
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about the Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Incutech Investments Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



SHARP YEARS LIMITED **HUGO LUCKY LIMITED** **INCUTECH INVESTMENTS LIMITED**
(Incorporated in the British Virgin Islands with limited liability) *(Incorporated in the British Virgin Islands with limited liability)* *(Incorporated in the Cayman Islands with limited liability)*
(Stock Code: 356)

**COMPOSITE DOCUMENT RELATING TO
MANDATORY UNCONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
INCUTECH INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED
BY SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
AND PARTIES ACTING IN CONCERT WITH THEM)**

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**



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

A letter from Yu Ming containing, among other things, details of the terms and conditions of the Offer is set out on pages 7 to 17 of this Composite Document.

A letter from the Board is set out on pages 18 to 23 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 24 to 25 of this Composite Document.

A letter from Quam Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 26 to 46 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in the Appendix I to this Composite Document and the accompanying Form of Acceptance. Acceptance of the Offer should be received by 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 as soon as possible and in any event not later than 4:00 p.m. on Monday, 28 July 2014 (or such later time and/or date as the Offerors may determine and announce in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Shareholders" in the "Letter from Yu Ming" and Appendix I to this Composite Document before taking any action. It is the responsibility of Overseas Shareholders wishing to accept the Offer to satisfy themselves as to full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

7 July, 2014

CONTENT

	<i>Page</i>
EXPECTED TIMETABLE	ii
DEFINITIONS.....	1
LETTER FROM YU MING	7
LETTER FROM THE BOARD.....	18
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	24
LETTER FROM QUAM CAPITAL	26
APPENDIX I — FURTHER TERMS OF ACCEPTENCE OF THE OFFER ..	47
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	55
APPENDIX III — GENERAL INFORMATION.....	86
 ACCOMPANYING DOCUMENT — FORM OF ACCEPTANCE	

EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offerors and the Company:

Event	2014
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Despatch date of this Composite Document and the Form of Acceptance and commencement date of the Offer (<i>Note 1</i>)	Monday, 7 July
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Latest time and date for acceptance of the Offer (<i>Notes 2</i>)	4:00 p.m. on Monday, 28 July
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Closing Date of the Offer (<i>Note 2</i>)	Monday, 28 July
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Announcement of the results of the Offer posted on the website of the Stock Exchange (<i>Note 2</i>)	no later than 7:00 p.m. on Monday, 28 July
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Latest date for posting of remittances in respect of valid acceptances received under the Offer (<i>Note 3</i>)	Wednesday, 6 August
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Notes:

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance 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 has expired. In the event that the Offerors decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. 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 7 Business Days after the date of receipt by the Registrar of all the relevant documents of title to render the acceptance by such Independent Shareholder under the Offer complete and valid in accordance with the Takeovers Code.
4. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

All references to date and time contained in this Composite Document and Form of Acceptance refer to Hong Kong dates and time.

DEFINITIONS

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

“acting in concert “	has the meaning ascribed to it under the Takeovers Code
“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
“China” or “PRC”	the People’s Republic of China
“Closing Date”	28 July 2014 or any subsequent closing date as may be announced jointly by the Offerors and the Company and approved by the Executive
“Company”	Incutech Investments Limited, a company incorporated in the Cayman Islands with limited liability and the 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”	this composite offer and response document in respect of the Offer dated 7 July 2014 jointly issued by the Offerors and the Company in accordance with the Takeovers Code containing, among other things, detailed terms of the Offer
“Consideration”	the aggregate consideration payable for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company from time to time

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
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Offeror”	Sharp Years Limited, 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 acquired by the First Offeror under the Sale and Purchase agreement
“First Subscription Shares”	420,000,000 Shares issued and allotted by the Company to the First Offeror pursuant to the Supplemental Subscription Agreement
“Form(s) of Acceptance”	the form(s) of acceptance in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company formed for the purpose of advising Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance

DEFINITIONS

“Independent Shareholder(s)”	holder(s) of the Share(s), 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, inter alia, (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; and (iii) the Offer
“Last Trading Date”	12 June 2008, the last trading date before the suspension of trading in the Shares
“Latest Practicable Date”	4 July 2014, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 GEM Board of the Stock Exchange
“Offer”	the 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
“Offer Period”	commencing from 6 May 2013, being the date of the Joint Announcement published and ending on the Closing Date
“Offer Price”	HK\$0.1 per Offer Share

DEFINITIONS

“Offer Share(s)”	57,000,000 Shares subject to the Offer
“Offerors”	the First Offeror and the Second Offeror
“Open Offer”	the proposed open offer on the basis of fifteen (15) Open Offer Shares for every two (2) Shares held on the record date for subscription by the Existing Shareholders
“Open Offer Shares”	the new Shares proposed to be allotted and issued under the Open Offer
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as stated in the register of members of the Company are outside Hong Kong
“Placing”	the proposed placing of the Shares by the Offerors to place down not more than of 417,875,000 Shares after the close of the Offer and Open Offer to restore the public float of the Company
“Qualifying Shareholders”	all Shareholders as at the record date in relation to the Open Offer other than the Offerors and the Overseas 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 in respect of the Offer
“Registrar”	Tricor Secretaries Limited, the Hong Kong branch share registrar and transfer office of the Company, with its addresses at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 6 November 2012, being the date falling six months prior to 6 May 2013, the commencement date of the Offer period and up to the Latest Practicable Date
“Resumption”	resumption of trading in Shares

DEFINITIONS

“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 Shares”	15,000,000 Shares acquired by the Offerors from the Vendor pursuant to the Sale and Purchase Agreement, representing approximately 1.02% of the 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, 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 acquired by the Second Offeror under the Sale and Purchase Agreement
“Second Subscription Shares”	980,000,000 Shares issued and allotted by the Company 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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 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 Price”	a subscription price of HK\$0.1 per Subscription Share
“Subscription Share(s)”	1,400,000,000 Shares subscribed by the Offerors, representing approximately 95.11% 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 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
“Vendor”	Biggish Management Limited, which is a company incorporated in the British Virgin Islands 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 Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM YU MING



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

To the Independent Shareholders

7 July, 2014

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
INCUTECH INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED
BY SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
AND PARTIES ACTING IN CONCERT WITH THEM)**

INTRODUCTION

On 30 April 2013, the Vendor and the Offerors entered into the Sale and Purchase Agreement, pursuant to which 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, for a total consideration of HK\$1,500,000. The Sale Shares represent approximately 1.02% of the entire issued share capital of the Company as at the Latest Practicable Date.

On the even day, the Company and the Offerors entered into the Subscription Agreement (as supplemented), pursuant to which 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 95.11% of the entire issued share capital of the Company as at the Latest Practicable Date.

On 30 June 2014, conditions precedent to the Sale and Purchase Agreement and Subscription Agreement were fulfilled and Completion took place.

LETTER FROM YU MING

Immediately following Completion, the Offerors and parties acting in concert with them held an aggregate of 1,415,000,000 Shares, representing approximately 96.13% of the entire issued share capital of the Company and accordingly, the Offerors are required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares other than those acquired or have been agreed to be acquired by them and parties acting in concert with any of them.

This letter sets out, amongst other things, the principal terms of the Offer, together with the information on the Offerors and the Offerors' intention regarding the Company. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

We are making the Offer for on behalf of the Offerors in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$ 0.1 in cash

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

As at the Latest Practicable Date, the Company has 1,472,000,000 Shares in issue and there are no outstanding options, warrants or other derivatives or relevant securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, warrants, derivatives or relevant securities of the Company.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Comparison of the Value

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 13 June 2008. The Offer Price of HK\$0.1 per Offer Share represents:

- (i) the same price as each Sale Share and Subscription 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;

LETTER FROM YU MING

- (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 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.

Highest and lowest prices

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 June 2008. The closing price per Share on the Last Trading Date was HK\$0.48.

Value of the Offer

As at the Latest Practicable Date, the Company has 1,472,000,000 Shares in issue. Based on the Offer Price of HK\$0.1 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$147,200,000. Following Completion, the Offerors and parties acting in concert with any of them are interested in an aggregate of 1,415,000,000 Shares, and only 57,000,000 Shares will be subject to the Offer. In the event that the Offer is accepted in full, the aggregate amount payable by the Offerors under the Offer will be HK\$5,700,000.

Financial resources

The Offerors intends to finance the Offer by their own internal resources and by way of a loan facility from Yu Ming. The Subscription Shares has been and any Offer Shares tendered under the Offer will be, transferred to and registered under the name of Yu Ming as security for the loan facility pursuant to a share mortgage arrangement.

LETTER FROM YU MING

Yu Ming is satisfied that sufficient financial resources are available to the Offerors to satisfy full acceptance of the Offer. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, such loan facility will not depend to any significant extent on the business of the Group.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares fully paid and free from all liens, charges, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of posting of this Composite Document. From the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by the Company.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

Overseas Shareholders

The Offerors intends to make the Offer available to all Shareholders, including the Overseas Shareholders. However, the Offer is in respect of securities of a company incorporated in the Cayman Islands and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. The Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

LETTER FROM YU MING

Stamp duty

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offerors in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offerors to such Independent Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offerors will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

INFORMATION ON THE GROUP

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 securities listed on the Stock Exchange and in the unlisted equities with a potential for earnings growth and capital appreciation.

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 Offerors are set out below:

Ms. Wisery, Ho Hoi Yee, has over thirteen years' experience in the news and media industry. She is currently the news editor (business) of a newspaper in Hong Kong. She is the spouse of Mr. Ma Chun Fai, a proposed non-executive Director.

LETTER FROM YU MING

Ms. Lai Tsui Har, has over sixteen years' 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 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.

Ms. Chan Pui Kwan ("Ms. Chan"), aged 47, was a corporate banker with more than 10 years of experience and had 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 with 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, which provides advices to corporations for business expansion in public and private sectors; and the founder and Vice Chairman of HT Strategy Ltd, 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.

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

LETTER FROM YU MING

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.

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.

Mr. Alex, Leung King Yue ("Mr. Leung"), aged 37, has 14 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 (formerly known as MYM Capital Limited) and Asian Asset Management Limited.

Mr. Leung was also an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited, stock code: 905) from March 2007 to May 2010 and UBA Investments Limited from July 2007 to 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 Greater China Technology Group Limited and Coolpoint Energy Limited, stock code: 8032), which is a company listed on the GEM board of the Stock Exchange from July 2008 to June 2010. Mr. Leung was an independent non-executive director of First Natural Foods Holdings Limited (subsequently renamed as Imperial Pacific International Holdings Limited, stock code: 1076) from December 2008 to 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 Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities.

LETTER FROM YU MING

INTENTIONS OF THE OFFERORS REGARDING THE GROUP

Following Completion, the Offerors intends to continue the existing businesses of the Group. As at the Latest Practicable Date, the Offerors have no plan to introduce major changes relating to (i) redeployment of the fixed assets of the Company; or (ii) inject any assets or businesses into the Group; or (iii) to procure the Group to acquire or dispose of any assets; or (iv) to discontinue the employment of the Group's employees as a result of the Offer (except for the proposed resignation of the existing Directors and appointment of new Directors to the Board as detailed in the section headed "Proposed change of Directors" below).

Up to the Latest Practicable Date, the Offerors does not contemplate any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any acquisition of business and/or assets, or disposal, termination or scaling-down of the Group's existing business or assets.

After the close of the Offer, 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. As at the Latest Practicable Date, the Offerors has not identified any investment or business opportunities.

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 will 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 this Composite Document.

Maintaining the listing status of the Group

The Offerors intends to to maintain the listing of the Shares on the Main Board of the Hong Kong Stock Exchange after the close of the Offer and the proposed Open Offer. The Offerors will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will be held by the public at all times.

LETTER FROM YU MING

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.

PROCEDURES FOR ACCEPTANCES OF THE OFFER

To accept the Offer, Independent Shareholders should complete the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance form part of the terms of the Offer.

The completed Form of Acceptance should then be forwarded, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "Incutech Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date.

No acknowledgement of receipt of any Form of Acceptance and the title documents will be given.

Your attention is drawn to the paragraph headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

Settlement of the Offer

Provided that the accompanying Form of Acceptance, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect

LETTER FROM YU MING

of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within seven Business Days from the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar.

Settlement to the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offerors in full in accordance with the terms of the Offer set out in this Composite Document (including its appendices) and the accompanying Form of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offerors may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

Tax Implications

None of the Company, Offerors, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Quam Capital, the Registrar or any of their respective directors or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, Offerors, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Quam Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

COMPULSORY ACQUISITION

The Offerors does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owner of the

LETTER FROM YU MING

Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Company, the Offerors, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, the Company, Quam Capital, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In particular, your attention is drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the independent financial adviser to the Independent Board Committee as set out in the “Letter from Quam Capital” contained in this Composite Document.

Yours faithfully,

For and on behalf of

Yu Ming Investment Management Limited

Warren Lee

Managing Director

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

Independent Non-Executive Directors

Mr. Allan Kwok Ming Fai

Mr. Robert Siu Siu Ling

Mr. Stephen Lee Ming Ching

Registered office

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place
of Business*

Room 1704, 17th Floor,

Tai Tung Building

8 Fleming Road

Wanchai

Hong Kong

To the Independent Shareholders

7 July, 2014

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
INCUTECH INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED
BY SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
AND PARTIES ACTING IN CONCERT WITH THEM)**

LETTER FROM THE BOARD

INTRODUCTION

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 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, for a total consideration of HK\$1,500,000. The Sale Shares represent approximately 1.02% of the entire issued share capital of the Company as at the Latest Practicable Date.

On the even day, the Company and the Offerors entered into the Subscription Agreement (as supplemented), pursuant to which the 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 95.11% of the entire issued share capital of the Company as at the Latest Practicable Date.

On 30 June 2014, conditions precedent to the Sale and Purchase Agreement and Subscription Agreement were fulfilled and Completion took place.

Immediately following Completion, the Offerors and parties acting in concert with them held an aggregate of 1,415,000,000 Shares, representing approximately 96.13% of the entire issued share capital of the Company and accordingly, the Offerors are required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares, other than those acquired or have been agreed to be acquired by them and parties acting in concert with any of them.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, 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 Offer is fair and reasonable and as to the acceptance. Quam Capital was appointed as the independent financial adviser after the approval by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offerors and the Offer; (ii) the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders in respect of the Offer; and (iii) the “Letter from Quam Capital” containing its recommendation to the Independent Board Committee in respect of the Offer.

LETTER FROM THE BOARD

THE OFFER

Principal terms of the Offer

Yu Ming is making the Offer for on behalf of the Offerors in compliance with the Takeovers Code on the following basis:

For each Offer Share HK\$ 0.1 in cash

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

Further details of the Offer, including terms and procedures for acceptance of the Offer are contained in the “Letter from Yu Ming” as set out on pages 7 to 17 of this Composite Document and Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE GROUP

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 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 audited consolidated financial results of the Group for each of the years ended 31 December 2012 and 2013.

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

The audited consolidated net liabilities of the Group as at 31 December 2012 were approximately HK\$21.8 million, which was equivalent to approximately HK\$0.30 per Shares.

LETTER FROM THE BOARD

The audited consolidated net liabilities of the Group as at 31 December 2013 were approximately HK\$28.5 million, which was equivalent to approximately HK\$0.40 per Shares.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) prior to Completion; and (ii) upon Completion and as at the Latest Practicable Date:

Shareholders	Prior to Completion		Upon Completion and as at the Latest Practicable Date	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Vendor (Note 1)	15,000,000	20.83%	—	—
<i>Offerors and parties acting in concert with them</i>				
— First Offeror (Note 2)	—	—	427,500,000	29.04%
— Second Offeror (Note 2)	—	—	987,500,000	67.09%
<i>Subtotal</i>	<u>15,000,000</u>	<u>20.83%</u>	<u>1,415,000,000</u>	<u>96.13%</u>
Cheong Chi Man (Note 3)	7,350,000	10.21%	—	—
<i>Public Shareholders</i>				
Cheong Chi Man (Note 3)	—	—	7,350,000	0.50%
Other Public Shareholders	49,650,000	68.96%	49,650,000	3.37%
<i>Sub-total (Public float)</i>	<u>49,650,000</u>	<u>68.96%</u>	<u>57,000,000</u>	<u>3.87%</u>
Total	<u><u>72,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,472,000,000</u></u>	<u><u>100.00%</u></u>

Notes:

- 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 were deemed to be interested in 15,000,000 Shares held by the Vendor prior to Completion.
- The Subscription Shares was transferred to and registered under the name of Yu Ming as security for the loan facility pursuant to a share mortgage arrangement.
- Prior to Completion, Mr. Cheong Chi Man was a substantial Shareholder holding 10.21% of the entire issued share capital of the Company. Upon Completion, Mr. Cheong Chi Man interest in the Shares reduced to 0.50% and 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.

LETTER FROM THE BOARD

INFORMATION ON THE OFFERORS

Your attention is drawn to the paragraph headed “Information of the Offerors” in the “Letter from Yu Ming” as set out on pages 7 to 17 of this Composite Document.

INTENTIONS OF THE OFFERORS REGARDING THE GROUP

Your attention is drawn to the section headed “Intentions of the Offerors regarding the Group” in the “Letter from Yu Ming” as set out on pages 7 to 17 of this Composite Document, which set out further information on the intentions of the Offerors in respect of the Group, its business and employees.

The Board has noted the intention of the Offerors in respect of the Group and its employees and is willing to render cooperation and support to the Offerors, which are in the interests of the Company and the Shareholders as a whole.

Maintaining the listing status of the Group

As set out in the “Letter from Yu Ming” on pages 7 to 17 of this Composite Document, the Offerors intends to maintain the listing of the Shares on the Main Board of the Hong Kong Stock Exchange after closing of the Offer.

Upon completion of the Offer, the Company proposes to carry out the Open Offer to offer not less than 427,500,000 Open Offer Shares to existing Shareholders,

- (i) Assuming all Qualifying Shareholders take up their entitlement under the Open Offer and none of them accepted the 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;
- (ii) 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.

In order to ensure a minimum of 25% public float immediately after the close of the Offer and the Open Offer, each of the Offerors have undertaken to the Company that it will take all necessary measures, including but not limited to, entering into the placing arrangement to 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.

LETTER FROM THE BOARD

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:

(iii) a false market exists or may exist in the Shares; or

(iv) 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.

RECOMMENDATION

The Independent Board Committee is established to make recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

We recommend Independent Shareholders to read the “Letter from the Independent Board Committee” as set out on pages 24 and 25 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Offer, and the “Letter from Quam Capital” as set out on pages 26 to 46 of this Composite Document containing its advice to the Independent Board Committee in respect of the Offer.

Yours faithfully,
For and on behalf of the Board
Incutech Investments Limited
Michael Wu Chun 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

7 July, 2014

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
INCUTECH INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE ACQUIRED
BY SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
AND PARTIES ACTING IN CONCERT WITH THEM)**

We refer to the Composite Document dated 7 July, 2014 jointly issued by the Offerors and the Company of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to advise you as to (i) whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and (ii) acceptance of the Offer, 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 26 to 46 of this Composite Document. Details of the Offer are set out in the “Letter from Yu Ming”, Appendix I contained in this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, Independent Shareholders are also reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer and the “Letter from Quam Capital” in this Composite Document.

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 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, which has been prepared for the purpose of incorporation into this Composite Document, setting out its advice to the Independent Board Committee in respect of the Offer.



Quam Capital Limited

A Member of The Quam Group

7 July 2014

To the Independent Board Committee

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

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
YU MING INVESTMENT MANAGEMENT LIMITED
ON BEHALF OF
SHARP YEARS LIMITED AND HUGO LUCKY LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
INCUTECH INVESTMENTS LIMITED
(OTHER THAN THOSE ALREADY ACQUIRED OR AGREED TO BE
ACQUIRED BY SHARP YEARS LIMITED AND
HUGO LUCKY LIMITED AND PARTIES
ACTING IN CONCERT WITH THEM)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer, details of which are contained in the Composite Document jointly issued by the Offerors and the Company dated 7 July 2014 (the “**Composite Document**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in this Composite Document unless the context otherwise requires.

LETTER FROM 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 in respect of the Offer, in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. 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 this Composite Document; (ii) the information and facts 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 this Composite Document were true, accurate and complete in all respects at the time they were made and continued to be so as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the management of the Group 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 this Composite Document and that all information or representations regarding the Group, the Offerors and the Offer 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 as at the Latest Practicable Date. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders shall also be informed as soon as practicable in the event that there are any material changes to the information contained or referred to herein and our opinion after the Latest Practicable Date and throughout the Offer Period.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in this Composite Document so as to provide a reasonable basis for our recommendation. We have neither 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 the Offerors or any of their respective subsidiaries or associates.

LETTER FROM QUAM CAPITAL

In relation to the Offer, we have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offer since these are particular to their individual circumstances. In particular, Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation to the Independent Board Committee regarding the Offer, we have taken into consideration the principal factors and reasons set out below:

1. Background to and the terms of the Offer

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 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, 2 January 2014, 28 February 2014, 28 March 2014 and 28 May 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. On 30 June 2014, conditions precedent to the Sales and Purchase Agreement and Subscription Agreement were fulfilled and Completion took place.

Upon Completion, the Offerors and parties acting in concert with them held in aggregate 1,415,000,000 Shares, representing approximately 96.13% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offerors are required to make a mandatory unconditional cash offer for all the issued Shares other than those acquired or have been agreed to be acquired by them and parties acting in concert with any of them. Yu Ming, on behalf of the Offerors, is making the Offer on the basis of HK\$0.1 in cash per Offer Share, which is equal to both the price per Share payable by the Offerors to the Vendor under the Sale and Purchase Agreement and the price per Share payable by the Offerors to the Company under the Subscription Agreement.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the section headed “Further terms of acceptance of the Offer” in Appendix I to this Composite Document.

LETTER FROM QUAM CAPITAL

2. Information on the Group

2.1 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) demonstrate it has sufficient level of operations or assets of sufficient value under Rule 13.24 of the Listing Rules; and (ii) satisfy 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 Company submitted the first resumption proposal to the Stock Exchange on 10 July 2013 (the “**First Resumption Proposal**”). 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 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**”). The Revised Resumption Proposal includes the following elements:

- (i) Acquisition of 15,000,000 Sale Shares in aggregate by the Offerors from the Vendor at HK\$0.1 per Sale Share for a total Consideration of HK\$1.5 million;

LETTER FROM QUAM CAPITAL

- (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;
- (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;
- (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, 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 Investment Management Limited, 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 fulfil Rule 21.04 of the Listing Rules at the earliest time permissible under the Takeovers 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 Offer, the Open Offer and all other transactions contemplated in the Revised Resumption Proposal. Details of the Revised Resumption Proposal and the relevant transactions are set out in the circular of the Company dated 9 June 2014 (the “**June Circular**”).

LETTER FROM QUAM CAPITAL

2.2 *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.

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
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
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>

LETTER FROM QUAM CAPITAL

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 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
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
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.

LETTER FROM QUAM CAPITAL

3. Information on the Offerors and its intentions regarding the future of the Group

3.1 *Background of the Offerors*

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.

Ms. Wisery, Ho Hoi Yee has over thirteen years' experience in the news and media industry. She is currently the news editor (business) of a newspaper in Hong Kong. She is the spouse of Mr. Ma Chun Fai, a proposed non-executive Director.

Ms. Lai Tsui Har has over sixteen years' 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 currently an associate director of marketing and communications in PricewaterhouseCoopers Hong Kong.

Ms. Chan Pui Kwan, was a corporate banker with more than ten years of experience and had 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. She is currently the founder and chief executive officer of Delta-Think (HK) Ltd, which provides advices to corporations for business expansion in public and private sectors; and the founder and vice chairman of HT Strategy Ltd, which provides business strategy advisory and financial management service in Hong Kong, the PRC, Europe and other emerging markets.

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, the PRC, Europe and other emerging markets.

LETTER FROM QUAM CAPITAL

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.

Mr. Alex, Leung King Yue has approximately fourteen 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. He is a responsible officer of two asset management companies, namely JK Capital Management Limited (formerly known as MYM Capital limited) and Asian Asset Management Limited.

Further background information of the beneficial owners of the Offerors are set out in the paragraph headed “INFORMATION ON THE OFFERORS” in the Letter from Yu Ming of this Composite Document.

3.2 Intentions in relation to the Group

As set out in the Letter from Yu Ming in this Composite Document, following Completion, the Offerors intend to continue the existing businesses of the Group and after the close of the Offer, 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. As at the Latest Practicable Date, the Offerors has not identified any investment of business opportunities and have no plan to introduce major changes relating to (i) redeployment of the fixed assets of the Company; or (ii) inject any assets or businesses into the Group; or (iii) to procure the Group to acquire or dispose of any assets; or (iv) to discontinue the employment of the Group’s employees as a result of the Offer (except for the proposed resignation of the existing Directors and appointment of new Directors to the Board as detailed in the paragraph headed “3.3 Intention regarding the composition of the Board” below). Up to the Latest Practicable Date, the Offerors does not contemplate any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any acquisition of business and/or assets, or disposal, termination or scaling-down of the Group’s existing business or assets.

LETTER FROM QUAM CAPITAL

3.3 Intention regarding the composition of the Board

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 will 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 (collectively, the “**Proposed Directors**”) on the earliest date permitted under the Takeovers Code, which is the despatch date of this Composite Document.

Details of the biographies of the Proposed Directors are set out in the June Circular.

3.4 Maintenance of the listing status/public float of the Company

As set out in the Letter from Yu Ming of this Composite Document, the Offerors intend to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer and the proposed Open Offer. The Offerors will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will be held by the public at all time.

Please note that the Stock Exchange may exercise its discretion, if upon the close of the Open Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued shares capital, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, to suspend dealings in the Shares.

It is also stated in the Composite Document that given trading in the Shares is currently under suspension, restoration of sufficient public float will have to be satisfied prior to Resumption.

LETTER FROM QUAM CAPITAL

4. Business prospect of the Group

The Group is principally engaged in investments in securities listed on the Stock Exchange and unlisted equities with a potential for earnings growth and capital appreciation. According to the investment objectives and policies of the Company, a substantial portion of the Company's assets will be invested in securities of listed and unlisted companies in Hong Kong and the PRC.

Engaging in securities investments business in Hong Kong and the PRC, the Group's financial and business performance is subject to, among other things, Hong Kong and PRC economic and financial market environment. Governmental policies, international financial market and global economic environment may also cast uncertainty over the investment markets in Hong Kong and the PRC.

The economy of Hong Kong and the PRC has been expanding but the growth of which has slowed down in recent years. According to the Census and Statistics Department of Hong Kong, the gross domestic product ("GDP") of Hong Kong (at current market prices) increased from approximately HK\$1,934 billion in 2011 to approximately HK\$2,037 billion in 2012 and approximately HK\$2,125 billion in 2013 with the growth rate decreased from approximately 8.9% in 2011 to approximately 5.3% in 2012 and approximately 4.3% in 2013. The first quarter GDP growth also decreased from approximately 4.8% in 2013 to approximately 4.6% in 2014. According to the National Bureau of Statistics of China, the GDP of the PRC (in nominal value) increased from approximately RMB47,310 billion in 2011 to approximately RMB51,932 billion in 2012 and approximately RMB56,885 billion in 2013 with the growth rate decreased from approximately 17.8% in 2011 to approximately 9.8% in 2012 and approximately 9.5% in 2013.

The global stock market investing environment has been challenging since the financial crisis in 2008. In 2008, the Heng Seng Index dropped from the highest of 27,615.85 to the lowest of 11,015.84. The Heng Seng Index gradually picked up in 2009 and 2010 to reach 24,964.37 and fluctuated between 16,250.27 and 24,964.37 subsequently and up to the Latest Practicable Date. The Shanghai Composite Index, in 2008, dropped from the highest of 5,497.9 to the lowest of 1,706.7 and rebounded in 2009 to reach 3,471.44. Since then, the Shanghai Composite Index continued with the decreasing trend up to the Latest Practicable Date. The Shenzhen Composite Index, in 2008, dropped from the highest of 1,576.5 to the lowest of 456.97. The Shenzhen Composite Index gradually picked up to reach 1,389.54 in 2010 but was volatile afterwards with the drop to the lowest of 734.28 in 2012 and subsequently having the increasing trend up to the Latest Practicable Date.

LETTER FROM QUAM CAPITAL

In view of (i) the slow growing economies of Hong Kong and the PRC; (ii) the challenging and uncertain investment markets in Hong Kong and the PRC; and (iii) the persistent loss-making position of the Group as discussed in the paragraph headed “2.2 Financial information of the Group” above, we consider the prospects and outlook of the Group may remain challenging and uncertain and the Offer provides the Independent Shareholders an opportunity to realise their investment in the Shares after the prolonged suspension of trading of the Shares.

5. Offer Price

The Offer is being made by Yu Ming, on behalf of the Offerors, at a price of HK\$0.1 per Offer Share in cash.

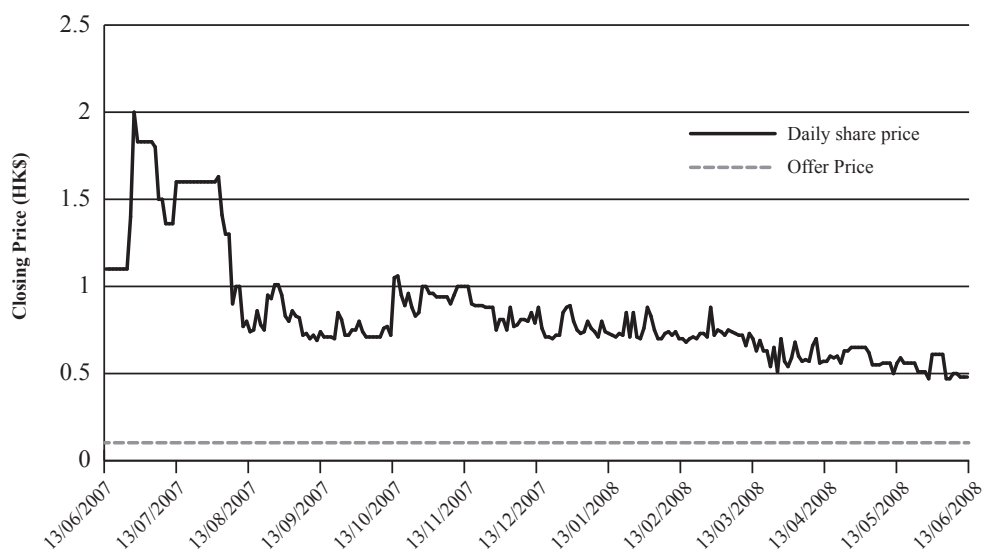
The Offer Price of HK\$0.1 per Offer Share represents:

- (i) the same as the price of each Sale Share and each Subscription 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;
- (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\$0.50 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.

LETTER FROM QUAM CAPITAL

5.1 Historical price performance of the Shares

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 Date) to the Last Trading Date (the “**Review Period**”) as quoted on the Stock Exchange’s website as compared with the Offer 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 Offer Price to the closing prices of the Shares prior to the Last Trading Date. For reference only, the historical trading pattern of the Shares for the Review Period is illustrated as follows.



Source: Bloomberg

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 Offer 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 Date.

LETTER FROM QUAM CAPITAL

Despite the Offer Price represents a discount to the closing price of the Share during the Review Period, given the prolonged suspension in trading of the Shares for over five years, we are in the opinion that the closing price of the Shares during the Review Period did not reflect the market sentiment towards the current financial performance of the Group as well as the business prospect of the Group and thus, the comparison of the Offer Price with the quoted price of the Shares prior to its suspension of trading may not be appropriate. In this regard, we have performed the peer analysis as set out in the paragraph headed “5.2 Peer Comparison” below.

5.2 Peer Comparison

In assessing the fairness and reasonableness of the 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 for more than five years, we consider that it is not feasible to assess the 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 Offer Price.

As announced by the Company on 13 June 2014, the latest unaudited consolidated negative net asset value per Share as at 31 May 2014 was approximately HK\$0.431 (the “**Negative NAV**”). Based on the total number of issued Shares of 72,000,000 and 1,472,000,000 immediately before and after the Completion respectively and the net proceeds of the Subscription of approximately HK\$137.2 million (as set out in the June Circular), it is estimated that the Negative NAV, having taken into account the Subscription, will be adjusted to the unaudited consolidated net asset value of approximately HK\$106.2 million or the unaudited consolidated net asset value per Share of approximately HK\$0.072 (the “**Adjusted NAV**”). The Offer Price represents a premium of approximately 38.9% (the “**NAV Premium**”) over the Adjusted NAV. Taking into consideration of the value of the Shares of approximately HK\$147.2 million upon completion of Subscription 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 capitalization below HK\$300 million (the “**Business Comparables**”) which we consider being exhaustive. The market

LETTER FROM QUAM CAPITAL

capitalization of HK\$300 million is approximately 2 times the value of the Shares in issue upon completion of the Subscription (based on the share price of HK\$0.1 per Share) which we consider an acceptable size for our analysis below. We have tabulated below the premium/(discount) 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 purpose. 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; 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 <i>(HK\$ million)</i>	Closing price as at the Latest Practicable Date <i>(HK\$)</i>	Latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	Premium/(discounts) of the closing share price as at the Latest Practicable Date over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	<i>(%)</i>
80	CHINA NEW ECONOMY FUND LIMITED	92.4	0.305	0.85	(0.545)	(64.1)
170	CHINA ASSETS (HOLDINGS) LIMITED	199.6	2.60	16.11 <i>(Note 1)</i>	(13.51)	(83.9)
310	PROSPERITY INVESTMENT HOLDINGS LIMITED	152.5	0.214	0.39	(0.176)	(45.1)
339	EARNEST INVESTMENTS HOLDINGS LIMITED	88.3	1.09	0.6827	0.407	59.7

LETTER FROM QUAM CAPITAL

Stock Code	Company Name	Market capitalization as at the Latest Practicable Date <i>(HK\$ million)</i>	Closing price as at the Latest Practicable Date <i>(HK\$)</i>	Latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	Premium/(discounts) of the closing share price as at the Latest Practicable Date over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	(<i>%</i>)
428	HARMONY ASSET LIMITED	140.6	3.6	5.85	(2.25)	(38.5)
612	CHINA INVESTMENT FUND COMPANY LIMITED	198.9	0.26	0.21	0.05	23.8
768	UBA INVESTMENTS LIMITED	168.5	0.159	0.101	0.058	57.4
770	SHANGHAI INTERNATIONAL SHANGHAI GROWTH INVESTMENT LIMITED	62.1	6.975 <i>(Note 1)</i>	13.64 <i>(Note 1)</i>	(6.665)	(48.9)
810	OPES ASIA DEVELOPMENT LIMITED	176.7	0.34	0.2387	0.1013	42.4
905	MASTERMIND CAPITAL LIMITED	200.0	0.077	0.035	0.042	120.0
1160	GRAND INVESTMENT INTERNATIONAL LIMITED	119.2	0.69	0.27	0.42	155.6
1217	CHINA INNOVATION INVESTMENT LIMITED	272.2	0.039	0.042 <i>(Note 1)</i>	(0.003)	(7.1)

LETTER FROM QUAM CAPITAL

Stock Code	Company Name	Market capitalization as at the Latest Practicable Date <i>(HK\$ million)</i>	Closing price as at the Latest Practicable Date <i>(HK\$)</i>	Latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	Premium/(discounts) of the closing share price as at the Latest Practicable Date over/(to) their respective latest published net asset value per share prior to the Latest Practicable Date <i>(HK\$)</i>	(<i>%</i>)
1226	CHINA INVESTMENT AND FINANCE GROUP LIMITED	183.2	0.315	0.90	(0.585)	(65.0)
2324	CAPITAL VC LIMITED	215.2	0.225	0.7115	(0.4865)	(68.4)
				Maximum	0.42	155.6
				Minimum	(13.51)	(83.9)
	The Offer Price	0.1		0.072	0.028	38.9
				<i>(Note 2)</i>		

Notes:

1. The value was recorded in USD has been converted into HK\$ based on the exchange rate of USD1.0 = HK\$7.75.
2. The Adjusted NAV was calculated by dividing the sum of HK\$137.2 million and -HK\$31.0 million (i.e. -0.431 multiplied by 72,000,000) by 1,472,000,000.

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 83.9% (the “**Overall Range**”). We noted that the NAV Premium falls within the Overall Range.

As the Overall Range is large, we have also identified the cash offers made for companies listed on the Stock Exchange pursuant to Chapter 21 of the Listing Rules for the past 12 months (the “**GO Comparables**”) which we consider being exhaustive. We tabulated below the premium of the offer prices for the GO Comparables over their respectively net asset value per share (the “**GO Premiums**”) for comparison purpose. We believe that the GO Comparables,

LETTER FROM QUAM CAPITAL

which relate to the cash offers of investment companies made for the past 12 months, may reflect the recent trend of cash offers in the market for investment companies and thus, consider the GO Comparables are fair and representative samples.

Stock Code	Company Name	Market capitalization as at the Latest Practicable Date	Date of the composite document	Offer price (HK\$)	Latest published net asset value per share prior to the latest practicable date of the respective composite document (HK\$)	Premium of the offer price over their respective net asset value per share published prior to the latest practicable date of the respective Composite Document (HK\$)	(%)
901	EAGLE RIDE INVESTMENT HOLDINGS LIMITED	753.8	7 October 2013	1.4412	0.901	0.5402	59.96
1160	GRAND INVESTMENT INTERNATIONAL LTD.	119.2	22 October 2013	0.36	0.28	0.08	28.57
	The Offer Price			0.1	0.072	0.028	38.9

As shown in the above table, we note that the NAV Premium falls within the range of the GO Premiums.

Having considered that (i) the comparison of the Offer 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; and (ii) the NAV Premium falls within the Overall Range and GO Premiums, we are of the view that the Offer Price is fair and reasonable.

LETTER FROM QUAM CAPITAL

5.3 *Trading volume*

We have reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares as at the Latest Practicable Date are shown in the table below.

	Total trading volume <i>(No. of shares)</i>	Number of trading days	Average daily volume <i>(No. of shares)</i>	% of average daily trading volume to the number of issued Shares <i>(Note 3)</i> <i>(Approximate %)</i>
2007				
June <i>(note 1)</i>	320,000	12	26,667	0.037
July	80,000	21	3,810	0.005
August	12,370,000	23	537,826	0.747
September	5,340,000	19	281,053	0.390
October	7,070,000	21	336,667	0.468
November	2,240,000	22	101,818	0.141
December	60,000	19	3,158	0.004
2008				
January	1,030,000	22	46,818	0.065
February	3,290,000	19	173,158	0.240
March	3,770,000	19	198,421	0.276
April	1,840,000	21	87,619	0.122
May	1,180,000	20	59,000	0.082
June <i>(note 2)</i>	130,000	8	16,250	0.023
The Review Period	38,720,000	246	157,398	0.219

Source: Bloomberg

Notes:

1. The Review Period commenced on 13 June 2007
2. The Review Period ended on 12 June 2008
3. Based on 72,000,000 Shares in issue as at the Latest Practicable Date

LETTER FROM QUAM CAPITAL

As shown from the table above, the percentage of the average daily trading volume during the Review Period amounted to approximately 0.22%. The highest average daily trading volume during the Review Period amounted to approximately 537,826 Shares recorded in August 2007, representing approximately 0.75% of the total Shares in issue and the lowest average daily trading volume during the Review Period amounted to 3,158 Shares recorded in December 2007, representing approximately 0.004% of the total issued Shares.

Based on the above, we consider the overall liquidity of the Shares to be thin during the Review Period before the prolonged suspension in trading of the Shares since 13 June 2008 and that Independent Shareholders who may wish to realise their investment in the Company, especially those with relatively sizable shareholdings, might not be able to do so without exerting downward pressure on the Share price to some extent. In this regard, we consider that the Offer provides an alternative exit for the Independent Shareholders to realise their investment in the Shares.

RECOMMENDATION

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

- the prospects and outlook of the Group may remain challenging and uncertain;
- the Offer provides the Independent Shareholders an opportunity to realise their investment after the prolonged suspension in trading of the Shares for over five years;
- the price of HK\$0.1 for each Offer Share represents a premium of approximately HK\$0.028, equivalent to approximately 38.9%, over the Adjusted NAV;
- the NAV Premium falls within the Overall Range and GO Premiums; and
- the trading volume of the Shares during the Review Period was generally thin low which Shareholders may find it difficult to dispose of a large number of Shares in the open market without exerting a downward pressure on the price of the Shares and the Offer provides an alternative exit for the Independent Shareholders to realise their investment in the Shares,

LETTER FROM QUAM CAPITAL

we consider that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Yours faithfully
For and on behalf of
Quam Capital Limited
Gary Mui
Deputy Chief Executive Officer

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Registrar, Tricor Secretaries Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "Incutech Offer" on the envelope.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Yu Ming and/or the Offerors or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form(s) of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offerors may determine and announce with the consent of the Executive in accordance to the Takeover Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty for transfer of Shares registered on the Registrar arising in connection with acceptance of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offerors in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offerors to such Independent Shareholder

on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offerors will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

- (h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date.
- (b) The Offerors and the Company will jointly issue an announcement through the websites of the Stock Exchange no later than 7:00 p.m. on Monday, 28 July, 2014 stating whether the Offer have expired or have been revised or extended.
- (c) In the event that the Offerors decide to extend the Offer, at least 14 days' notice in writing will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offerors revise the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offers will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires be deemed to refer to the closing date of the Offer so extended.

3. ANNOUNCEMENT

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offerors must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offerors must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer have been revised or extended or have expired.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
 - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offerors or its concert parties before the offer period (as defined under the Takeovers Code);
 - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offerors or its concert parties during the offer period (as defined under the Takeovers Code);
 - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offerors or any parties acting in concert with any of them has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
 - (v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on Monday, 28 July, 2014, being the latest time and date for acceptance of the Offer, shall be included.

4. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offerors are unable to comply with the requirements set out in paragraph 3 of this Appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offerors shall, as soon as possible but in any event within seven Business Days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

5. SETTLEMENT OF THE OFFER

Provided that the accompanying Form of Acceptance for the Shares, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within seven Business Days from the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar.

Settlement of the consideration to which any Independent Shareholders is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offerors may otherwise be, or claim to be, entitled against such Independent Shareholders.

6. OVERSEAS SHAREHOLDERS

The Offerors intends to make the Offer available to all Shareholders, including the Overseas Shareholders. However, the Offer is in respect of securities of a company incorporated in the Cayman Islands and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. The Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

7. TAX IMPLCATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, Offerors, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Quam Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

8. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither of the Offerors nor Yu Ming accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offerors that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offerors that the number of Shares in respect of which it is indicated in the Form of Acceptance the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance will constitute an authority to the Offerors or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

- a. The following is a summary of the audited financial results of the Group for each of three years ended 31 December 2013 as extracted from the published annual reports of the Company.

	For the year ended 31 December,		
	2011	2012	2013
	HK\$ '000	HK\$ '000	HK\$ '000
Revenue	<u>132</u>	<u>191</u>	<u>182</u>
Loss before taxation	(4,971)	(3,928)	(6,665)
Taxation	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the year	<u>(4,971)</u>	<u>(3,928)</u>	<u>(6,665)</u>
Loss Attributable to:			
Owners of the Company	(4,971)	(3,928)	(6,665)
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(4,971)</u>	<u>(3,928)</u>	<u>(6,665)</u>
Dividend	—	—	—
Loss per share:			
Basic	<u>HK(7) cents</u>	<u>HK(5) cents</u>	<u>HK(9) cents</u>

There were neither extraordinary nor exceptional items during each of the three years ended 31 December 2013.

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

The reports of the auditor of the Company, W. H. Tang & Partners CPA Limited, for each of the three years ended 31 December 2013 do not contain any qualifications, but issued an emphasis of matter. It is stated in the reports that, as the Group incurred a loss during the period and the net current liabilities and net liabilities position, the existence of material uncertainty may cast significant doubt about the Group's ability to continue as a going concern. As such, the Directors have taken

measures to improve the liquidity of the Group, which include extending short term loans, implementing cost controls, reschedule payments and exploring options for fundraising. In addition, a substantial Shareholder, who is also a Director 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, who is also a Director.

2. FINANCIAL INFORMATION OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2013

Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2013 extracted from the annual report of the Company for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Turnover	7	182,016	190,960
Unrealised gain on listed securities	16	134,000	450,308
Realised loss on disposal of listed securities		—	(11,500)
Investment management fee		(600,000)	(600,000)
Other operating expenses		<u>(5,674,823)</u>	<u>(3,309,271)</u>
Operating loss		(5,958,807)	(3,279,503)
Finance costs	9	<u>(706,068)</u>	<u>(648,245)</u>
Loss before taxation	10	(6,664,875)	(3,927,748)
Taxation	11	<u>—</u>	<u>—</u>
Loss for the year attributable to equity holders of the Company	12	(6,664,875)	(3,927,748)
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive loss for the year attributable to equity holders of the Company		<u><u>(6,664,875)</u></u>	<u><u>(3,927,748)</u></u>
Loss per share	13	<u><u>(HK\$0.09)</u></u>	<u><u>(HK\$0.05)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>15</i>	<u>1</u>	<u>72,585</u>
		<u>1</u>	<u>72,585</u>
CURRENT ASSETS			
Investments held for trading	<i>16</i>	5,338,208	5,204,208
Prepayments and other receivables		119,435	116,060
Bank balances and cash	<i>22(b)</i>	<u>6,282</u>	<u>249,955</u>
		<u>5,463,925</u>	<u>5,570,223</u>
CURRENT LIABILITIES			
Short term loans	<i>17</i>	9,380,184	8,674,116
Other payables and accruals	<i>18</i>	15,219,433	11,304,049
Due to a director	<i>19</i>	<u>9,316,392</u>	<u>7,451,851</u>
		<u>33,916,009</u>	<u>27,430,016</u>
NET CURRENT LIABILITIES		<u>(28,452,084)</u>	<u>(21,859,793)</u>
NET LIABILITIES		<u>(28,452,083)</u>	<u>(21,787,208)</u>
CAPITAL AND RESERVES			
Share capital	<i>20</i>	720,000	720,000
Reserves		<u>(29,172,083)</u>	<u>(22,507,208)</u>
SHAREHOLDERS' FUNDS		<u>(28,452,083)</u>	<u>(21,787,208)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 December 2013*

	Share capital <i>HK\$</i>	Share premium <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total equity <i>HK\$</i>
At 1 January 2012	720,000	67,320,071	(85,899,531)	(17,859,460)
Total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(3,927,748)</u>	<u>(3,927,748)</u>
At 31 December 2012 and 1 January 2013	720,000	67,320,071	(89,827,279)	(21,787,208)
Total comprehensive loss for the year	<u>—</u>	<u>—</u>	<u>(6,664,875)</u>	<u>(6,664,875)</u>
At 31 December 2013	<u><u>720,000</u></u>	<u><u>67,320,071</u></u>	<u><u>(96,492,154)</u></u>	<u><u>(28,452,083)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2013*

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Operating activities			
Net cash (used in)/from operating activities	<i>22(a)</i>	<u>(243,673)</u>	<u>225,679</u>
Net (decrease)/increase in cash and cash equivalents		<u>(243,673)</u>	<u>225,679</u>
Cash and cash equivalents at the beginning of year	<i>22(b)</i>	<u>249,955</u>	<u>24,276</u>
Cash and cash equivalents at the end of year		<u><u>6,282</u></u>	<u><u>249,955</u></u>
Analysis of balance of cash and cash equivalents	<i>22(b)</i>	<u><u>6,282</u></u>	<u><u>249,955</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. General Information

- (a) Incutech Investments Limited (the “Company”) was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and have been suspended for trading since 13 June 2008.

The principal activities of the Company and its subsidiaries during the year are investments in securities listed on the Stock Exchange and unlisted securities with a potential for earning growth and capital appreciation.

- (b) The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The consolidated financial statements have been prepared under the historical cost convention, except that investments held for trading are stated at fair value.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

In preparing the consolidated financial statements, the directors of the Company (“Directors”) have given careful consideration to the future liquidity of the Group in light of 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. A resumption proposal to resume the trading of shares of the Company on the Stock Exchange and to improve the financial position of the Group is submitted to the Stock Exchange. In addition, the Company had entered into a share subscription agreement pursuant to which the Company conditionally agreed to issue and allot 1,000,000,000 shares at the price of HK\$0.1 per share to Sharp Years Limited and Hugo Lucky Limited. As at the date of this report, the resumption proposal and the share subscription are pending approval by the Stock Exchange. As such, the Directors have been taking measures to improve the liquidity of the Group. These measures include (i) extending the Group’s short term loans upon maturity; (ii) implementing cost controls over operating expenses; (iii) negotiating with the suppliers to reschedule the payments of the Group’s expenditures; and (iv) exploring options to conduct fund raising activities. In addition, Biggish Management Limited, the substantial shareholder of the Company, and Mr. Tung Tat Wah, the chairman and executive director of the Company, have agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern and to meet its obligation for at least twelve months from the date of the consolidated financial statements.

Provided that the aforesaid measures are successful and the continuing financial support is given by the substantial shareholder and one of the directors of the Company that can effectively improve the liquidity position of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective.

Amendments to HKFRS 9, HKFRS 7 and HKFRS 39	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKFRS 39
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 9	Financial Instruments ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the potential impact of these pronouncements. The Directors so far concluded that the application of these new pronouncements will have no material impact on the Group's consolidated financial statements.

3. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the gains or losses are also recognised directly in other comprehensive income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss in the year in which the item is derecognised.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follow:

Decoration and office equipment	2 years
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(d) Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the

lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to profit or loss on a straight-line basis over the lease period.

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. They are carried at fair value, with any resultant gain and loss recognised in profit and loss, which incorporates any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at FVTPL, if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognition gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including prepayments, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. The Group designated investments in unlisted securities as available – for-sale financial assets.

Investments in unlisted securities are available-for-sale equity investments measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in capital reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in capital reserve is removed from capital reserve and recognised in profit or loss. Investments in unlisted securities which fair values cannot be reliably measured are stated at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in capital reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including short term loans, other payables and accruals and amount due to a director are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(g) *Cash and cash equivalents*

For the purposes of consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) *Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) **Employee benefits**

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contribution to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The Group participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (“MPF Scheme”) for all employees. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds. The Group’s contributions to the defined contribution retirement schemes are expensed as incurred.

(k) **Borrowing Costs**

All borrowings costs are recognised as an expense in the period in which they are incurred.

(l) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(m) Revenue recognition

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

Gains or losses on sale of investment securities and other investments are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

(n) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or of the Group's parent.

(ii) An entity is related to the Group if:

- (a) the entity and the Group are members of the same group;
- (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) both entities are joint venture of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

- (f) the entity is controlled or jointly controlled by a person identified in (i); or
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Going concern assumption

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statement. The Group is dependent upon the successful outcome of the measures and continuing financial support from the substantial shareholder and director of the Company as set forth in note 1(b) in order to meet the Group's future working capital and financing requirements.

In assessing whether or not the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but is not limited to, twelve months from the approval date of the consolidated financial statements.

If the Group were unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded assets and liabilities may need to be incorporated in the consolidated financial statements.

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group also monitors the current and expected liquidity requirements regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements. Upon the discovery of any default, the Group would negotiate immediately with the relevant lenders for proper arrangement in order to maintain sufficient working capital. The Group manages its operating cash flow in order to achieve optimum utilization and certain costs-cutting measures are implemented to streamline its operating costs.

The capital structure of the Group consists of (deficit) equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary.

The Group has negative equity at both years ended 31 December 2012 and 2013, resulting primarily from the significant loss suffered by the Group. The Group monitors its current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and mainly relies on short term financing from a director of the Company to meet its working capital requirements.

6. Financial Instruments

Categories of financial instruments

	2013 HK\$	2012 HK\$
Financial assets		
Designated as at fair value through profit or loss (“FVTPL”)	5,338,208	5,204,208
Loans and receivables (including cash and cash equivalents)	125,717	366,015
Financial liabilities		
Amortised cost	33,916,009	27,430,016

Financial risk management objectives and policies

The Group’s major financial instruments include investments held for trading, prepayments, other receivables, bank balances, short term loans, other payables, accruals and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group’s activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group’s exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) Currency risk

The Group has limited exposure to market risk resulting from changes in foreign currency exchange rates since other than the functional and presentation currency of HK dollar, the Group holds no financial assets in foreign currency and thus the Group currently does not have a foreign currency hedging policy.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate short term loans (see note 17 for details of the short term loans). It is the Group’s policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's Hong Kong dollars borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For short term loans, the analysis is prepared assuming the amount of the outstanding loans at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2013 would increase/decrease by HK\$38,401 (2012: increase/decrease by HK\$35,021). This is mainly attributable to the Group's exposure to interest rates on its short term loans.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed an investment manager to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower, the Group's loss for the year ended 31 December 2013 would decrease/increase by HK\$266,910 (2012: decrease/increase by HK\$260,210) as a result of the changes in fair value of financial assets at fair value through profit or loss.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

2013

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within one year or on demand <i>HK\$'000</i>	More than 1 year less than 2 years <i>HK\$'000</i>
Short term loans	9,380	9,380	9,380	—
Other payables and accruals	15,220	15,220	15,220	—
Due to a director	9,316	9,316	9,316	—
	<u>33,916</u>	<u>33,916</u>	<u>33,916</u>	<u>—</u>

2012

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within one year or on demand <i>HK\$'000</i>	More than 1 year less than 2 years <i>HK\$'000</i>
Short term loans	8,674	8,674	8,674	—
Other payables and accruals	11,304	11,304	11,304	—
Due to a director	7,452	7,452	7,452	—
	<u>27,430</u>	<u>27,430</u>	<u>27,430</u>	<u>—</u>

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	31 December 2013			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Financial assets at FVTPL				
Listed securities	5,338,208	—	—	5,338,208
	<u>5,338,208</u>	<u>—</u>	<u>—</u>	<u>5,338,208</u>

	31 December 2012			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Financial assets at FVTPL				
Listed securities	5,204,208	—	—	5,204,208
	<u>5,204,208</u>	<u>—</u>	<u>—</u>	<u>5,204,208</u>

There were no transfers between Level 1 and 2 in both years.

7. Turnover and Revenues

Total revenues recognised during the year are as follows:

	2013 HK\$	2012 HK\$
Turnover:		
Dividend income from listed securities	<u>182,016</u>	<u>190,960</u>

8. Segment Information

The Group determines its operating segments based on the internal reports about components of the Group that are regularly reviewed by the executive Directors for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments are as follows:

Listed securities	— Investments in securities listed on Stock Exchange
Unlisted securities	— Investments in unlisted securities

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's results by reportable segment:

Year ended 31 December 2013

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
Segment result	<u>316,016</u>	<u>—</u>	316,016
Unallocated expenses			<u>(6,980,891)</u>
Loss for the year			<u>(6,664,875)</u>

Year ended 31 December 2012

	Listed securities <i>HK\$</i>	Unlisted securities <i>HK\$</i>	Total <i>HK\$</i>
Segment result	<u>629,768</u>	<u>—</u>	629,768
Unallocated expenses			<u>(4,557,516)</u>
Loss for the year			<u>(3,927,748)</u>

Segment result of listed securities represents dividend income from listed securities, realised loss on disposal of listed securities and unrealised gain on listed securities. With the nature of investments business, no segment revenue is presented.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Listed securities	5,338,208	5,204,208
Unlisted securities	—	—
	<u>5,338,208</u>	<u>5,204,208</u>
Total segment assets	5,338,208	5,204,208
Unallocated assets	125,718	438,600
	<u>5,463,926</u>	<u>5,642,808</u>

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than property, plant and equipment, prepayments, other receivables and bank balances.

Geographical information

No geographical information is presented as the Group operates in Hong Kong only.

9. Finance Costs

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Interest on unsecured short term loans	<u>706,068</u>	<u>648,245</u>

10. Loss Before Taxation

Loss before taxation is stated after charging the following:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Auditor's remuneration	140,000	146,000
Depreciation	72,584	72,585
Realised loss on disposal of listed securities	—	11,500
Rental charges under operating leases in respect of rented premises	412,437	402,736
Staff costs including directors' emoluments:		
Salaries and other benefits	2,174,000	2,058,000
Contributions to retirement benefits scheme	23,400	22,150
	<u>2,812,421</u>	<u>2,612,971</u>

11. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits for both years.

Taxation for the year can be reconciled to the loss before taxation as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Loss before taxation	<u>(6,664,875)</u>	<u>(3,927,748)</u>
Taxation at Hong Kong Profits Tax rate of 16.5%	(1,099,704)	(648,078)
Tax effect of income not subject to taxation	(52,143)	(105,809)
Tax effect on non-deductible expenses	5,156	7,663
Tax effect of tax losses not recognised	1,135,852	735,436
Others	<u>10,839</u>	<u>10,788</u>
Taxation for the year	<u>—</u>	<u>—</u>

At 31 December 2013, the Group has estimated unused tax losses of approximately HK\$24,229,186 (2012: HK\$18,470,016) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of taxable income in future. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

12. Loss for the Year Attributable to Equity Holders of the Company

The consolidated loss contributable to equity holders of the Company includes a loss of HK\$5,510,092 (2012: HK\$2,835,782) which has been dealt with in the financial statements of the Company.

13. Loss Per Share

The calculation of the loss per share is based on the Group's loss attributable to equity holders of HK\$6,664,875 (2012: HK\$3,927,748) and the weighted average number of 72,000,000 (2012: 72,000,000) ordinary shares in issue during the year.

As the Company has not issued any warrants and options during the year, the calculation of diluted loss per share is the same as the basic loss per share.

14. Directors' and Employees' Emoluments

(a) The emoluments paid or payable to each of the five (2012: five) directors were as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Fees for executive directors		
Michael Wu Chun Wah	600,000	600,000
Tung Tat Wah	600,000	600,000
Fees for independent non-executive directors		
Robert Siu Siu Ling	50,000	50,000
Allan Kwok Ming Fai	50,000	50,000
Stephen Lee Ming Ching	50,000	50,000
Total emoluments	<u>1,350,000</u>	<u>1,350,000</u>

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2012: two) directors of the Company, details of whose emoluments are set out above. The details of the emoluments of the remaining two (2012: two) individuals are as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Salaries and other benefits	824,000	708,000
Contributions to retirement benefit	23,400	22,150
	<u>847,400</u>	<u>730,150</u>

The emoluments of the five highest paid individuals were within the band of Nil to HK\$1,000,000.

15. Property, Plant and Equipment

	Decoration <i>HK\$</i>	Office equipment <i>HK\$</i>	Total <i>HK\$</i>
Cost			
At 1 January 2012, at 31 December 2012 and at 31 December 2013	145,169	54,076	199,245
Accumulated depreciation			
At 1 January 2012	—	54,075	54,075
Charge for the year	72,585	—	72,585
At 31 December 2012	72,585	54,075	126,660
Charge for the year	72,584	—	72,584
At 31 December 2013	145,169	54,075	199,244
Carrying values			
At 31 December 2013	—	1	1
At 31 December 2012	72,584	1	72,585

16. Investments Held for Trading

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Equity securities listed in Hong Kong, at fair values	5,338,208	5,204,208

The fair values of the investments held for trading are determined based on the quoted market values of the securities listed on the Stock Exchange at the end of the reporting period. Details of investments held for trading, which were all incorporated in Cayman Islands, are as follows:

A brief description of the business and financial information of the listed investee companies, based on their published annual or interim reports, is as follows:

Number of investee company	Number of shares held	Effective shareholding interest	2013		2012		Dividend received/ receivable during the year HK\$'000	% of total assets of the Group	Note
			Market value/ Fair value HK\$'000	Fair value gain HK\$'000	Market value/ Fair value HK\$'000	Fair value gain HK\$'000			
UBA Investments Limited ("UBA Investments")	4,172,000 (2012: 4,172,000)	0.39% (2012: 0.39%)	434	83	350	7	— (2012: Nil)	8% (2012: 6%)	1
Upbest Group Limited ("Upbest")	5,056,000 (2012: 5,056,000)	0.38% (2012: 0.38%)	4,904	51	4,854	443	182 (2012: 191)	90% (2012: 86%)	2
			<u>5,338</u>	<u>134</u>	<u>5,204</u>	<u>450</u>			

Note:

1. UBA Investments

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 of HK\$6,245,772 (six months ended 30 September 2012: profit of HK\$44,033). As at 30 September 2013, the unaudited net asset value of UBA Investments was HK\$116,561,685 (As at 30 September 2012: HK\$105,084,235).

2. Upbest

Upbest and its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, 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 of approximately HK\$16,442,000 (six months ended 30 September 2012: HK\$17,117,000). As at 30 September 2013, the unaudited net asset value of Upbest was approximately HK\$1,347,924,000 (As at 30 September 2012: HK\$1,229,487,000).

17. Short Term Loans

The short term loans are unsecured and repayable on demand. Interest is charged at a range from 2% to 9.25% (2012: 2% to 9.25%) per annum.

18. Other Payables and Accruals

Included in the other payable and accruals are the amount due to directors arising from unsettled directors' fees amounting to HK\$8,038,575 (2012: HK\$6,688,575), and the amount due to investment manager for unsettled investment management fee amounting to HK\$2,800,000 (2012: HK\$2,200,000).

19. Due to a Director

The amount due to a director is unsecured, interest free and has no fixed term of repayment.

20. Share Capital

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Authorised:		
500,000,000 ordinary shares of HK\$0.01 each	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
72,000,000 ordinary shares of HK\$0.01 each	<u>720,000</u>	<u>720,000</u>

21. Financial Information of the Company

	<i>Note</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>15</i>	1	72,585
Interests in subsidiaries	<i>(a)</i>	<u>8</u>	<u>8</u>
		<u>9</u>	<u>72,593</u>
CURRENT ASSETS			
Other receivables		9,817	10,202
Investments held for trading		5,338,208	5,204,208
Cash and bank balances		<u>6,282</u>	<u>249,955</u>
		<u>5,354,307</u>	<u>5,464,365</u>
CURRENT LIABILITIES			
Other payables and accruals		15,202,252	11,286,868
Amount due to subsidiaries		<u>13,665,245</u>	<u>12,253,179</u>
		<u>28,867,497</u>	<u>23,540,047</u>
NET CURRENT LIABILITIES		<u>(23,513,190)</u>	<u>(18,075,682)</u>
NET LIABILITIES		<u>(23,513,181)</u>	<u>(18,003,089)</u>
CAPITAL AND RESERVES			
Share capital	<i>20</i>	720,000	720,000
Reserves	<i>(b)</i>	<u>(24,233,181)</u>	<u>(18,723,089)</u>
SHAREHOLDERS' FUNDS		<u>(23,513,181)</u>	<u>(18,003,089)</u>

(a) Interests in subsidiaries

	2013 HK\$	2012 HK\$
Unlisted shares, at cost	9	9
Amounts due from subsidiaries	—	—
	9	9
<i>Less:</i> Allowance for impairment	(1)	(1)
	<u>8</u>	<u>8</u>

Details of the subsidiaries, which were all wholly-owned by the Company, as at 31 December 2013, are as follows:

Name	Principal activities and operation	Place of Incorporation	Particulars of issued share capital	Portion of interest directly held in the Company	
				2013	2012
Perfect Partner Holdings Limited	Investment holding in Hong Kong	Hong Kong	1 ordinary share of HK\$1 each	100%	100%
Sparkling Achievement Limited	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%

(b) Reserves

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2012	67,320,071	(83,207,378)	(15,887,307)
Total comprehensive loss for the year	—	(2,835,782)	(2,835,782)
At 31 December 2012 and 1 January 2013	67,320,071	(86,043,160)	(18,723,089)
Total comprehensive loss for the year	—	(5,510,092)	(5,510,092)
At 31 December 2013	<u>67,320,071</u>	<u>(91,553,252)</u>	<u>(24,233,181)</u>

22. Consolidated Statement of Cash Flows

(a) Reconciliation of loss before taxation to net cash from/(used in) operating activities during the year are as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Loss before taxation	(6,664,875)	(3,927,748)
Adjustment for:		
Interest expenses	706,068	648,245
Depreciation of property, plant and equipment	72,584	72,585
Realised loss on disposal of listed securities	—	11,500
Unrealised gain on listed securities	(134,000)	(450,308)
	<u> </u>	<u> </u>
Operating cash outflow before changes in working capital	(6,020,223)	(3,645,726)
Decrease in investments held for trading	—	1,341,400
(Increase)/decrease in prepayments and other receivables	(3,375)	138,096
Increase in other payables and accruals	3,915,384	1,887,417
Increase in due to a director	1,864,541	504,492
	<u> </u>	<u> </u>
Cash (used in)/from operation	<u> (243,673) </u>	<u> 225,679 </u>

(b) *Analysis of balance of cash and cash equivalents*

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Cash and bank balances	<u> 6,282 </u>	<u> 249,955 </u>

23. Contingent Liabilities

At the end of the reporting period, the Group did not have any significant amount of contingent liabilities.

24. Commitments under Operating Leases

At 31 December 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Within one year	357,696	323,334
In the second to fifth year inclusive	327,888	—
	<u>685,584</u>	<u>323,334</u>

The above lease agreement was made between the Group and the landlord for a term of two years and rentals are fixed for two years. The lease payments were guaranteed by the Company.

25. Related Party Transactions*Compensation of key management personnel of the Group*

The remuneration of executive directors of the Company during the year was as follows:

	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Short term benefits	1,200,000	1,200,000
Post employment benefits	—	—
	<u>1,200,000</u>	<u>1,200,000</u>

Further details of directors' emoluments are included in note 14.

The related party transactions as disclosed above were exempted from the reporting, announcement and independent shareholders' approval requirements as connected transactions under Chapter 14A of the Listing Rules.

26. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 24 March 2014.

3. INDEBTEDNESS

As the close of business on 30 April 2014, being the latest practicable date prior to the printing of this Composite Document 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.

4. MATERIAL CHANGE

The Directors confirmed that there were no material change in the financial and 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 have been made up) and up to the Latest Practicable Date, save for the significant increase in bank balances and cash due to the net proceeds from the Subscription upon Completion on 30 June 2014.

1. RESPONSIBILITY STATEMENT

The information contained herein relating to the Offerors, the terms and conditions of the Offer and the future intentions of the Offerors in respect of the Group has been supplied by the directors of the Offerors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendor and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

The information contained herein other than information relating to the Offerors, the terms and conditions of the Offer and the future intentions of the Offerors in respect of the Group has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offerors and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company of HK\$0.01 each as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and fully paid</i>	
<u>1,472,000,000</u> Shares	<u>14,720,000</u>

Save for the Shares, the Company has no outstanding securities, options, derivatives, warrants and other convertible or exchangeable securities or rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has issued 1,400,000,000 Subscription Shares since 31 December 2013, the date to which the latest audited financial statements of the Company were made up.

3. DISCLOSURE OF INTEREST

Substantial Shareholders

As at the Latest Practicable Date, details of interests in the shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offerors and parties acting in concert with them are as follows:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate % of interest
First Offeror	Beneficial owner	427,500,000	29.04%
Long Surplus International Limited	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Fame Image Limited	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Wisery, Ho Hoi Yee (<i>Note 3</i>)	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Lai Tsui Har	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Chan Pui Kwan	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Tony, Wu Weihong	Interest of controlled corporation (<i>Note 1</i>)	427,500,000	29.04%
Second Offeror	Beneficial owner	987,500,000	67.09%
Alex, Leung King Yue	Interest of controlled corporation (<i>Note 2</i>)	987,500,000	67.09%

Notes:

1. 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.
2. The Second Offeror is wholly-owned by Mr. Alex, Leung King Yue.
3. Ms. Wisery, Ho Hoi Yee is the spouse of Mr. Ma Chun Fai, a proposed non-executive Director, and hence Mr. Ma Chun Fai is also deemed to be interested in the 427,500,000 Shares.

Yu Ming has provided a loan facility to the Offerors in respect of the Offer. The Subscription Shares has been and any Offer Shares tendered under the Offer will be, transferred to and registered under the name of Yu Ming as security for the loan facility pursuant to a share mortgage arrangement. Save as disclosed above, as at the Latest Practicable Date, there is no agreement, arrangement or understanding entered into by the Offerors that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Save as disclosed above, as at the Latest Practicable Date, none of the Offerors and parties acting in concert with any of them had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) As at the Latest Practicable Date, save for the aggregate of 1,415,000,000 Shares in which Ms. Chan Pui Kwan and Mr. Alex, Leung King Yue are deemed to be interested in, none of the directors of the Offerors had any interests in any Shares, convertible securities, warrants, options or derivatives of the Company, or had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (b) Save for the aggregate of 1,415,000,000 Shares owned by the Offerors, none of the Offerors or any persons acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and save for the entering into of the Sale and Purchase Agreement (which was completed on 30 June 2014) , and the Subscription Agreement as supplemented by the Supplemental Subscription Agreement (which was completed on even date), none Offerors or any persons acting in concert with any of them had dealt for value in any such securities during the Relevant Period.
- (c) No person had irrevocably committed himself to accept or not to accept the Offer.

- (d) As at the Latest Practicable Date, no person who owned or controlled Shares, convertible securities, warrants, options or derivatives in respect of the Shares of the Company had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offerors or any persons acting in concert with any of them.
- (e) As at the Latest Practicable Date, no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company had been borrowed or lent by the Offerors or any persons acting in concert with any of them.
- (f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exist between the Offerors or any person acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.
- (g) Save for the Share and Purchase Agreement and the Subscription Agreement (as supplemented by the Supplemental Subscription Agreement), there was no agreement or arrangement to which the Offerors are a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.
- (h) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offerors, any person acting in concert with any of them or the Offerors' associate, and any other person.
- (i) As at the Latest Practicable Date, the Company did not have any beneficial interest in the shares, convertible securities, warrants, options and derivatives of any of the Offerors, and the Company had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offerors during the Relevant Period.
- (j) As at the Latest Practicable Date, none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of the Company or the Offerors, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company or the Offerors during the Relevant Period.

- (k) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (l) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (m) No Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund manager connected with the Company as at the Latest Practicable Date, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (n) As at the Latest Practicable Date, no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had been borrowed or lent by any of the Directors or by the Company.
- (o) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office in any member of the Group or otherwise in connection with the Offer.
- (p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (q) As at the Latest Practicable Date, there was no material contract entered into by the Offerors in which any Director has a material personal interest.

5. MARKET PRICES

Trading in the Shares on the Stock Exchange has been suspended at the request of the Company since 9:30 a.m. on 13 June 2008. In this regard, no reference is made to the closing prices per Share as quoted on the Stock Exchange on the last Business Day in each of the calendar months during the period commencing six months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date. The closing price per Share as at the Last Trading Day, being the full trading day immediately prior to the suspension of trading in Shares on the Stock Exchange, was HK\$0.48.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of the business carried or intended to be carried on by the Group) have been entered into by the Company within the two years immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date and are or may be material:

- (a) The Subscription Agreement entered into between the Company and the Offerors on 30 April, 2013, 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;
- (b) The management agreement entered into between the Company and Hua Yu on 25 February 2013 in relation to the renewal of appointment Hua Yu as the Investment Manager of the Company for a term of one year commencing on 1 March 2013 to 28 February 2014;
- (c) The management agreement entered into between the Company and Hua Yu on 28 February 2014 in relation to the renewal of 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;

- (d) A 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;
- (e) A new management agreement entered into between the Company and Hua Yu on 28 May 2014 in relation to the renewal of appointment of Hua Yu as the Investment Manager of the Company from 1 June 2014 to 31 May 2017;
- (f) A 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
- (g) An underwriting agreement entered into between the Company and the Offerors on 28 May 2014 in relation to 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 or intended to be carried on by the Group) has been entered into by the Company within the two years immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date and are or may be material.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
Yu Ming	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Quam Capital	a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Yu Ming and Quam Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, none of Yu Ming and Quam Capital 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, none of Yu Ming and Quam Capital 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.

9. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

10. 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); (ii) on the website of the SFC (www.sfc.hk); and (iii) 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 normal business hours on any Business Day) from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the First Offeror;
- (c) the memorandum and articles of association of the Second Offeror;
- (d) the annual reports of the Company for the year ended 31 December 2012 and 2013;
- (e) the Letter from Yu Ming, the text of which is set out on pages 7 to 17 of this Composite Document;

- (f) the Letter from the Board, the text of which is set out on pages 18 to 23 of this Composite Document;
- (g) the Letter from the Independent Board Committee, the text of which is set out on pages 24 to 25 of this Composite Document;
- (h) the Letter from Quam Capital, the text of which is set out on pages 26 to 46 of this Composite Document;
- (i) the material contracts referred to in the paragraph headed “Material contracts” of this Appendix III;
- (j) the written consents referred to in the paragraph headed “Experts and consents” in this Appendix III.

11. 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 registered address of the First Offeror is Palm Grove House, PO Box 438, Road Town, Tortola, the British Virgin Islands and the correspondence address is at Room 2608, CC Wu Building, No.302-308 Hennessy Road, Wanchai, Hong Kong.
- (c) The registered address of the Second Offeror is Palm Grove House, PO Box 438, Road Town, Tortola, the British Virgin Islands and the correspondence address is at Room 2608, CC Wu Building, No.302-308 Hennessy Road, Wanchai, Hong Kong.
- (d) As at the Latest Practicable Date, the First Offeror was owned as to 50% by Long Surplus International Limited and 50% by Fame Image Limited.
 - i. Long Surplus International Limited was beneficially and ultimately owned as to 66.66% by Ms. Wisery, Ho Hoi Yee and 33.33% by Ms. Lai Tsui Har;
 - ii. Fame Image Limited was beneficially and ultimately owned as to 70% by Ms. Chan Pui Kwan and 30% by Mr. Tony, Wu Weihong;
- (e) As at the Latest Practicable Date, the Second Offeror was wholly-owned by Mr. Alex, Leung King Yue.

- (f) The principal members of the Offerors' concert group includes (i) Long Surplus International Limited; (ii) Fame Image Limited; (iii) Ms. Wisery, Ho Hoi Yee; (iv) Ms. Lai Tsui Har; (v) Ms. Chan Pui Kwan; (vi) Mr. Tony, Wu Weihong; and (vii) Mr. Alex, Leung King Yue, whose respective addresses are as follows:
- i. The registered address of Long Surplus International Limited is Palm Grove House, PO Box 438, Road Town, Tortola, the British Virgin Islands and the correspondence address is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong;
 - ii. The registered address of Fame Image Limited is Palm Grove House, PO Box 438, Road Town, Tortola, the British Virgin Islands and the correspondence address is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong;
 - iii. The correspondence address of Ms. Wisery, Ho Hoi Yee is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong;
 - iv. The correspondence address of Ms. Lai Tsui Har is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong;
 - v. The correspondence address of Ms. Chan Pui Kwan is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong;
 - vi. The correspondence address of Mr. Tony, Wu Weihong is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong; and
 - vii. The correspondence address of Mr. Alex, Leung King Yue is Room 2608, CC Wu Building, No. 302-308 Hennessy Road, Wanchai, Hong Kong.
- (g) The branch share registrar and transfer agent of the Company in Hong Kong is Tricor Secretaries Limited, which is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (h) The registered office of Yu Ming is Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (i) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.