable Date for the investment companies listed under Chapter 21 of the Listing Rules on the Main Board of the Stock Exchange (the “**Fixed Fee Comparables**”), being exhaustive list, with remuneration packages include the fixed management fee. Details of the Fixed Fee Comparables are summarized as below:

Stock Code	Company name	Management fee	Duration	Equivalent to quarterly management fee of
80	CHINANEW ECONOMY FUND LIMITED	an annual fee of HK\$960,000	1 January 2014 to 31 December 2016 ^{* #}	HK\$240,000
204	CHINA INVESTMENT DEVELOPMENT LIMITED	an annual fee of HK\$720,000	1 May 2012 to 30 April 2015 ^{* #}	HK\$180,000
310	PROSPERITY INVESTMENT HOLDINGS LIMITED	a monthly fee of HK\$300,000	1 November 2013 to 31 December 2015 ^{* #}	HK\$900,000
339	EARNEST INVESTMENTS HOLDINGS LIMITED	a monthly fee of HK\$30,000	26 July 2012 to 25 July 2015 ^{* #}	HK\$90,000

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Stock Code	Company name	Management fee	Duration	Equivalent to quarterly management fee of
612	CHINA INVESTMENT FUND COMPANY LIMITED	a monthly fee of HK\$80,000	1 February 2013 to 31 January 2015* [#]	HK\$240,000
905	MASTERMIND CAPITAL LIMITED	an annual fee of HK\$500,000	1 July 2013 to 30 June 2014* [#]	HK\$125,000
		an annual fee of HK\$500,000	30 April 2010 to 30 June 2013*	HK\$125,000
913	UNITY INVESTMENTS HOLDINGS LIMITED	an annual cap for the period from 21 March 2013 to 31 December 2013: HK\$1,000,000;	21 March 2013 to 31 December 2013*	HK\$300,000
		an annual cap for the year ending 31 December 2014: HK\$1,400,000;	1 January 2014 to 31 December 2014* [#]	HK\$350,000
		an annual cap for the year ending 31 December 2015: HK\$1,600,000;	1 January 2015 to 31 December 2015	HK\$400,000
		an annual fee of HK\$1,200,000	6 January 2012 to 20 March 2013*	HK\$300,000
1062	CHINA DEVELOPMENT BANK INTERNATIONAL INVESTMENT LIMITED	an annual fee of HK\$400,000	1 March 2008 to 28 February 2014*	HK\$100,000
1160	GRAND INVESTMENT INTERNATIONAL LIMITED	an annual fee of HK\$288,000	1 December 2010 and onwards* [#]	HK\$72,000
1217	CHINA INNOVATION INVESTMENT LIMITED	a monthly fee of HK\$80,000	20 May 2012 to 19 May 2015* [#]	HK\$240,000
1226	CHINA INVESTMENT AND FINANCE GROUP LIMITED	an annual fee of HK\$960,000	6 November 2012 to 5 November 2015* [#]	HK\$240,000

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Stock Code	Company name	Management fee	Duration	Equivalent to quarterly management fee of
1227	NATIONAL INVESTMENTS FUND LIMITED	a monthly fee of HK\$100,000	16 May 2014 to 15 May 2015 [#]	HK\$300,000
		a monthly fee of HK\$100,000	16 May 2013 to 15 May 2014 ^{*#}	HK\$300,000
		a monthly fee of HK\$100,000	16 November 2011 to 15 May 2013 [*]	HK\$300,000
2312	CHINA FINANCIAL LEASING GROUP LIMITED	an annual fee of HK\$420,000	1 October 2013 onwards ^{*#}	HK\$105,000
		an annual fee of HK\$840,000	Prior to 1 October 2013 [*]	HK\$210,000
2324	CAPITAL VC LIMITED	a monthly fee of HK\$40,000	1 June 2012 up to 31 May 2014 ^{*#}	HK\$120,000

For comparables of the Management Agreement-2:

Maximum	HK\$900,000
Minimum	HK\$72,000
Mean	HK\$237,256

For comparables of the Management Agreement-3:

Maximum	HK\$900,000
Minimum	HK\$72,000
Mean	HK\$246,308

* denotes comparables of the Management Agreement-2, which the term of the Management Agreement-2 fallen within the durations of these management agreements

denotes comparables of the Management Agreement-3, which the term of the Management Agreement-3 fallen within the durations of these management agreements

Based on the above table, we note that the fixed management fee of HK\$150,000 per quarter under the Management Agreement-2 and Management Agreement-3 is within the range and below the average of those of Fixed Fee Comparables.

Based on the above, we consider the terms of the Management Agreement-2 and Management Agreement-3 is fair and reasonable.

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F. Corporate Finance Advisory Agreement

1. *Background to and reasons for the Corporate Finance Advisory Agreement*

As set out in the Letter from the Board, the Company has devoted its effort in preparing for the Resumption since the suspension of the trading in Shares, the Board may have inadvertently misunderstand or misinterpreted certain Listing Rules in the past (such as the failure in compliance with the Listing Rules for the entering into of the Management Agreement-1 as set out in the paragraph headed “4.Management Agreement-2 and Management Agreement-3” above). In order to avoid such situation and ensure better compliance with the Listing Rules and strengthen corporate governance of the Company, the Board decided to appoint corporate finance adviser to advise on corporate finance matters and ensure compliances to the Listing Rule.

On 28 May 2014, the Company entered into the Corporate Finance Advisory Agreement with Hua Yu in relation to the appointment of Hua Yu as the Company’s Corporate Finance Adviser from 1 June 2014 for a term of 3 years. Pursuant to the Corporate Finance Advisory Agreement, Hua Yu shall provide ongoing corporate finance advisory service to the Company. Hua Yu will (i) ensure the Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; (ii) accompany the Company to any meetings with the Stock Exchange; (iii) review and provide compliance advisory on the financial reports of the Company; (vi) deal with the Stock Exchange in respect of certain Listing Rules matters; and (v) advise the Company on its obligations and requirement on waiver applications under the Listing Rules.

Hua Yu was incorporated in Hong Kong in 1998 and is a deemed licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities. As stated in the Letter from the Board, Hua Yu was the investment manager of Mastermind Capital Limited (“**Mastermind**”, Stock Code: 905) from 2007 to 2009, during the period, in addition to the investment management service, Hua Yu had also advised Mastermind on its compliance to Listing Rules and provided corporate finance advisory, such as advise on the Company’s obligations under the Listing Rules, compliance on relevant rules and regulations, and assist in handling regulators’ enquires, etc., on a number of corporate finance transactions, including but not limit to (i) open offer; (ii) change in authorized share capital and board lot size; (iii) subscription of new shares; and (iv) placing of shares.

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Mr. Leong, Mr. Wang and Mr. Lau, being the executive directors of Hua Yu, are the responsible officers licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity. We note that, to be qualified as responsible officers, they have to fulfil the requirements of, among others, possesses three years of relevant industry experience over the six years immediately prior to the date of application and passed recognized local regulatory papers, and they have to fulfil the continuous professional development requirements in order to uphold the license of being the responsible officers.

As stated in the Letter from the Board, given Hua Yu's in-depth understanding of the operations and business of the Company and is also the Investment Manager of the Company and its previous experience in providing corporate finance and compliance advisory to other listed investment company under Chapter 21 of the Listing Rules, the Board is of the view that the appointment of Hua Yu is in the interest of the Company and Shareholders as a whole.

Based on the above, we are of the view that the appointment of Hua Yu as the Corporate Finance Adviser is in the interest of the Company and Shareholders as a whole.

2. *Principal terms of the Corporate Finance Advisory Agreement and annual caps*

Pursuant to the Corporate Finance Advisory Agreement, Hua Yu is entitled to a monthly retainer fee of HK\$30,000 for its services.

As set out in the Letter from the Board, the advisory fee are determined with reference to the market price charged by other regulated corporate finance advisers for provision of similar advisory services based on the research by the Company. In assessing the fairness and reasonableness of the monthly retainer fee of HK\$30,000 for the services under the Corporate Finance Advisory Agreement, we have reviewed such information and noted that the fee pursuant to the Corporate Finance Advisory Agreement is within the range of the advisory fee from such market information. We also note that the market information is not public information. We have also tried to identify engagements for the provision of Listing Rules compliance advisory services to companies listed on the Stock Exchange, but no public information is available. In this regard, we have compared the monthly fee of our existing seven engagements for the provision of Listing Rules compliance advisory

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services to companies listed on the Stock Exchange (which the duration of the engagements ranging from approximately 1.5 years, i.e. from the listing date to the publication of the financial results for the first full financial year after the date of initial listing, to a term continuing until one month advance written notice is served by the respective parties to each other) (“**Comparable Engagements**”) based on our internal record to the monthly retainer fee under the Corporate Finance Advisory Agreement. Having considered the Comparable Engagements form part of the similar engagements comparable to the engagement under the Corporate Finance Advisory Agreement, we consider it is a fair sample for the purpose of assessing the fairness and reasonableness of the retainer fee under the Corporate Finance Advisory Agreement. We note that the monthly retainer fee of HK\$30,000 is within the range of the Comparable Engagements, and is lower than six of the fees charged under the Comparable Engagements and thus, within the range of the similar engagements comparable to the engagement under the Corporate Finance Advisory Agreement.

The maximum annual remuneration payable by the Company to Hua Yu under the Corporate Finance Advisory Agreement is proposed to be as follows:

Period	2014	2015	2016	2017
	(1 Jun – 31 Dec)	(1 Jan – 31 Dec)	(1 Jan – 31 Dec)	(1 Jan – 31 May)
	HK\$'	HK\$'	HK\$'	HK\$'
Fee	210,000	360,000	360,000	150,000

The annual caps are calculated by multiplying the monthly retainer fee of HK\$30,000 by the number of months of the respective period.

Having considered (i) the monthly retainer fee of HK\$30,000 is within the range of the Comparable Engagements; and (ii) the annual caps are calculated by multiplying the monthly retainer fee by the number of months of the respective period, we are of the view that the terms and annual caps of the Corporate Finance Advisory Agreement is fair and reasonable.

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RECOMMENDATION

Having considered the above-mentioned principal factors and reasons and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

In respect of the Subscription Agreement:

- the financial position of the Group has continued to deteriorate, and it is imperative for the Group to obtain funding to improve its financial position and liquidity;
- the application of net proceeds of the Subscription towards the settlement of the Liabilities in full can substantially reduce the gearing and strengthen the financial position of the Group;
- other than the repayment of the Liabilities, the Subscription also enables the Company to raise funds for its working capital and investments, which in turn, can strengthen its investment portfolio and revenue base;
- the Subscription Price is the same as the Open Offer Price which will be offered to Existing Shareholders by Open Offer and the Subscription Price represents a notable premium to the audited consolidated net liabilities per Share as at 31 December 2013; and
- the Group's difficulty in obtaining alternative financing in view of its financial conditions,

In respect of the Open Offer:

- the Open Offer can provide the Existing Shareholders an opportunity to enlarge their shareholding in the Group and lessen the dilution effect from the Subscription and raise additional funds to strengthen the financial position and investment portfolio of the Group;
- the NAV Premium as derived by the Open Offer Price falls within the Overall Range and the Premium Range;
- the Discount falls within the Discount Range; and
- the underwriting commission are within the range of the underwriting commission of the Open Offer Comparables.

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In respect of the Special Deals:

- the Shareholders' Indebtedness as at 31 December 2013 amounted to approximately HK\$16.5 million, which only represented approximately 12.0% of the net proceed from the Subscription;
- the settlement of the Shareholders' Indebtedness is on dollar-to-dollar basis; and
- the settlement of the Liabilities (including of the Shareholders' Indebtedness) in full by the net proceeds from the Subscription can reduce the indebtedness of the Group and strengthen the financial position of the Group.

In respect of the Management Agreement-2, Management Agreement-3 and the New Management Agreement:

- the continuing connected transaction contemplated under the Management Agreement-2, Management Agreement-3 and the New Management Agreement for the appointment of investment manager is in the ordinary and usual course of the Group;
- Hua Yu and its investment professional have relevant experience and qualifications in investment management which the Group can leverage on;
- the long-term relationship with Hua Yu since 1 March 2009;
- the Management Fee and performance fee and their determination basis are in line with market practice; and
- the basis and assumption in determining the proposed annual caps for the New Management Agreement are fair and reasonable.

In respect of the Corporate Finance Advisory Agreement:

- the long-term relationship with Hua Yu since 1 March 2009;
- the monthly retainer fee pursuant to the Corporate Finance Advisory Agreement is within the range of the Comparable Engagements; and
- the basis and assumption in determining the proposed annual caps for the Corporate Finance Advisory Agreement are fair and reasonable.

LETTER FROM THE QUAM CAPITAL

we consider that the terms of (i) the Subscription Agreement; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement (including the annual caps); and (vi) the Corporate Finance Advisory Agreement (including the annual caps) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders vote in favour of the resolutions in respect of (i) the Subscription Agreement; (ii) the Open Offer; (iii) the Special Deal; (iv) the Management Agreement-2 and the Management Agreement-3; (v) the New Management Agreement (including the annual caps); and (vi) the Corporate Finance Advisory Agreement (including the annual caps) at the EGM.

Your faithfully,

For and on behalf of

Quam Capital Limited

Gary Mui

Deputy Chief Executive Officer

1. FINANCIAL SUMMARY

The audited financial information of the Group for (i) the year ended 31 December 2011 is disclosed in pages 21 to 54 of the annual report of the Company for the year ended 31 December 2011; (ii) the year ended 31 December 2012 is disclosed in pages 23 to 56 of the annual report of the Company for the year ended 31 December 2012; and (iii) the year ended 31 December 2013 is disclosed in pages 25 to 56 of the annual report of the Company for the year ended 31 December 2013, all of which have been published on the Stock Exchange's website (www.hkexnews.hk) and the website of the Company (www.hklistedco.com/356.asp).

The auditor of the Company, W. H. Tang & Partners CPA Limited (the “**Auditor**”), has not issued any qualified opinion for the financial years ended 31 December 2011, 2012 and 2013.

However, the Auditor has brought Shareholders attention on emphasis of matters in its report for each of the financial year ended 31 December 2011, 2012 and 2013, which are extracted as follow:

For the year ended 31 December 2011

“We draw attention to note 1(b) to the consolidated financial statements. The Group incurred a loss of HK\$4,971,164 for the year ended 31 December 2011 and the Group's net current liabilities and net liabilities as at 31 December 2011 amounted to HK\$18,004,630 and HK\$17,859,460 respectively. This condition indicates the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 1(b) to the consolidated financial statements, the directors of the Company have taken measures to improve the liquidity of the Group, which include extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fundraising. In addition, a substantial shareholder and a director of the Company have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the aforesaid measures are successful and the continuing financial support are given by the substantial shareholder and the director of the Company. Our opinion is not qualified in this matter.”

For the year ended 31 December 2012

“We draw attention to note 1(b) to the consolidated financial statements. The Group incurred a loss of HK\$3,927,748 for the year ended 31 December 2012 and the Group’s net current liabilities and net liabilities as at 31 December 2012 amounted to HK\$21,859,793 and HK\$21,787,208 respectively. This condition indicates the existence of material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. As explained in note 1(b) to the consolidated financial statements, the directors of the Company have taken measures to improve the liquidity of the Group, which include extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fundraising. In addition, a substantial shareholder and a director of the Company have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the aforesaid measures are successful and the continuing financial support are given by the substantial shareholder and the director of the Company. Our opinion is not qualified in this matter.”

For the year ended 31 December 2013

“We draw attention to note 1(b) to the consolidated financial statements. The Group incurred a loss of HK\$6,664,875 for the year ended 31 December 2013 and the Group’s net current liabilities and net liabilities as at 31 December 2013 amounted to HK\$28,452,084 and HK\$28,452,083 respectively. This condition indicates the existence of material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern. As explained in note 1(b) to the consolidated financial statements, the Company submitted a resumption proposal to The Stock Exchange of Hong Kong Limited and entered into a share subscription agreement to improve the financial position of the Group. However, the resumption proposal and the share subscription agreement have yet to be implemented. As such, the directors of the Company have taken measures to improve the liquidity of the Group, which include extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fundraising. In addition, a substantial shareholder and a director of the Company have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the aforesaid measures are successful and the continuing financial support are given by the substantial shareholder and the director of the Company. Our opinion is not qualified in this matter.”

2. STATEMENT OF INDEBTEDNESS

As the close of business on 30 April 2014, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had total outstanding indebtedness of approximately HK\$19.2 million which comprised short term loans of approximately HK\$9.6 million and unsecured loan from a director of approximately HK\$9.6 million. Apart from intra-group liabilities, normal trade and other payables, the Group did not have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities as at the close of business on 30 April 2014. The Directors confirmed that there had been no material change in the indebtedness of the Group since 30 April 2014 up to the Latest Practicable Date.

3. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, after taking into account of the proceeds from the Subscription and the Open Offer, cash flow from operation of the Group, the Group will have sufficient working capital to satisfy its present requirements of the next twelve months from the date of this circular.

4. MATERIAL CHANGE

The Directors confirm that there is no material change in the financial or trading position or outlook of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were prepared) and up to and including the Latest Practicable Date.

The following are management discussion and analysis of the Group based on the respective annual report of the Company for three years ended 31 December 2011, 2012 and 2013 (the “**Relevant Period**”).

FINANCIAL RESULT

The Company is an investment company and the Company’s shares were listed on the main board of Stock Exchange pursuant to the Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange. The Group is principally engaged in the investments in the listed securities with a potential for earnings growth and capital appreciation.

For the year ended 31 December 2011, the Group recorded a net loss from operation of approximately HK\$4.97 million, representing an increase of approximately 15.05% as compared to year ended 31 December 2010. The increase in net loss mainly resulted from the increase in unrealised loss on listed securities. Due to unstable global financial markets, the Company recorded unrealised losses on listed securities of approximately HK\$1.49 million in 2011 as compared to approximately HK\$34,164 in 2010. As at 31 December 2011, the Group has approximately HK\$6.1 million in listed securities held for trading.

For the year ended 31 December 2012, the Group recorded a net loss from operation of approximately HK\$3.93 million, representing a decrease of approximately 20.93% as compared to year ended 31 December 2011. The decrease was mainly due to a general improvement in the performance of the stock market overall, the Company recorded unrealised gain on listed securities of approximately HK\$0.45 million in 2012 as compared to unrealised losses on listed securities of approximately HK\$1.49 million in 2011. As at 31 December 2012, the Group has approximately HK\$5.2 million in listed securities held for trading.

For the year ended 31 December 2013, the Group recorded a net loss from operation of approximately HK\$6.66 million, representing an increase of approximately 69.69% as compared to year ended 31 December 2012. The increase was mainly attributable to increase in legal and professional fee incurred for the Resumption and a hostile takeover bid from Ample Orient Capital Limited, resulted the other operating expenses increases by 71.48% from HK\$3.31 million for the year ended 31 December 2012 to HK\$5.67 million for the year ended 31 December 2013. Due to unstable global financial markets, the Company recorded unrealised gain on listed securities of HK\$134,000 in 2013 as compare to HK\$450,308 in 2012. As at 31 December 2013, the Group has approximately HK\$5.34 million in listed securities held for trading.

FINANCIAL RESOURCES AND LIQUIDITY

Bank balances and cash as at 31 December 2011 was approximately HK\$24,000. As at 31 December 2011, the current assets of the Company were principally comprised of investment in equity securities listed in Hong Kong of approximately HK\$6.11 million.

As at 31 December 2011, the borrowings of the Company comprised of (i) short term loans denominated in Hong Kong dollar of approximately HK\$8.03 million which is unsecured with an interest rate from 2% to 9.25% per annum and repayable on demand; (ii) other payables and accruals of approximately HK\$9.42 million which mainly comprised of amount due to directors arising from unsettled directors' fees amounting to approximately HK\$5.34 million and the amount due to former investment manager and current investment manager for unsettled investment management fee amounting to approximately HK\$1.15 million and HK\$1.65 million respectively; and (iii) amount due to a director of approximately HK\$6.95 million which is unsecured, interest free and has no fixed terms of repayment.

Bank balances and cash as at 31 December 2012 was approximately HK\$0.25 million. As at 31 December 2012, the current assets of the Company were principally comprised of investment in equity securities listed in Hong Kong of approximately HK\$5.20 million.

As at 31 December 2012, the borrowings of the Company comprised of (i) short term loans denominated in Hong Kong dollar of approximately HK\$8.67 million which is unsecured with an interest rate from 2% to 9.25% per annum and repayable on demand; (ii) other payables and accruals of approximately HK\$11.30 million which are the amount due to directors arising from unsettled directors' fees amounting to approximately HK\$6.69 million and the amount due to investment manager for unsettled investment management fee amounting to approximately HK\$2.20 million; and (iii) amount due to a director of approximately HK\$7.45 million which is unsecured, interest free and has no fixed terms of repayment.

Bank balances and cash as at 31 December 2013 was approximately HK\$6,000. As at 31 December 2013, the current assets of the Company were principally comprised of investment in equity securities listed in Hong Kong of approximately HK\$5.34 million.

As at 31 December, 2013, the borrowings of the Company comprised of (i) short term loans denominated in Hong Kong dollar of approximately HK\$9.38 million which is unsecured with an interest rate from 2% to 9.25% per annum and repayable on demand; (ii) other payables and accruals of approximately HK\$15.22 million which are the amount due to directors arising from unsettled directors' fees amounting to approximately

HK\$8.04 million and the amount due to the Investment Manager for unsettled investment management fee amounting to approximately HK\$2.8 million; and (iii) amount due to a director of approximately HK\$9.32 million which is unsecured, interest free and has no fixed terms of repayment.

During the Relevant Period, no gearing ratio was presented as the Group has negative equity. The negative equity position of the Group during the Relevant Period was resulting primarily from the significant loss suffered by the Group.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE RISK

During the Relevant Period, the share capital of the Company comprises only ordinary shares. As at 31 December 2011, the Company had in issue 72,000,000 Shares and there has been no change to the issued Shares and capital structure of the Company since 31 December 2011. As at 31 December 2011, 2012 and 2013, the fixed interest borrowing of the Company comprised of short terms loans denominated in Hong Kong dollar of approximately HK\$8.03 million, HK\$8.67 million and HK\$9.38 million respectively. The Group's assets and liabilities are denominated in Hong Kong Dollars and therefore, the Group has no significant exposure to foreign exchange fluctuation.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

On 31 December 2011, the Company disposed of its entire interest in Jointline Investment Limited for a consideration of HK\$1. The principal assets of Jointline Investment Limited were the holding of available-for-sale investments and loans receivable which were fully impaired in 2007. The Group recorded a gain on disposal of approximately HK\$1.02 million for the year ended 31 December 2011 in relation to the disposal of Jointline Investment Limited. Save as disclosed above, the Group has not made any material acquisitions or disposal of subsidiaries and associates during the Relevant Period.

EMPLOYEE AND REMUNERATION POLICY

During the Relevant Period, the Group employed a total of 4 employees including the executive Directors. The remuneration packages consist of basic salary, mandatory provident fund medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors. The Company has not adopted any share option scheme during the Relevant Period.

The Group's total staff costs for the years ended 31 December 2011, 2012 and 2013 amounted to approximately HK\$2.08 million, HK\$2.08 million and HK\$2.20 million respectively.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

During the Relevant Period, no material capital commitment and contingent liabilities were noted by the Directors.

PROSPECT

Following Completion, the Offerors will continue the existing businesses of the Group. The Company's assets will be invested in equity securities, convertible notes, preference shares, options, warrants, futures contracts and debt securities issued by listed and unlisted companies in Hong Kong and the PRC which will be funded by the proceeds from Subscription and the Open Offer. Details in relation to the future intentions of the Offerors and the use of proceeds from the Subscription and the Open Offer are set out in the "Letter from the Board" in this circular.

CHARGES ON THE GROUP'S ASSETS

During the Relevant Period, there were no charges on the Group's assets.

The following is the text of a report from Li, Tang, Chen & Co., which has been prepared for the purpose of inclusion in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2013

We report on the unaudited pro forma statement of financial information (“unaudited pro forma financial information”) of Incutech Investments Limited and its subsidiaries (the “Group”), which has been prepared by the Directors for illustrative purposes only, to provide information to show the Group’s financial position as if the Subscription and the Open Offer had been completed at 1 January 2014. The basis of preparation of the unaudited pro forma financial information is set out on Appendix III of this circular.

Respective responsibilities of management and reporting accountants

It is the responsibility of the Directors to prepare the unaudited pro forma financial information in accordance with the requirement of Rule 4.29 of the Listing Rules with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information”, issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated and that such basis is consistent with the accounting policies of the Group.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group at 1 January 2014; or
- the results of the Group covered by the pro forma financial information or any future periods.

Opinion

In our opinion:

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

Li, Tang, Chen & Co.

Certified Public Accountants (Practising)

Hong Kong, 9 June 2014

UNAUDITED PRO FORMA NET ASSETS STATEMENT OF THE GROUP

							Unaudited pro forma net tangible assets per Share after the issue of the Subscription Shares and Open Offer Shares
	Audited balances as at 31 Dec 2013	Audited net tangible liabilities per Share as at 31 Dec 2013	Effect of the Subscription and Open Offer (Note 1)	Effect of the settlement of the Company's liabilities (Note 2)	Effect of the settlement of the Resumption costs (Note 3)	Unaudited pro forma net assets statement of the Group	
Total tangible asset value	5,463,926	—	181,467,500	(33,916,009)	(2,780,000)	150,235,417	—
Net tangible (liabilities)/assets	(28,452,083)	(0.395)	181,467,500	—	(2,780,000)	150,235,417	0.079

Notes

1. The adjustment reflects the net proceeds of (i) Subscription of approximately HK\$140 million for 1,400,000,000 Shares at HK\$0.10 per Subscription Share and (ii) Open Offer of approximately HK\$42.75 million by issue of not less than 427,500,000 Open Offer Shares at HK\$0.1, and exclude 3% commission fee of Open Offer of approximately HK\$1.28 million.
2. The adjustment reflects the settlement of the Liabilities under the Subscription Agreement. The Liabilities includes, inter alia (i) the Shareholders' Indebtedness; (ii) short-term loans; and (iii) other expenses and liabilities incurred in the ordinary course of business of the Company.
3. The adjustment represents the settlement of costs and expenses of the implementation of the Revised Resumption Proposal, including professional fees and printing cost.
4. The net tangible assets per Share, as enlarged by the issue of Subscription Shares and Open Offer Shares, amounted to approximately HK\$0.079.

**APPENDIX IV ADDITIONAL INFORMATION OF THE NEW MANAGEMENT
AGREEMENT AND THE CORPORATE FINANCE ADVISORY AGREEMENT**

A. ADDITIONAL INFORMATION OF HUA YU

Hua Yu

Hua Yu was incorporated in Hong Kong in 1998 and is a licensed corporation under the SFO authorised to carry out regulated activities of type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management). Hua Yu is principally engaged in the business of investment management and provision of corporate advisory services.

Role of Hua Yu

Pursuant to the New Management Agreement, Hua Yu is responsible for advising the Board on investments, carrying out research on investment ideas and executions of investment decisions approved by the Board in accordance with the Management Agreement and the investment policies of the Company. Hua Yu will originate investment ideas and present to the Company by a written recommendation to the Board for approval. The Board will review the recommendation from Hua Yu and decide on whether to proceed with the investment. The Board will evaluate the content and analysis in the recommendation from Hua Yu including the investee company's business background information, financial position and the investment risk involved. In evaluating the recommendations by Hua Yu, the Board will also take into account the composition of the current investment portfolio, the spread of investments, the Company's financial condition and the overall market condition. Only the Board is involved in reviewing the content and analysis in the recommendation from Hua Yu and is responsible for setting and modifying investment strategies and policies of the Company and has the final investment decisions.

Pursuant to the Corporate Finance Advisory Agreement, Hua Yu shall provide ongoing corporate finance advisory service to the Company. Hua Yu will (i) ensure the Company is properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; (ii) accompany the Company to any meetings with the Stock Exchange; (iii) review and provide compliance advisory on the financial reports of the Company; (iv) deal with the Stock Exchange in respect of certain Listing Rules matters; and (v) advise the Company on its obligations and requirement on waiver applications under the Listing Rules.

**APPENDIX IV ADDITIONAL INFORMATION OF THE NEW MANAGEMENT
AGREEMENT AND THE CORPORATE FINANCE ADVISORY AGREEMENT**

Hua Yu is also responsible for assisting the Board when any of the Directors is involved in a conflicting situation, where the Director will be abstained from voting on investment recommendation originated by him/her. Hua Yu will provide the Company a second opinion when conflict situation arises.

Potential conflict of interest between the Company and Hua Yu

Overlapping director

Mr. Leong Chi Wai (“Mr. Leong”) is a proposed Director and a director of Hua Yu and he is involved in the day-to-day operations of each of the Company and Hua Yu.

All major decisions of the Company will be made by the Board as a whole and not at the sole discretion of Mr. Leong. Final investment decision will be made by the Board, and the Board (except the non-executive Directors, whom will abstain from voting on the investment decision) will approve investment recommendations proposed by Hua Yu if it thought fit. As the overall interests of the Company and Hua Yu are aligned, the Board is of the view that Mr. Leong will be able to act in the best interests of the Company and its Shareholders.

Furthermore, in accordance with Rule 13.44 of the Listing Rules, any Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which the Director or his associate(s) has or have a material interest. Should such situation arises, Mr. Leong will abstain from voting on relevant Board resolutions.

Allocation of investments

Potential conflict of interest may occur when the same investment management service is to be provided by Hua Yu to other parties. Hua Yu has confirmed to the Company that its investment management service is performed only for the Company as at the Latest Practicable Date.

**APPENDIX IV ADDITIONAL INFORMATION OF THE NEW MANAGEMENT
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Pursuant to the Management Agreement, if such investment management service is to be provided by Hua Yu to other parties, Hua Yu shall ensure a fair allocation of investment opportunities to the Company and other parties to which it provides investment management services, as it reasonably considers appropriate on a case by case basis having regard to:

- (i) the nature of the relevant transactions and the investment objectives of the Company and the other parties to which Hua Yu provides investment management services; and
- (ii) the net asset value and liquidity of the Company from time to time.

Hua Yu’s previous corporate finance advisory experience

Hua Yu was the investment manager of Mastermind Capital Limited (“**Mastermind**”, Stock Code: 905) from 2007 to 2009, during the period, in addition to the investment management service, Hua Yu had also advised Mastermind on its compliance to Listing Rules and provided corporate finance advisory, such as advise on the company’s obligations under the Listing Rules, compliance on relevant rules and regulations, and assist in handling regulators’ enquires, etc., on a number of corporate finance transactions, including but not limit to (i) open offer; (ii) change in authorized share capital and board lot size; (iii) subscription of new shares; and (iv) placing of shares.

Biographical details of directors and responsible officers of Hua Yu

Biography of directors of Hua Yu are as follows:

Mr. Leong Chi Wai (“Mr. Leong”) was appointed as a director of Hua Yu in March 2009 and is a Responsible Officer licensed under the SFO to carry out type 4, 6 and 9 regulated activities. For further details of Mr. Leong, please refer to the section headed “Proposed change of Directors” in the “Letter from the Board” of this circular.

Mr. Wang Yinan (“Mr. Wang”) was appointed as a director of Hua Yu in July 1998 and is a Responsible Officer licensed under the SFO to carry out type 4, 6 and 9 regulated activities.

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Mr. Wang has extensive experience in energy and finance businesses in the PRC, and is familiar with the policy making of the PRC Government.

Between 1981 and 1989, Mr. Wang was a department head of Statistical Bureau of Jilin Province, the PRC (吉林省統計局處長). Between 1990 and 1993, Mr. Wang was the Vice Secretary of the Investment Secretariat of the National Bureau of Statistics of China (國家統計局投資司副司長).

Between 1993 and 1996, Mr. Wang was the General Manager of China Huaneng Finance Company Limited (華能財務公司), a subsidiary of China Huaneng Group. He was also the General Manager of Hua Jian International Finance Company Limited (華建國際財務有限公司) in Hong Kong during 1995 and 1998.

Between 1996 and 1997, Mr. Wang was the Assistant to the Chairman of The People's Government of the Inner Mongolia Autonomous Region (內蒙古自治區人民政府主席助理).

Between 1998 and 2000, he was the Vice General Manager of China Huaneng Group. During 1998 and 2002, he acted as the Chairman of Goldpark China Limited, the shares of which are listed on the Toronto Stock Exchange.

Between 2000 and 2003, he was the Managing Director and General Manager of Shenzhen Special Economic Zone Securities Company (深圳經濟特區證券公司), the first stockbroker in Shenzhen, the PRC.

Mr. Wang was also the executive director of Viva China Holdings Limited (formerly known as GreaterChina Technology Group Limited and Coolpoint Energy Limited, Stock Code: 8032), a company listed on the growth enterprise market of the Stock Exchange, from 21st October, 2009 to 24th June, 2010. Mr. Wang graduated with a Master Degree in Economics from Jilin University (吉林大學), one of the top ten universities in China according to the Chinese University Alumni Association. In 1993, Mr. Wang was commended by The State Council of the PRC (中華人民共和國國務院) as an Economic Professional with Special Contribution (有特殊貢獻的經濟工作者).

Mr. Lau Lap Kwan (“Mr. Lau”) was appointed as a director of Hua Yu in July 1998 and is a Responsible Officer licensed under the SFO to carry out type 4, 6 and 9 regulated activities.

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Between 1982 and 1985, Mr. Lau worked for the Government of Heilongjiang Province, the PRC. He was involved in the approval of technology transfer. In 1985, by appointment of the Government of Heilongjiang Province, he joined HHK Consultancy and Development Company, Limited (“HHK”), a Heilongjiang company based in Hong Kong. In June 1988, he became a director of HHK, and oversaw its investment businesses and trade promotion activities of Heilongjiang Province in Hong Kong. He was involved mainly in the evaluation of the feasibility of investment projects including investment structure, capital raising, debt repayment, risk return evaluation, and long-term prospects. HHK raised debt capital in Hong Kong for joint ventures in the PRC, and introduced partners to co-invest. HHK is also engaged in the negotiation of turnkey projects for factories’ facilities contracts, importing and post investment management. Between 1994 and 1995, he joined Sampoe Industries (HK) Limited, a Japanese trading and investment company in Hong Kong. In 1996, he joined Hua Jian International Finance Company, Limited, a representative organization of CHFC in Hong Kong. CHFC is a member of China Huaneng Group in the PRC. He is the Vice President of Hua Jian and responsible for the daily operations and management of the company. Hua Jian is principally engaged in the treasury and asset management of China Huaneng Group. Total investments in Hong Kong are normally between approximately US\$30 million to US\$50 million per annum. Businesses involved include advising the subsidiaries of China Huaneng Group on matters relating to investment, capital raising, investment evaluation in Hong Kong, project appraisal in the PRC, direct investment in the PRC projects and infrastructure investment. Hua Jian principally invests in convertible bonds in the Hong Kong stock market by evaluation of the results of the listed company, its financial reports; performs due diligence and risk analysis.

Mr. Lau was graduated from the Heavy Machinery Department of Northeast Heavy Machinery Institute, in Heilongjiang, the PRC in November 1975

Mr. Warren Lee Wa Lun (“Mr. Lee”), was appointed as director of Hua Yu in July 1998 and redesignated as a non-executive director in March 2013.

Mr. Lee joined SHK Hong Kong Industries Limited (“**SHK HK IND**”, Stock Code: 666) as manager in 1992, became a director of the SHK HK IND in 2004, managing director in 2007, and appointed as the Chairman of the board of directors in 2009. He is also a director and Responsible Officer of Yu Ming, licensed under the SFO to carry out type 1, 4, 6 and 9 regulated activities.

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Mr. Lee is a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited was listed on the main board of the Singapore Exchange Limited until August 2011. He retired as an executive director of Viva China Holdings Limited, a company listed on the growth enterprise market of the Stock Exchange of Hong Kong, in June 2013. Mr. Lee was an executive director of First Natural Foods Holdings Limited (provisional liquidators have been discharged with effect from 4 September 2012) (“FNF”) since December 2008 and had been re-designated as a non-executive director of FNF in September 2012 and resigned as a non-executive director in November 2013. FNF is listed on the main board of the Stock Exchange of Hong Kong. From February 2013 to April 2013, he was a non-executive director of China Kingstone Mining Holdings Limited (“CKM”). CKM is listed on the main board of the Stock Exchange of Hong Kong. From December 2006 to May 2007, Mr. Lee was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, he was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited (“NTEEP”), and from February 2006 to April 2007, he was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited (“JIC”). At the time of his directorship, both NTEEP and JIC were listed on the main board of the Stock Exchange of Hong Kong and subsidiaries of Nam Tai Electronics, Inc.. Mr. Lee graduated with a Bachelor of Science Degree from The University of East Anglia in England in 1986 and obtained a distinction in Master of Science Degree from The City University Business School in London in 1988.

The address of the directors of the Investment Managers

Mr. Leong Chi Wai	Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
Mr. Wang Yinan	Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
Mr. Lau Lap Kwan	Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong
Mr. Warren Lee Wa Lun	Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong

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B. ADDITIONAL INFORMATION ON THE COMPANY'S INVESTMENTS

Investment portfolio

Set out below are the investments held by the Group with a value of more than 5% of the Company's gross asset, and details of the investments as at 31 December 2011, 2012, and 2013:

As at 31 December 2011

Name of investment	Note	Number of shares held	Effective Shareholding interest	Cost HK\$'000	Market	Fair value gain/(loss) HK\$'000	Dividend received during the period HK\$'000	Dividend cover [#] / Earnings per share [*]
					value/fair value as at 31 Dec 2011 HK\$'000			
(i) UBA Investments Limited	1	6,972,000	0.66%	773	558	(502)	—	HK 1.30 cents*
(ii) Upbest Group Limited	2	6,606,000	0.49%	3,360	5,549	(991)	132	4.55 [#]

As at 31 December 2012

Name of investment	Note	Number of shares held	Effective Shareholding interest	Cost HK\$'000	Market	Fair value gain HK\$'000	Dividend received during the period HK\$'000	Dividend cover [#] / Earnings/(loss) per share [*]
					value/fair value as at 31 Dec 2012 HK\$'000			
(i) UBA Investments Limited	1	4,172,000	0.39%	463	350	7	—	HK (2.60) cents*
(ii) Upbest Group Limited	2	5,056,000	0.38%	2,572	4,854	443	191	2.03 [#]

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As at 31 December 2013

Name of investment	Note	Number of shares held	Effective Shareholding interest	Cost	Market	Fair value	Dividend received during the period	Dividend cover [‡] / Earnings/ (loss) per share*
					value/fair value as at 31 Dec 2013			
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(i) UBA Investments Limited	1	4,172,000	0.39%	463	434	83	—	HK (0.19) cents*
(ii) Upbest Group Limited	2	5,056,000	0.38%	2,572	4,904	51	182	3.47 [‡]

No impairment loss and diminution in value of investments was provided for the year ended 31 December 2011, 2012, and 2013.

Notes:

- UBA Investments Limited (“UBA Investments”) and its subsidiaries are principally engaged in the investment holding and trading of securities.

The unaudited result attributable to shareholders of UBA Investments for the six months ended 30 September 2013 was a profit/loss of HK\$6,245,772 (six months ended 30 September 2012 and 2011 was profit of HK\$44,033 and loss of HK\$24,749,263 respectively). As at 30 September 2013, the unaudited net asset value of UBA Investments was HK\$116,561,685. (As at 30 September 2012 and 2011 was HK\$105,084,235 and HK\$98,771,924 respectively).

For the year ended 31 March 2011, 2012 and 2013, no dividend was declared by UBA Investments. Accordingly, the dividend cover ratio (earnings per share divided by dividend per share) is not applicable.

- Upbest Group Limited (“Upbest”) and its subsidiaries are principally engaged in the provision of a wide range of financial services including securities, broking, futures broking, securities margin financing, money lending, corporate finance advisory, precious metal trading, assets management and property investment.

The unaudited result attributable to shareholders of Upbest for the six months ended 30 September 2013 was a profit/loss of approximately HK\$16,442,000 (six months ended 30 September 2012 and 2011 was profit of approximately HK\$17,117,000 and HK\$67,940,000 respectively). As at 30 September 2013, the unaudited net asset value of Upbest was approximately HK\$1,347,924,000. (As at 30 September 2012 and 2011 was HK\$1,229,487,000 and HK\$1,232,267,000 respectively).

BORROWING POWERS

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Provided always that no borrowing may be made if it would result in the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company exceeding fifty per cent. of the latest available NAV at the time the borrowing is made without the approval of the Shareholders at a general meeting.

DISTRIBUTION POLICY

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no such dividends shall exceed the amount recommended by the Directors.

Exception so far as the rights attaching to, or the terms of issue of, any Share otherwise provides:

- (a) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on the Share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid upon the Shares during any portion or portions of the period in respect of which the dividend is paid.

The Directors may also pay any dividend which is payable on any Shares half-yearly or on any other dates, whenever the position of the Company, in the opinion of the Directors, justifies such payment.

The Directors may also deduct from any dividend or other moneys payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

No dividend or other moneys payable by the Company on or in respect of any Share shall bear interest against the Company. In respect of any dividend proposed to be paid or declared on the share capital of the Company, the Directors may resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up on the basis that the Shareholders entitled thereto will be entitled to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit. The Company may also on the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right of members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and to such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute good discharge by the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

RISKS ASSOCIATED WITH THE COMPANY'S INVESTMENTS

The Company is an investment company and its funds will be invested in listed and unlisted securities principally in Hong Kong and in the PRC. These investments will be subject to market fluctuations and the risks inherent in all investments. Investors should also be aware that the Company's income and its NAV may be adversely affected by external factors beyond the control of the Company. As a result, the Company's operating results and its NAV may go down as well as up, subject to, among other factors, the prevailing market condition.

TAXATION**General**

The taxation of income and capital gains of the Company and its subsidiaries are subject to the fiscal law and practice of Hong Kong. The following summary of the anticipated tax treatment generally applicable to the Company and its subsidiary in Hong Kong is based on current law and practice subject to changes therein and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares or of exercising any rights attached to them under the laws of the jurisdiction in which they are liable to taxation.

Hong Kong

The Company and its subsidiaries will be subject to tax in Hong Kong if they carry on business in Hong Kong and derive Hong Kong sourced profits from such business. In that case, they will be subject to profits tax, currently imposed at a rate of 16% on any profits (including interest) which arise in or are derived from Hong Kong. Capital gains and offshore profits are not taxable.

In this regard, profits derived from the offshore disposal of shares listed or registered outside Hong Kong may in certain circumstances be considered as derived from outside Hong Kong and would, therefore, not attract a Hong Kong profits tax liability.

Under current law and practice, no tax will be payable by the Company in Hong Kong in respect of dividends paid by the Company. Gains arising on the sale of shares will be subject to profits tax where derived by certain persons carrying on a trade, profession or business of share dealing in Hong Kong.

Hong Kong stamp duty, currently at the rate of HK\$1.00 per HK\$1,000, or part thereof, of the consideration or its value will be payable by the buyer on every purchase, and also by the seller on every sale, of Shares (that is, a total of HK\$2.00 per HK\$1,000 is currently payable on a typical sale and purchase transaction). In addition a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Cayman Islands

The government of Cayman Islands, will not, under the existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties.

The Company has obtained an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 revision) of the Cayman Islands, for a period of 20 years from 18th December 2001, being the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the Shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision) of the Cayman Islands.

THE PRC

The information set out below is a summary of the principal areas of the PRC taxation and fees which are likely to be relevant to the investments of the Company in the PRC.

Income Tax on FIEs

Under the Foreign Enterprises Tax Law and the Detailed Rules for the Implementation of the Foreign Enterprises Tax Law which came into effect on 1st July, 1991, FIEs (including Sino-foreign equity joint venture, Sino-foreign co-operative joint ventures and wholly foreign-owned enterprises established in the territory of the PRC) are required to pay national income tax at a rate of 30% of their taxable income and local income tax at a rate of 3% of their taxable income.

A joint venture engaged in production having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years. The income tax concession for foreign invested enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council of the PRC.

FIEs established in special economic zones, foreign invested enterprises established in special economic zones engaged in production or business operations and foreign invested enterprises engaged in production in economic and technological development zones may pay income tax at a reduced rate of 15%. Foreign invested enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced income tax rate of 15% may apply to an enterprise involved in such areas including (i) technology-intensive or projects; (ii) energy, communication, harbor, wharf or other projects encouraged by the State; or (iii) foreign investments committed to such enterprise being more than US\$30 million.

Losses incurred in a tax year may be carried forward for not more than five years.

The government of provinces, autonomous regions and centrally supervised municipalities may grant exemptions from or reduced local income tax for a foreign invested enterprise engaged in an industry or a project encouraged by the State.

Business Tax

In accordance with the provisional Rules of the Rules of the PRC on Business Tax and the Detailed Rules for the Implementation of the Provisional Rules of the PRC on Business Tax, which came into effect from 1st January, 1994, businesses that provide services (other than entertainment business), assign intangible assets or sell immovable property are liable to business tax at the rate of between 3% and 5% of the value of the services provided, intangible assets assigned or immovable property sold, as the case may be. The amount of tax payable is calculated by reference to the business turnover of the taxpayer and the relevant scale stipulated in the Schedule to the Provisional Rules of the PRC on Business Tax.

EXCHANGE CONTROL**The PRC**

The relevant rules governing exchange control relating to the inflow and outflow of foreign exchange are contained primarily in the Regulations of Foreign Exchange Control (as amended) promulgated on 29th January, 1996 and effected on 1st April, 1996.

In summary, all foreign exchange receipts (from capital injection or sales) must be deposited in the foreign exchange account opened with the designated bank approved to operate foreign exchange business by SAFE. Foreign exchange under current account items (such as dividends and profits) can be remitted abroad upon presentation of necessary documents, including auditor's report, capital verification report, foreign exchange registration certificate and tax certificates as well as other documents requires by SAFE. Foreign exchange under capital account items (such as interest and repatriation of capital) may be remitted abroad upon presentation of necessary documents and subject to approval of SAFE.

Currently, foreign investment enterprises may settle, buy and sell foreign currency through a designated bank operating foreign businesses.

Hong Kong

There are no foreign exchange controls in force in Hong Kong, and the Hong Kong dollar is freely convertible into other currencies.

Since 17th October, 1993, the Hong Kong dollar has been linked to the US dollar. The link is maintained through the mechanism of certificates of indebtedness which are used by the three Hong Kong banknote-issuing banks as cove for banknote issues. The certificates are issued and redeemed by the Hong Kong Exchange Fund only against payment in US dollars at a fixed exchange rate of HK\$7.80 to US\$1.00. The free market exchange rate of the Hong Kong dollar against the US dollar for the non-bank public is determined by supply and demand, but has not deviated significantly from the fixed exchange rate.

On 5th September, 1998, the government of Hong Kong announced seven technical measures to improve the way the linked exchange rate is managed. These measures came into effect on 2nd September, 1998. These measures are intended to strengthen the currency board arrangement and to stabilize unusual local interest rate movements. The measures include the provision by the Hong Kong dollars in their clearing accounts into US dollars at a fixed rate of HK\$7.75 to US\$1.00.

1. RESPONSIBILITY STATEMENT

- (a) This circular includes particulars given in compliance with the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Offerors and their respective associates and parties acting in concert with any of them) contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The directors of the Offerors accept full responsibility for the accuracy of the information (other than those in relation to the Company) contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

- (b) This circular, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to the Offerors and their respective associates and parties acting in concert with any of them and the Offer) 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.

Information and confirmation relating to the Offerors and their respective associates and parties acting in concert with any of them and the Offer set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors collectively and individually accept responsibility for the correctness and fairness of reproduction or presentation of such information.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.01 each (i) as at the Latest Practicable Date; (ii) immediately following completion of the Increase in Authorised Capital; (iii) immediately following completion of the Increase in Authorised Capital and the Subscription; and (iv) immediately following completion of the Increase in Authorised Capital, the Subscription, and the Open Offer will be as follows:

<i>Authorised share capital as at the Latest Practical Date</i>	<i>HK\$</i>
500,000,000 Shares	<u>5,000,000</u>
<i>Issued and fully paid up as at the Latest Practical Date</i>	
72,000,000 Shares	<u>720,000</u>
<i>Authorised share capital following completion of the Increase in Authorised Capital</i>	<i>HK\$</i>
2,000,000,000 Shares	<u>20,000,000</u>
<i>Issued and fully paid up following completion of the Increase in Authorised Capital and the Subscription</i>	
1,472,000,000 Shares	<u>14,720,000</u>
<i>Issued and fully paid up following completion of the Increase in Authorised Capital, the Subscription and the Open Offer</i>	
1,899,500,000 Shares	<u>18,995,000</u>

As at the Latest Practicable Date, there are no outstanding option, warrant, derivative or other convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares.

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The Shares are listed and traded on the Main Board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interest of the Directors (including the proposed Directors), chief executives and their associates had in any Shares and short positions, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO, which were 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were set out as follows:

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate % of interest
Tung Tat Wah	Interested in Controlled Corporation	15,000,000 (L) <i>(Note)</i>	20.83%
Michael, Wu Chun Wah	Interested in Controlled Corporation	15,000,000 (L) <i>(Note)</i>	20.83%

Note:

(L) denotes long position

As at the Latest Practicable Date, Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah, both executive Directors are interested in the equity interest of Biggish Management Limited of 60% and 40% respectively. Accordingly, Mr. Tung Tat Wah and Mr. Michael, Wu Chun Wah are deemed to be interested in 15,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (including the proposed Directors), chief executives and their associates had any interests and short positions in any Shares, underlying Shares of equity derivatives or debentures of the Company or any of its associated corporations as defined in Part XV of SFO, which were required, (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code of the Listing Rules to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, who has an interests 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities were as follows:

Name of Shareholders	Capacity and nature of interest	Number of Shares held	Approximate % of interest
Biggish Management Limited	Beneficial Owner	15,000,000 (L)	20.83%
Cheong Chi Man	Beneficial Owner	7,350,000 (L)	10.21%

Note:

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, there were no other persons who had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any circumstances at general meeting of any other member of the Group or any options in respect of such capital.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

7. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which have been, since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

Save as the Sale and Purchase Agreement, where Mr. Tung Tat Wah and Mr. Michael Wu Chun Wah, directors of the Company, have equity interests in the Vendor, as at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any contract or arrangement subsisting which is significant in relation to the business of the Group.

9. 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 31 December 2013 being the date to which the latest audited financial statements of the Group were made up.

10. LITIGATION

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

11. MATERIAL CONTRACTS

The following contract, not being contracts entered into in the ordinary course of business, had been entered by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which are or may be material:

- (a) The management agreement entered into between the Company and Hua Yu on 1 March 2011 in relation to the appointment of Hua Yu as the Investment Manager of the Company for a term of two years commencing on 1 March 2011 to 28 February 2013. The quarterly management fee payable to Hua Yu is HK\$150,000;

- (b) The management agreement entered into between the Company and Hua Yu on 25 February 2013 in relation to the appointment of Hua Yu as the Investment Manager of the Company for a term of one year commencing on 1 March 2013 to 28 February 2014. The quarterly management fee payable to Hua Yu is HK\$150,000;
- (c) On 30 April 2013, the Vendor entered into the Sale and Purchase Agreement with the Offerors, pursuant to which the Vendor conditionally agreed to sell and the Offerors conditionally agreed to acquire 20.83% of the entire issued share capital of the Company at a total Consideration of HK\$1,500,000;
- (d) On 30 April 2013, the Company and the Offerors entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot and the Offerors conditionally agreed to subscribe in cash an aggregate of 1,000,000,000 Shares at the price of HK\$0.1 per Share;
- (e) On 31 July 2013, the Vendor and the Offerors entered into a supplemental agreement to the Sale and Purchase Agreement and a supplemental agreement to the Subscription Agreement to extend the Long Stop Date of the Sale and Purchase Agreement and the Subscription Agreement from 31 July 2013 to 31 December 2013 (or such later date as parties thereto may agree);
- (f) On 31 December 2013, the Vendor and the Offerors entered into a second supplemental agreement to the Sale and Purchase Agreement and a second supplemental agreement to the Subscription Agreement to extend the Long Stop Date of the Sale and Purchase Agreement and the Subscription Agreement from 31 December 2013 to 31 January 2014 (or such later date as parties thereto may agree);
- (g) On 2 January 2014, the Vendor and the Offerors entered into a third supplemental agreement to the Sale and Purchase Agreement and a third supplemental agreement to the Subscription Agreement to extend the Long Stop Date of the Sale and Purchase Agreement and the Subscription Agreement from 31 January 2014 to 14 February 2014 (which shall be automatically extended to 31 March 2014 (or such other date as the parties may agree in writing) if (i) a revised resumption proposal in relation to the resumption of trading in Shares has been submitted to the Stock Exchange; and (ii) an announcement of the Company in relation to the resumption conditions principally approved by the Stock Exchange has been published on the website of the Stock Exchange on or before 14 February 2014);

- (h) On 28 February 2014, the Vendor and the Offerors entered into a forth supplemental agreement to the Sale and Purchase Agreement and a forth supplemental agreement to the Subscription Agreement to extend the Long Stop Date of the Sale and Purchase Agreement and the Subscription Agreement from 14 February 2014 to 30 April 2014 (or such later date as parties thereto may agree);
- (i) The management agreement entered into between the Company and Hua Yu on 28 February 2014 in relation to the appointment of Hua Yu as the Investment Manager of the Company for a term of three months commencing on 1 March 2014 to 31 May 2014. The management fee payable to Hua Yu is HK\$150,000;
- (j) On 28 March 2014, the Vendor and the Offerors entered into a fifth supplemental agreement to the Sale and Purchase Agreement and a fifth supplemental agreement to the Subscription Agreement to extend the Long Stop Date of the Sale and Purchase Agreement and the Subscription Agreement from 28 March 2014 to 30 June 2014 (or such later date as parties thereto may agree);
- (k) The Supplemental Subscription Agreement entered into between the Company and the Offerors on 28 May 2014 in relation to amendment on terms of the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and allot and the Offerors conditionally agreed to subscribe in cash an aggregate of 1,400,000,000 Shares at the price of HK\$0.1 per Share;
- (l) The New Management Agreement entered into between the Company and Hua Yu on 28 May 2014 in relation to the appointment of Hua Yu as the Investment Manager of the Company for the Management Period;
- (m) The Corporate Finance Advisory Agreement entered into between the Company and Hua Yu on 28 May 2014 in relation to the appointment of Hua Yu as the Corporate Finance Adviser of the Company from 1 June 2014 to 31 May 2017; and
- (n) The Underwriting Agreement entered into between the Company and the Underwriters on 28 May 2014 in relation to underwriting arrangement of the Open Offer.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of the business carried on by the Group) has been entered into by the Company within the two years prior to the issue of this circular and up to the Latest Practicable Date and are or maybe material.

12. EXPERTS AND CONSENTS

The following are the qualifications of the expert contained in this circular:

Name	Qualification
Li, Tang, Chen & Co.	Certified public accountants
Quam Capital	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Li, Tang, Chen & Co. and Quam Capital have given and have not withdrawn their written consents to the issue of this circular with the inclusion of the text of their letter and/or report and/or the reference to their name in the form and context in which they appear herein.

As at the Latest Practicable Date, Li, Tang, Chen & Co. and Quam Capital did not had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Li, Tang, Chen & Co. and Quam Capital did not had any direct or indirect interest in any assets which have been, since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

13. CORPORATE INFORMATION

Company's 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	Room 1704, 17th Floor, Tai Tung Building 8 Fleming Road Wanchai, Hong Kong
Authorised representatives	Mr. Wu Chun Wah Room 1704, 17th Floor Tai Tung Building 8 Fleming Road Wan Chai, Hong Kong Ms. Yuen Shuk Yee Room 1704, 17th Floor Tai Tung Building 8 Fleming Road Wan Chai, Hong Kong
Auditor and reporting accountants	W.H. Tang & Partners CPA Limited Level 7, Parkview Centre 7 Lau Li Street, Tin Hau Causeway Bay Hong Kong
Principal share registrar and transfer office in Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road George Town Grand Cayman KY1-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong

Principal bankers	Wing Hang Bank, Limited 161 Queen's Road Central Hong Kong
Investment Manager	Hua Yu Investment Management Limited Room 1801, 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai, Hong Kong
Custodian/Trustee	Bank of Communication Trustee Limited Hong Kong 1/F, Far East Consortium Building 121 Des Voeux Road Central

14. DIRECTORS

The Board comprises the following persons:

Executive Directors

Mr. Tung Tat Wah (“Mr. Tung”), aged 53, is the Chairman of the Company. He was appointed as an executive Director on 11 March 2008. Prior to his present engagement, he has worked for several international financial institutions including Charles Fulton, Tokyo Forex and was responsible for investment in financial instruments. Mr. Tung has extensive experience in investment and general management.

Mr. Michael Wu Chun Wah (“Mr. Wu”), aged 49, was appointed as an executive director and Chief Executive Officer of the Company. Mr. Wu holds a doctor degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. He also holds a master degree in business administration from Northeast Louisiana University, a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He is a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretary and Administrators. He is also an executive director of Creative Energy Solutions Holdings Limited (listed on the Hong Kong Stock Exchange). Mr. Wu has extensive experience in financial investment and corporate finance.

Independent Non-Executive Directors

Mr. Stephen Lee Ming Ching (“Mr. Lee”), aged 66, is a qualified Professional Civil Engineer, Construction and Project Manager and Consultant for more than 40 years. He is a graduate of University of Hong Kong in 1970 and holds a Bachelor of Science in Civil Engineering. He also obtained a diploma in Management studies in finance from Hong Kong Polytechnic University. He is a member of Hong Kong Institution of Engineers and a fellow member of Hong Kong Institute of Real Estate Administrators. He has worked for several construction companies including public works department of Singapore Government, Maunsell Consultants Asia Limited, Hong Kong Land Company Limited, Hang Lung Development Company Limited and Lolliman Holdings Limited. He has his own Company for more than 20 years, Tonjun Consultants Limited, and being the advisor/consultant of couple of major building contractors and developers in Hong Kong. He has extensive experience in construction industries and project management. Mr. Lee is also active in the professional institutions and social service. He is the Vice President of Hong Kong Institute of Real Estate Administrators, Executive Council Member and Senior Vice Chairman of Association of Engineering Professionals in Society and Committee Member of Hong Kong Institution of Engineers Civil Division. Mr. Lee was appointed as an independent non-executive Director on 28 May 2008.

Mr. Robert Siu Siu Ling (“Mr. Siu”), aged 61, has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. He is the sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. His legal practice is mainly in the field of commercial and corporate finance. Mr. Siu has been an executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (formerly known as Maxx Bioscience Holdings Limited) (stock code: 512) until 2006 and is now an independent non-executive director of China Packaging Group Company Limited (stock code: 572), both of them are listed on the Main Board of the Stock Exchange. He is an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. He is also a director of MBMI Resources Inc (listed on TSX Venture Exchange). Mr. Siu holds a bachelor’s degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. Mr. Siu was appointed as an independent non-executive Director on 8 January 2002.

Mr. Allan Kwok Ming Fai (“Mr. Kwok”), aged 49, possesses over 16 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained a Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is currently an executive director of Zhongda International Holdings Limited (stock code: 909) and an independent non-executive director of China Tycoon Beverage Holdings Limited (formerly known as Sewco International Holdings Limited) (stock code: 209). Mr. Kwok was also an independent non-executive director of China Yunnan Tin Minerals Group Company Limited from July 2002 to March 2012. Mr. Kwok was appointed as an independent non-executive Director on 4 September 2007.

The addresses of the Directors are as follows:

Name	Address
Mr. Tung Tat Wah	Rm 1704, 17/F, Tai Tung Bldg, 8 Fleming Road, Wan Chai, Hong Kong
Mr. Michael Wu Chun Wah	Rm 1704, 17/F, Tai Tung Bldg, 8 Fleming Road, Wan Chai, Hong Kong
Mr. Allan Kwok Ming Fai	Rm 1704, 17/F, Tai Tung Bldg, 8 Fleming Road, Wan Chai, Hong Kong
Mr. Robert Siu Siu Ling	Rm 1704, 17/F, Tai Tung Bldg, 8 Fleming Road, Wan Chai, Hong Kong
Mr. Stephen Lee Ming Ching	Rm 1704, 17/F, Tai Tung Bldg, 8 Fleming Road, Wan Chai, Hong Kong

15. MISCELLANEOUS

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Room 1704, 17th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.
- (b) The branch share registrar and transfer agent of the Company in Hong Kong is Tricor Secretaries Limited, which is located at Level 22, Hopwell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Yuen Shuk Yee. She is an associate member of the Association of International Accountants and Hong Kong Institute of Certified Public Accountants.
- (d) The addresses of the proposed Directors are as follows:

Name	Address
Mr. Alex, Leung King Yue	Room 2608, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong
Mr. Leong Chi Wai	Room 2608, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong
Mr. Lewis Chan	Room 2608, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong
Ms. Chan Pui Kwan	Room 2608, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong
Mr. Ma Chun Fai	Room 2608, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong
Mr. Jochum Haakma	Hartogstraat 3, 2514EP The Hague, The Netherlands
Mr. Erik, Lo Chi Ming	Messrs. Wat & Co., 11/F, On Lok Yuen Building, 25 Des Voeux Road Central, Hong Kong

- (e) The English text of this circular shall prevail over their respective Chinese text in case of inconsistency.

16. ADDITIONAL DISCLOSURE

The Directors and the directors of the Investment Manager or any of their respective associates are not and will not become entitled to receive any part of any brokerage charged to the Company, or any allowance of other types on purchases charged to the Company save for the management fee and performance fee of the Investment Manager.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.hklistedco.com/356.asp) and; (ii) at the principal office and place of business of the Company at Room 1704, 17th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong during Business Days from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the Sale and Purchase Agreement and the Supplemental Sale and Purchase Agreement;
- (c) the Subscription Agreement and the Supplemental Subscription Agreement;
- (d) the annual reports of the Company for the two years ended 31 December 2012 and 2013;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 68 to 69 of this circular;
- (f) the letter from Quam Capital to the Independent Board Committee, the text of which is set out on pages 70 to 121 of this circular;
- (g) the accountant's report issued by Li, Tang, Chen & Co. regarding the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" of this Appendix VI;
- (i) the written consent from Quam Capital referred to in the section headed "Experts and Consents" of this Appendix VI; and
- (j) this circular.

NOTICE OF EGM



Incutech Investments Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 356)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Incutech Investments Limited (the “**Company**”) will be held at Seminar Room, 1/F., Centenary Building, Craigengower Cricket Club, 188 Wong Nai Chung Road, Happy Valley, Hong Kong on Tuesday, 24 June 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**
 - (a) the subscription agreement dated 30 April 2013 (the “**Subscription Agreement**”) and entered into between the Company as issuer on one part, and Sharp Years Limited and Hugo Lucky Limited as subscribers (collectively, the “**Offerors**”) on the other part in relation to the subscription (the “**Subscription**”) by the Offerors and the allotment and issue by the Company of an aggregate of 1,400,000,000 new shares of HK\$0.01 each in the capital of the Company (the “**Subscription Shares**”) as supplemented by the supplemental agreements dated 31 July 2013, 31 December 2013, 2 January 2014, 14 February 2014, 28 March 2014 and 28 May 2014 respectively (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
 - (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the Subscription.”
2. **“THAT** subject to the passing of ordinary resolution no. 1 and the conditions precedent in the Subscription Agreement being fulfilled, the authorised share capital of the Company be and is hereby increased from HK\$5,000,000 to HK\$20,000,000,

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such that following such increase, the authorised share capital of the Company will be HK\$20,000,000 divided into 2,000,000,000 Shares (the “**Increase in Authorised Capital**”); and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the Increase in Authorised Capital.”

3. “**THAT** subject to the passing of ordinary resolutions nos. 1 and 2 and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in the Subscription Shares:
 - (a) the grant of a specific mandate (the “**Specific Mandate**”) for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement be and is hereby approved; and
 - (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the Specific Mandate.”
4. “**THAT** subject to the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (“**SFC**”) or any of his delegates giving consent to the special deal (the “**Special Deal**”) constituted by the repayment of the Shareholders’ Indebtedness (as defined in the circular of the Company to its shareholders dated 9 June 2014) (a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for the purpose of identification) (the “**Circular**”) out of the proceeds from the Subscription, which constitute special deal according to Note 5 to Rule 25 of The Hong Kong Code on Takeovers and Mergers issued by the SFC and the satisfaction of any condition which may attach to such consent given by the Executive, the Special Deal on terms and conditions as set out in the Circular of the Company to its shareholders dated 9 June 2014 be and is hereby approved.”
5. “**THAT** subject to the passing of ordinary resolutions nos. 1 and 2, the fulfillment of the conditions, including the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Open Offer Shares (as defined below) in their fully paid forms to be allotted and issued to the Shareholders pursuant to the terms and conditions of the Open Offer (as defined

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below), as set out in the underwriting agreement (the “**Underwriting Agreement**” including, if any, all supplemental agreements relating thereto, a copy of which has been produced to the Meeting marked “C” and initialed by the chairman of the Meeting for the purpose of identification) dated 28 May 2014 and entered into between the Company as issuer on one part and Sharp Years Limited and Hugo Lucky Limited as underwriters (collectively, the “**Underwriters**”) on the other part, and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 6:00 p.m. on the third business day after the last day for acceptance of Open Offer Shares (as defined below),

- (a) the issue by way of open offer (the “**Open Offer**”) of 427,500,000 new shares of HK\$0.01 each of the Company (the “**Open Offer Shares**”) to the Shareholders whose names appear on the register of members of the Company on the record date of the Open Offer as announced by the Company from time to time (excluding those Shareholders (the “**Prohibited Shareholders**”) with registered addresses as shown in the register of members of the Company on that date are outside Hong Kong whom the board of Directors consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those Prohibited Shareholders reside, and the Underwriters themselves) on the basis of fifteen (15) Open Offer Shares for every two (2) existing shares of the Company held and otherwise pursuant to and in accordance with the terms and conditions set out in the Circular be and is hereby approved;
- (b) the Directors be and are hereby authorised to allot and issue the Open Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to the Prohibited Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Open Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;

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- (d) any one or more Directors be and is/are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Open Offer Shares to the Qualifying Shareholders and/or the Underwriters (as the case maybe).”

6. **“THAT**

- (a) the management agreements dated 1 March 2011, 25 February 2013 and 28 February 2014 (the **“Previous Management Agreements”**) respectively and entered into between the Company and Hua Yu Investment Management Limited (**“Hua Yu”**), (copies of which are marked **“D”** and signed by the chairman of this meeting for the purpose of identification), pursuant to which the Company appointed or continued the appointment of Hua Yu as the investment manager of the Company for the periods from 1 March 2011 to 28 February 2013, from 1 March 2013 to 28 February 2014 and from 1 March 2014 to 31 May 2014 respectively in accordance with the terms and conditions of the Previous Management Agreements (including the fees payable by the Company to Hua Yu under the Previous Management Agreement), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the Previous Management Agreements;
- (c) all previous acts done or documents executed by any Director to give effect to or in connection with the Previous Management Agreement and the transactions contemplated thereunder are hereby approved, confirmed and ratified.”

7. **“THAT**

- (a) the management agreement dated 28 May 2014 (the **“New Management Agreement”**) and entered into between the Company and Hua Yu (a copy of which is marked **“E”** and signed by the chairman of this meeting for the purpose of identification), pursuant to which the Company continued

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the appointment of Hua Yu as the investment manager of the Company for the period from 1 June 2014 to 31 May 2017 in accordance with the terms and conditions of the New Management Agreement, and the transactions contemplated thereunder (including the annual caps of the fees payable to Hua Yu contemplated thereunder), be and are hereby approved, confirmed and ratified;

- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the New Management Agreement.”

8. **“THAT**

- (a) the Corporate Finance Advisory Agreement dated 28 May 2014 (the **“Corporate Finance Advisory Agreement”**) and entered into between the Company and Hua Yu (a copy of which is marked “F” and signed by the chairman of this meeting for the purpose of identification), pursuant to which the Company has agreed to appoint Hua Yu as the Corporate Finance Adviser of the Company for the period from 1 June 2014 to 31 May 2017 in accordance with the terms and conditions of the Corporate Finance Advisory Agreement, and the transactions contemplated thereunder (including the annual caps of the fees payable to Hua Yu contemplated thereunder), be and are hereby approved, confirmed and ratified;
- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient which are of administrative nature to give effect to or in connection with the Corporate Finance Advisory Agreement.”

By Order of the Board
Incutech Investments Limited
Tung Tat Wah
Executive Director

Hong Kong, 9 June 2014