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If you have sold or transferred all your shares in Zhejiang Prospect Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities in Zhejiang Prospect Company Limited.



展望
ZHANWANG

浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8273)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVESTMENTS IN PRIVATELY-RAISED FUNDS**

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



中毅資本有限公司
Grand Moore Capital Limited

All capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 43 of this circular.

The notice convening the EGM to be held on Friday, 2 March 2018 at 10:00 a.m. at the conference room of the Company at Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC is set out on pages 50 to 52 of this circular.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

* For identification purpose only

CHARACTERISTICS OF THE GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“AMAC”	the Asset Management Association of China (中國證券投資基金業協會)
“Announcement”	the announcement of the Company dated 1 December 2017 in relation to, among others, the Investments
“associate(s)”	having the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Sunday) on which banks in Hong Kong are open for business generally throughout their normal business hours
“Company”	浙江展望股份有限公司 (Zhejiang Prospect Company Limited*), a joint stock limited company incorporated in the PRC with limited liability, the issued shares of which are listed on the GEM
“connected person(s)”	having the meaning ascribed to it under the GEM Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve the Fund Agreements and the Investments
“Fund Agreements”	collectively, Ruike No.2 Fund Agreement and Ruike No.3 Fund Agreement
“Fund Custodian”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211) respectively
“Fund Manager” or “SJIMC”	Shanghai Jingqi Investment Management Company Limited* (上海靖奇投資管理有限公司), a company established in the PRC with limited liability

DEFINITIONS

“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Grand Moore” or “Independent Financial Adviser”	Grand Moore Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate financial) of the regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee for the purpose of advising the Independent Board Committee and Independent Shareholders in respect of the Investments
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Investments
“Independent Shareholders”	any Shareholder who is not required to abstain from voting at the EGM to approve the Fund Agreements and the Investments
“Investments”	collectively, Ruike No.2 Fund Investment and Ruike No.3 Fund Investment
“Latest Practicable Date”	10 January 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“NAV”	net asset value
“PRC”	the People’s Republic of China, for the purpose of this circular only, excludes Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Ruike No.2 Fund”	Jingqi Ruike No.2 privately-raised fund* (靖奇睿科二號私募基金), a privately-raised fund established by the Fund Manager and registered in the PRC

DEFINITIONS

“Ruike No.2 Fund Agreement”	the Jingqi Ruike No.2 privately-raised fund agreement* (靖奇睿科二號私募基金合同) dated 1 December 2017 entered into among the Company, the Fund Manager and the Fund Custodian in relation to the Ruike No.2 Fund Investment
“Ruike No.2 Fund Investment”	the investment in the amount of RMB10,000,000 for 10,000,000 fund units in the Ruike No.2 Fund by the Company
“Ruike No.2 Subscription Agreement”	the Jingqi Ruike No.2 privately-raised fund units subscription agreement* (靖奇睿科二號私募基金份額申購協議) dated 1 December 2017 entered into between the Company and the Fund Manager in relation to Ruike No.2 Fund
“Ruike No.3 Fund”	Jingqi Ruike No.3 privately-raised fund* (靖奇睿科三號私募基金), a privately-raised fund established by the Fund Manager and registered in the PRC
“Ruike No.3 Fund Agreement”	the Jingqi Ruike No.3 privately-raised fund agreement* (靖奇睿科三號私募基金合同) dated 1 December 2017 entered into among the Company, the Fund Manager and the Fund Custodian in relation to the Ruike No.3 Fund Investment
“Ruike No.3 Fund Investment”	the investment in the amount of RMB10,000,000 for 10,000,000 fund units in the Ruike No.3 Fund by the Company
“Ruike No.3 Subscription Agreement”	the Jingqi Ruike No.3 privately-raised fund units subscription agreement* (靖奇睿科三號私募基金份額申購協議) dated 1 December 2017 entered into between the Company and the Fund Manager in relation to Ruike No.3 Fund
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	collectively, Ruike No.2 Subscription Agreement and Ruike No.3 Subscription Agreement
“%”	per cent.

* The English translation or transliteration of the Chinese name(s) in this circular, where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). In the event of any inconsistency, the Chinese name(s) shall prevail.

LETTER FROM THE BOARD



展 望
ZHANWANG

浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8273)

BOARD OF DIRECTORS

Executive Directors:

Mr. Fei Guo Yang (*Chairman*)
Mr. Hong Guo Ding
Mr. Hong Chun Qiang

Non-executive Directors:

Mr. Tang Cheng Fang
Mr. Tang Jing Qi
Ms. Tang Jing Jing

Independent non-executive Directors:

Mr. Wang He Rong
Mr. Lu Guo Qing
Mr. Ma Hong Ming

Registered Office:

Zhangwang Village
Yangxunqiao Town
Keqiao District
Shaoxing County
Zhejiang Province
The PRC

Principal Place of Business in Hong Kong:

Room 1603, 16/F
China Building
29 Queen's Road Central
Central, Hong Kong

15 January 2018

To Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVESTMENTS IN PRIVATELY-RAISED FUNDS**

Reference is made to the Announcement, in relation to, among other things, the Investments.

* For identification purpose only

LETTER FROM THE BOARD

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

On 1 December 2017, the Company entered into (i) Ruike No.2 Subscription Agreement and Ruike No.2 Fund Agreement, pursuant to which, among other things, the Company will subscribe for 10,000,000 fund units in Ruike No.2 Fund in the amount of RMB10,000,000; and (ii) Ruike No.3 Subscription Agreement and Ruike No.3 Fund Agreement, pursuant to which, among other things, the Company will subscribe for 10,000,000 fund units in Ruike No.3 Fund in the amount of RMB10,000,000.

THE SUBSCRIPTION AGREEMENTS

The terms of Ruike No.2 Subscription Agreement and Ruike No.3 Subscription Agreement are substantially the same. Principal terms of the Subscription Agreements are set out as follows:

Parties

- (1) the Company; and
- (2) the Fund Manager

Fund units to be subscribed for

The Company proposes to subscribe for 10,000,000 fund units in Ruike No.2 Fund in the amount of RMB10,000,000 and 10,000,000 fund units in Ruike No.3 Fund in the amount of RMB10,000,000.

Conditions precedent

The effectiveness of Ruike No.2 Subscription Agreement with Ruike No.2 Fund Agreement and Ruike No.3 Subscription Agreement with Ruike No.3 Fund Agreement shall be conditional upon:

- (1) the passing of resolutions by the Independent Shareholders at the EGM to confirm and approve Ruike No.2 Fund Agreement and Ruike No.3 Fund Agreement and the transactions contemplated thereunder;
- (2) the Company has obtained all necessary confirmations and approvals for Ruike No.2 Fund Agreement and Ruike No.3 Fund Agreement and the transactions contemplated thereunder; and
- (3) Ruike No.2 Subscription Agreement and Ruike No.3 Subscription Agreement have been duly executed by both parties.

LETTER FROM THE BOARD

THE FUND AGREEMENTS

The terms of Ruike No.2 Fund Agreement and Ruike No.3 Fund Agreement are substantially the same. Principal terms of the Fund Agreements are set out as follows:

Parties

- (1) the Company, as investor;
- (2) the Fund Manager; and
- (3) the Fund Custodian.

To the best information, knowledge and belief of the Directors, after having made all reasonable enquiries, the Fund Custodian and its respective ultimate beneficial owner(s) are third parties independent of the Company and are not connected persons of the Company.

Information of Ruike No.2 Fund and Ruike No.3 Fund

Place of registration	:	The PRC
Filing	:	The filing procedure of each of Ruike No. 2 Fund and Ruike No. 3 Fund has been completed with the AMAC before their operations.
Fund size	:	RMB2,000,000 to RMB5,000,000,000
Maximum investors	:	200 investors
Class	:	Only one class of fund units are being offered
Face value per fund unit	:	RMB1.00 per fund unit
Fund custody	:	Ruike No.2 Fund and Ruike No.3 Fund are under the custody of the Fund Custodian, which has obtained the securities investment fund custody qualification as authorised by the CSRC.
Investment objective	:	The investment objective of each of Ruike No.2 Fund and Ruike No.3 Fund is to generate long term stable investment returns for the investors.

LETTER FROM THE BOARD

- Investment scope : The Fund Manager will seek to achieve the investment objective by investing in the stocks traded in Shanghai Stock Exchange and Shenzhen Stock Exchange, the eligible stocks in Shanghai-Hong Kong Stock Connect, the eligible stocks in Shenzhen-Hong Kong Stock Connect, preferred shares, bonds, asset-backed securities, asset-backed notes, earning certificates issued by securities companies, bond redemptions, commercial banks financial products, cash, bank savings, interbank deposit certificates, margin trading, refinancing securities lending transactions, stock index futures, commodity futures, treasury bond futures, the stock options traded in the stock exchanges, the commodity options traded in Shanghai Futures Exchange, the commodity options traded in Zhengzhou and Dalian Commodity Exchanges, contracted products traded in Shanghai Gold Exchange, warrants, proceeds exchange with securities companies as counterparties only, over-the-counter options with securities companies as counterparties only, public-raised funds, trust plan, assets management plans of securities companies and their subsidiaries, assets management plans of insurance companies and their subsidiaries, assets management plans of futures companies and their subsidiaries, assets management plans for specified customers of fund companies and their subsidiaries, privately-raised funds issued by registered fund managers as published in the website of AMAC.
- Term : One year
- Subscription and redemption : The subscription and redemption in Ruike No.2 Fund and Ruike No.3 Fund shall be conducted by the direct sales centre(s) of the Fund Manager and/or the agency(ies) entrusted by the Fund Manager.

LETTER FROM THE BOARD

Ruiké No.2 Fund and Ruiké No.3 Fund are not opened for subscription and redemption within one month (the “**Closed Period**”) from the date of the respective establishment. Ruiké No.2 Fund and Ruiké No.3 Fund are available for subscription and redemption by the investors on the 15th day of each calendar month after the Closed Period.

The subscription shall be made with an actual amount for the actual fund units, whereas the return amount on redemption shall be calculated based on the net value of the fund units the Company redeems as at the time of redemption.

- Management fee : The management fee of each of Ruiké No. 2 Fund and Ruiké No. 3 Fund is 2%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 2% x 1/365) and payable on a monthly basis.
- Custodian fee : The custodian fee of each of Ruiké No. 2 Fund and Ruiké No. 3 Fund is 0.05%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 0.05% x 1/365) and payable on a quarterly basis.
- Operation service fee : The operation service fee of each of Ruiké No. 2 Fund and Ruiké No. 3 Fund is 0.05%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 0.05% x 1/365) and payable on a quarterly basis.
- Performance sharing fee : The performance sharing fee of each of Ruiké No. 2 Fund and Ruiké No. 3 Fund is calculated as explained below based on the day when the investor redeems the fund (the “**Redemption Date**”) or the dividend is distributed to the investor (the “**Dividend Distribution Date**”):

(a) On Redemption Date

$$E = \begin{cases} \text{When } NAV_n \leq NAV_h, 0; \text{ or} \\ \text{When } NAV_n > NAV_h, (NAV_n - NAV_h) \times S \times R \end{cases}$$

LETTER FROM THE BOARD

E being the performance sharing fee calculated based on the Redemption Date;

NAV_n being the accumulated NAV of the fund units on the Redemption Date;

NAV_h being the accumulated NAV of the fund units on the day of subscription of the fund (if the performance sharing fee has never been calculated and paid) or being reset to RMB1.00 on the Dividend Distribution Date;

S being the fund units held/redeemed by the investor;

R being the performance sharing ratio (i.e. 50%)

(b) On Dividend Distribution Date

The performance sharing fee to be paid on the Dividend Distribution Date is calculated as stated in paragraph (a) above.

The Fund Manager will deduct the amount of the performance sharing fee from the redemption amount or dividend to be paid to the investor.

- Profit distribution : The arrangement of the profit distribution is based on the accumulated unpaid profit generated from the fund. The ratio, frequency, timing and amount of the profit to be distributed are at the discretion of the Fund Manager.
- Guaranteed return : There is no guaranteed profit or minimum return with respect to Ruike No. 2 Fund and Ruike No. 3 Fund.
- Termination : From the date on which the Company redeems all its fund units from Ruike No.2 Fund or Ruike No.3 Fund, the Company shall cease to be a party of Ruike No.2 Fund Agreement or Ruike No.3 Fund Agreement.

LETTER FROM THE BOARD

Investments amount and source of Investments

The aggregate amount of RMB20,000,000 to be invested in Ruike No.2 Fund and Ruike No.3 Fund will be funded with the internal resources of the Company. The investment amount was determined after arm's length negotiation between the Company and the Fund Manager on normal commercial terms.

Ruike No.2 Fund Investment and Ruike No.3 Fund Investment are not inter-related with or inter-conditional upon each other.

Risk management measures

The Company has its investment management team to analyse the macroeconomic trends, the changes of the investment policies and strategies and other factors effecting the market and be responsible for the selection and risk management of the investment products for the Company. In relation to the Investments, the investment management team has made careful due diligence and study on the Fund Manager. The investment management team will monitor the operation status of Ruike No. 2 Fund and Ruike No.3 Fund and keep check of their fund value on a daily basis, and will communicate with the Fund Manager in time according to the market risks. When it notices that the fund value drops by 2%, it would request for meeting with the management team of the Fund Manager to follow up and/or adjust the investment strategies to avoid or reduce loss.

There are also warning and exit mechanisms under the Fund Agreements. When the NAV of each fund unit falls to or below RMB0.95 (i.e. the fund value drops by or over 5%), the Fund Manager shall notify the Company within two trading days with the warning notice. When the NAV of each fund unit falls to or below RMB0.90 (i.e. the fund value drops by or over 10%), the exit mechanism will be triggered and the Fund Manager shall immediately take procedures to have cash realisation from its investment, which shall be completed within five trading days. The Company shall redeem all of its fund units and exit from the relevant Investments.

INFORMATION OF THE PARTIES TO THE FUND AGREEMENTS

The Company

The Company is a joint stock limited company established in the PRC with limited liability, the issued shares of which are listed on the GEM. The Company is principally engaged in the manufacture and sale of universal joints for automobiles.

The Fund Manager

The Fund Manager is a company established on 9 March 2015 in the PRC with limited liability. It principally engages in investment management and asset management.

The Fund Manager is registered with the AMAC as a privately-raised fund manager with registration no. P1019905 on 6 August 2015. It launched its first privately-raised fund on 25 February 2016. There are a total of fourteen privately-raised funds set up and

LETTER FROM THE BOARD

managed by the Fund Manager since its establishment, among which, (i) one is equity fund which is investing in equity securities in the PRC, while the other thirteen funds are futures funds which are investing in the futures/commodity exchanges; (ii) three funds were loss-making on an annualised basis; and (iii) three funds has been terminated. That only equity fund is loss-making. Out of the eight futures funds which have trading periods over one year, seven futures funds have recorded positive return and one futures fund has recorded negative return on the NAV on an annualised basis. The Ruike series funds (No. 1 to No. 5) are recently launched for a few months only.

The Fund Custodian

The Fund Custodian is a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211), respectively.

REASONS FOR AND BENEFIT OF THE INVESTMENTS

The Investments are to be made with the idle funds of the Company, which would not impact the daily capital turnover of the Company or the operation of the Company's principal business. The Investments with the idle funds of the Company could improve the capital usage efficiency and earn certain investment returns.

The Board had explored other investment options and considered that the expected returns of the fixed-return products are decreasing year by year, the annualised returns of the monetary fund products remain low at approximately 4%, the default rates of the trust and debt products are increasing, and the historical retracement rates of some high-return stock-strategy privately-raised funds are high, thus it is of the view that the Company can have better returns by investing in privately-raised fund products with stable performance. It is noticed that the financial products contracts in the market rarely contain the principal guaranteed clauses. The Board decided to make investments in Ruike No.2 Fund and Ruike No.3 Fund after taking into accounts that (i) the Fund Manager has a positive track record in funds management since its establishment, with low strategy historical retracement rate, good sharpe ratio and high risk-controllable returns; (ii) the invested products are mainly commodity futures, which can avoid the market risks associated with the PRC and Hong Kong stock markets; and (iii) the redemption of the fund units can be made every month without redemption fee, which is more flexible than most of the similar products in the market and more suitable for a corporate investor.

After considering the above reasons and the factors that (i) the subscription and redemption of Ruike No. 2 Fund and Ruike No. 3 Fund are flexible for the capital liquidity and risk control of the Company; (ii) the Fund Manager and both of Ruike No. 2 Fund and Ruike No. 3 Fund are registered with the AMAC; and (iii) the Company has its risk management measures, the Directors are of the view that the terms of the Subscription Agreements and the Fund Agreements are on normal commercial terms, fair and reasonable and the Investments are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Investments as contemplated under the Fund Agreements (either in aggregate or on a separate basis) exceed(s) 5% but less than 25%, the Investments contemplated under the Fund Agreements constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, and is subject to the reporting and announcement requirements under the GEM Listing Rules.

Mr. Tang Li Min is a controlling Shareholder and hence a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Mr. Tang Jing Ren, the son of Mr. Tang Li Min, is an associate of Mr. Tang Li Min under Rule 20.10 of the GEM Listing Rules. The Fund Manager is owned as to 49% by Mr. Tang Jing Ren. As such, the Fund Manager is a connected person of the Company. Therefore, the Investments contemplated under the Fund Agreements also constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, has been formed to advise the Independent Shareholders in respect of the Investments.

INDEPENDENT FINANCIAL ADVISER

Grand Moore has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and the Independent Board Committee in respect of the Investments.

EGM

The notice convening the EGM to be held on Friday, 2 March 2018 at 10:00 a.m. at the conference room of the Company at Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC is set out on pages 50 to 52 of this circular. The EGM is held for the Independent Shareholders to consider and, if thought fit, to approve the Fund Agreements and the transactions contemplated thereunder. The votes to be taken at the EGM in relation to the proposed ordinary resolutions will be taken by poll.

LETTER FROM THE BOARD

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

Shareholders of the Company who intend to attend the EGM should complete and lodge the reply slip at the Company's legal address (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC) on or before Saturday, 10 February 2018. The reply slip can be delivered in person or by mail.

Mr. Tang Li Min, as a controlling Shareholder, who beneficially held approximately 47.82% of the total issued share capital of the Company, and Ms. Tang Jing Jing and Mr. Tang Jing Qi, as his associates, each of whom beneficially held approximately 5.83% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting on the resolutions approving the Fund Agreements and the Investments at the EGM.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Fund Agreements are determined after arm's length negotiations between the parties and on normal commercial terms. The Directors further consider that the terms of the Fund Agreements are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Fund Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on pages 14 to 15 and pages 16 to 43 of this circular. Additional information is also set out in the Appendix to this circular.

By Order of the Board
浙江展望股份有限公司
Zhejiang Prospect Company Limited*
Mr. Fei Guo Yang
Chairman

* For identification purpose only



展望
ZHANWANG

浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8273)

15 January 2018

To independent shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVESTMENTS IN PRIVATELY-RAISED FUNDS**

We refer to the circular dated 15 January 2018 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the terms of the Fund Agreements and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Grand Moore has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Fund Agreements as set out on pages 16 to 43 of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the information contained in the letter from the Board and taking into consideration the advice from the Independent Financial Adviser, we are of the view that, although the Investments are not in the ordinary and usual course of business of the Company, (i) the terms of the Fund Agreements are on normal commercial terms, fair and reasonable; and (ii) the Fund Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve Fund Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and behalf of The Independent
Board Committee of
浙江展望股份有限公司
Zhejiang Prospect Company Limited*

Mr. Wang He Rong
Independent
non-executive Director

Mr. Lu Guo Qing
Independent
non-executive Director

Mr. Ma Hong Ming
Independent
non-executive Director

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Grand Moore Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Fund Agreements and the transaction contemplated thereunder which has been prepared for the purpose of inclusion in this circular.



15 January 2018

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE INVESTMENTS IN PRIVATELY-RAISED FUNDS

INTRODUCTION

Reference is made to the announcement of Zhejiang Prospect Company Limited* (the “**Company**”) dated 1 December 2017 (the “**Announcement**”), the Company has entered into (i) Ruike No. 2 Subscription Agreement and Ruike No. 2 Fund Agreement, pursuant to which, among other things, the Company will subscribe for 10,000,000 fund units in Ruike No. 2 Fund in the amount of RMB10,000,000; and (ii) Ruike No. 3 Subscription Agreement and Ruike No. 3 Fund Agreement, pursuant to which, among other things, the Company will subscribe for 10,000,000 fund units in Ruike No. 3 Fund in the amount of RMB10,000,000.

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Fund Agreements and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 15 January 2018, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Investments as contemplated under the Fund Agreements (either in aggregate or on a separate basis) exceed(s) 5% but less than 25%, the Fund Agreements and the transaction contemplated thereunder constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, and is subject to the reporting and announcement requirements under the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Tang Li Min is a controlling Shareholder and hence a connected person of the Company under Rule 20.07 of the GEM Listing Rules. Mr. Tang Jing Ren, the son of Mr. Tang Li Min, is an associate of Mr. Tang Li Min under Rule 20.10 of the GEM Listing Rules. The Fund Manager is owned as to 49% by Mr. Tang Jing Ren. As such, the Fund Manager is a connected person of the Company. Therefore, the Investments contemplated under the Fund Agreements also constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Directors will convene the EGM to seek the approval of the Independent Shareholders of the Fund Agreements and the transaction contemplated thereunder, by way of poll in accordance with the requirements under the GEM Listing Rules. Given that Mr. Tang Li Min, as a controlling shareholder beneficially held approximately 47.82% of the total issued share capital of the Company and his associates, each of whom beneficially held approximately 5.83% of the total issued share capital of the Company as at the date of this Circular, are required to abstain from voting on the proposed resolutions in relation to the Investments and the Fund Agreements in the EGM.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, all being the independent non-executive Directors, has been formed to advise and make recommendations to the Independent Shareholders as to whether the terms of the Fund Agreements are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

INDEPENDENT FINANCIAL ADVISOR

We, Grand Moore Capital Limited, has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Investments and the terms of the Fund Agreements are fair and reasonable and the entering into of the Investments and the Fund Agreements is in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM.

As at the Latest Practicable Date, we are not aware of any relationships with or interests in the Company or any of their respective substantial shareholders, directors or chief executives, or any of their associates that could reasonably be regarded as relevant to the independence of Grand Moore Capital Limited. In the last two years, there was no engagement between the Company and Grand Moore Capital Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Investments and the Fund Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are independent under Rule 17.96 of the GEM Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investments and the Fund Agreements.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, inter alia, the Announcement of the Company in relation to the discloseable and connected transactions in relation to the investments in privately-raised funds, the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”) and the third quarterly report for the nine months ended 30 September 2017 (the “**2017 3rd Quarterly Report**”) and the Fund Agreements. We have also (i) considered such other information, analyses and market data which we deemed relevant; (ii) conducted verbal discussions with the management of the Company regarding the terms of the Fund Agreements, the financials, businesses and future outlook of the Company; and (iii) conducted verbal discussion with Mr. Tang Jing Ren, the shareholder/risk controller of the Fund Manager. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of the Fund Agreements and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company or its associates. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us by the Company, at the Latest Practicable Date.

Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date, or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. **Background information of the Company, the Fund Manager and the Fund Custodian**

Information of the Company

According to the 2016 Annual Report, the Company was established in the PRC under the Company Law of the PRC as a joint stock limited company on 9 August 2002. The H shares of the Company were listed on the GEM (stock code: 8273) on 18 February 2004. The Company is principally engaged in the manufacturing and sale of universal joints for automobiles. The Company has three main product categories, being cardan universal joints, wind bearing universal joints and transmission shaft.

Information of the Fund Manager

Shanghai Jingqi Investment Management Company Limited* (上海靖奇投資管理有限公司) (“SJIMC”), a company established in the PRC with limited liability. It principally engages in investment management and asset management.

Information of the Fund Custodian

Guotai Junan Securities Co., Ltd (國泰君安證券股份有限公司), a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211), respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information of the Company

Set out below is a summary of the financial information of the Company as extracted from the 2016 Annual Report for the two years ended 31 December 2015, 2016 and the 2017 3rd Quarterly Report for the nine months ended 30 September 2017:

	For the nine months ended 30 September 2017	For the year ended 31 December	
	Unaudited <i>RMB'000</i>	2016 Audited <i>RMB'000</i>	2015 Audited <i>RMB'000</i>
Turnover	59,339	62,036	69,095
Gross profit	12,928	9,076	13,169
Gross profit (%)	21.80	14.63	19.06
Profit/(loss) before taxation	(759)	(14,195)	58,130
Profit/(loss) attributable to Shareholders	(759)	(14,195)	45,912

Source: 2016 Annual Report and the 2017 3rd Quarterly Report

Turnover of the Company amounted to approximately RMB62.04 million in 2016, representing a decrease of approximately 10.22% as compared to the turnover of approximately RMB69.10 million in 2015. The Directors of the Company believe that the decrease in sales of the Company in 2016 was mainly due to the depression of worldwide economy.

Gross profit margin of the Company's products decreased to 14.63% in 2016 as compared to 19.06% in 2015 primarily due to increase in raw material cost and cost of maintenance and repair.

Turnover for the nine months ended 30 September 2017 amounted to approximately RMB59.34 million (nine months ended 30 September 2016: approximately RMB40.97 million), representing an approximately 44.84% increase as compared to that of the corresponding period in 2016. The Directors of the Company believe that the increase in turnover was mainly attributable to the increase in domestic and overseas revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loss attributable to shareholders of the Company for the nine months ended 30 September 2017 amounted to approximately RMB0.76 million (nine months ended 30 September 2016: loss attributable to shareholders of approximately RMB2.81 million). The decrease in loss attributable to shareholders was primarily due to the increase in gross profits and increase in turnover.

2. Principal terms of the Fund Agreements

The following sets forth a summary of the principal terms of the Fund Agreements:

Parties	:	the Company (as investor); the Fund Manager; and the Fund Custodian
Place of registration	:	The PRC
Filing (approval)	:	The filing procedure of each of Ruike No. 2 Fund and Ruike No. 3 Fund has been completed with AMAC before their operations.
Fund size	:	RMB2,000,000 to RMB5,000,000,000
Maximum investors	:	200 investors
Class	:	Only one class of fund units are being of offered
Face value per fund unit	:	RMB1.00 per fund unit
Fund units subscribed	:	10,000,000 fund units for each of Ruike No. 2 Fund and Ruike No. 3 Fund
Fund custody	:	Ruike No. 2 Fund and Ruike No. 3 Fund are under the custody of the Fund Custodian, which has obtained the securities investment fund custody qualification as authorised by the CSRC.
Investment objective	:	The investment objective of each of Ruike No. 2 Fund and Ruike No. 3 Fund is to generate long term stable investment returns for the investors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Investment scope : The Fund Manager will seek to achieve the investment objective by investing in the stocks traded in Shanghai Stock Exchange and Shenzhen Stock Exchange, the eligible stocks in Shanghai-Hong Kong Stock Connect, the eligible stocks in Shenzhen-Hong Kong Stock Connect, preferred shares, bonds, asset-backed securities, asset-backed notes, earning certificates issued by securities companies, bond redemptions, commercial banks financial products, cash, banks savings, interbank deposit certificates, margin trading, refinancing securities lending transactions, stock index futures, commodity futures, treasury bond futures, the stock options traded in the stock exchanges, the commodity options traded in Shanghai Futures Exchange, the commodity options traded in Zhengzhou and Dalian Commodity Exchanges, contracted products traded in Shanghai Gold Exchange, warrants, proceeds exchange with securities companies as counterparties only, over-the-counter options with securities companies as counterparties only, public-raised funds, trust plan, assets management plans of securities companies and their subsidiaries, assets management plans of insurance companies and their subsidiaries, assets management plans of futures companies and their subsidiaries, assets management plans for specified customers of fund companies and their subsidiaries, privately-raised funds issued by registered fund managers as published in the website of AMAC.

Term : One year

Subscription and redemption : The subscription and redemption in Ruike No. 2 Fund and Ruike No. 3 Fund shall be conducted by the direct sales centre(s) of the Fund Manager and/or the agency(ies) entrusted by the Fund Manager.

Ruike No. 2 Fund and Ruike No. 3 Fund are not opened for subscription and redemption within one month (the “**Closed Period**”) from the date of the respective establishment.

Ruike No. 2 Fund and Ruike No. 3 Fund are available for subscription and redemption by the investors on the 15th day of each calendar month after the Closed Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The subscription shall be made with an actual amount for the actual fund units, whereas the return amount on redemption shall be calculated based on the net value of the fund units the Company redeems as at the time of redemption.

- Management fee : The management fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is 2%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 2% x 1/365) and payable on a monthly basis.
- Custodian fee : The custodian fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is 0.05%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 0.05% x 1/365) and payable on a quarterly basis.
- Operation service fee : The operation service fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is 0.05%, which is calculated on a daily basis (i.e. the previous day NAV of the fund x 0.05% x 1/365) and payable on a quarterly basis.
- Performance sharing fee to Fund Manager : The performance sharing fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is calculated as explained below based on the day when the investor redeems the fund (the “**Redemption Date**”) or the dividend is distributed to the investor (the “**Dividend Distribution Date**”):

(a) On Redemption Date:

$$E = \text{When } NAV_n \leq NAV_h, 0; \text{ or} \\ \text{When } NAV_n > NAV_h, (NAV_n - NAV_h) \times S \times R$$

E being the performance sharing fee calculated based on the Redemption Date;

NAV_n being the accumulated NAV of the fund units on the Redemption Date;

NAV_h being the accumulated NAV of the fund units on the date of investment (if never been calculated and paid out) or being reset to RMB1.00 at Dividend Distribution Date;

S being the fund units redeemed by the investor;

R being the performance sharing ratio (the “**PSR**”) (i.e. 50%)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) On Dividend Distribution Date:

The performance sharing fee to be paid on the Dividend Distribution Date is calculated as stated in paragraph (a) above.

The Fund Manager will deduct the amount of the performance sharing fee from the redemption amount or dividend to be paid to the investor.

Profit distribution : The arrangement of the profit distribution is based on the accumulated unpaid profit generated from the fund. The ratio, frequency, timing and amount of the profit to be distributed are at the discretion of the Fund Manager.

Guaranteed return : There is no guaranteed profit or minimum return with respect to Ruike No. 2 Fund and Ruike No. 3 Fund.

Termination : From the date on which the Company redeems all its fund units from Ruike No. 2 Fund or Ruike No. 3 Fund, the Company shall cease to be a party of Ruike No. 2 Fund Agreement or Ruike No. 3 Fund Agreement.

3. Reasons for the Investments

As stated in the Letter from the Board, the Investments are to be made with the idle funds of the Company, which would not impact the daily capital turnover of the Company or the operations of the Company's principal business. The Directors believe that the Investments could improve the capital usage efficiency and earn certain investment returns.

The Board had explored other investment options and considered that the expected returns of the fixed-return products are decreasing year by year, the annualised returns of the monetary fund products remain low at approximately 4%, the default rates of the trust and debt products are increasing, and the historical retracement rates of some high-return stock-strategy privately-raised funds are high, thus it is of the view that the Company can have better returns by investing in privately-raised fund products with stable performance. It is noticed that the financial products contracts in the market rarely contain the principal guaranteed clauses. The Board decided to make investments in Ruike No. 2 Fund and Ruike No. 3 Fund after taking into accounts that (i) the Fund Manager has a positive track record in fund management since its establishment, with low strategy historical retracement rate, good sharpe ratio and high risk-controllable returns; (ii) the invested products are mainly commodity futures, which can avoid the market risks associated with the PRC and Hong Kong stock markets; and (iii) the redemption of the fund units can be made every month without redemption fee, which is more flexible than most of the similar products in the market and more suitable for a corporate investor.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After considering the above reasons and the factors that (i) the subscription and redemption of Ruike No. 2 Fund and Ruike No. 3 Fund are flexible for the capital liquidity and risk control of the Company; (ii) the Fund Manager and both of Ruike No. 2 Fund and Ruike No. 3 Fund are registered with AMAC; and (iii) the Company has its risk management measures, the Directors are of the view that the terms of the Subscription Agreements and the Fund Agreements are on normal commercial terms, fair and reasonable and the Investments are in the interest of the Company and the Shareholders as a whole.

4. Our analysis

(1) Investments

For our due diligence purpose, we have carried out independent research and the findings are as follows:

(i) Regulatory regime with regards to privately-raised funds in the PRC

With reference to the CSRC (中國證券監督管理委員會), the Measures on the Administration of the Fundraising of Privately Offered Investment Funds* (私募投資基金募集行為管理辦法) (effective from 21 August 2014), set out the requirements with regards to privately-raised funds. Violations to the Measures on the Administration of the Fundraising of Privately Offered Investment Funds* (私募投資基金募集行為管理辦法) will lead to enforcement actions by the relevant authorities, namely, fine, ban the relevant party(ies) from re-entering the industry, criminal proceedings etc.

AMAC issued the Measures on the Administration of Private Investment Fund Information Disclosure* (私募投資基金信息披露管理辦法), which took effect on 4 February 2016. AMAC's new rules on information disclosure are designed to further regulate private fund managers and protect the rights and interests of fund investors. The supervision and regulation of private funds has moved to a new stage where private funds and fund managers are required to be more transparent and violations of information disclosure obligations will lead to various disciplinary sanctions.

(ii) The Fund Manager

According to the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統), SJIMC is a limited liability company established on 9 March 2015 with the Shanghai Baoshan Market Superintend Management Bureau* (上海市寶山區市場監督管理局) in the PRC with a registered capital of RMB10 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Fund Manager is registered with AMAC as a privately-raised fund manager with registration no. P1019905 on 6 August 2015. It launched its first privately-raised fund on 25 February 2016. There are a total of fourteen privately-raised funds set up and managed by the Fund Manager since its establishment, which is set out in the section headed “Analysis of the track records of the fourteen funds managed by SJIMC” below. The Ruike series funds (No. 1 to No. 5) have been recently launched since September 2017. As at the Latest Practicable Date, the shareholders of SJIMC are Mr. Fan Si Qi* (范思奇) and Mr. Tang Jing Ren* (唐靖人).

(iii) Key management of SJIMC

(i) Shareholder/Investment Manager — Mr. Fan Si Qi

Mr. Fan is an investment manager of SJIMC who founded SJIMC on 9 March 2015. Mr. Fan graduated from CASS business school, University of London. Mr. Fan was a developer of UBS Securities Company Limited from 2012 to 2014 where he was responsible in algorithm trading model development* (算法交易模型開發). Mr. Fan has over 6 years of experience in the finance industry encompassing managing privately-raised fund.

(ii) Shareholder/Risk Controller — Mr. Tang Jing Ren

Mr. Tang is a risk controller of SJIMC who founded SJIMC on 9 March 2015. Mr. Tang graduated from the University College London with a finance degree. Mr. Tang was an analyst in the investment banking department of China International Capital Corporation Limited (Stock code: 3908) from 2012 to 2013. Mr. Tang was a manager of the business department (overseas) of Nanhua Futures Company Limited (南華期貨股份有限公司) from 2013 to 2015. Mr. Tang has over 5 years of experience in the finance industry encompassing futures trading and managing privately-raised fund.

(iii) Director of Information Technology — Mr. Jin Rong Zhen* (金容鎮)

Mr. Jin is a director of Information Technology of SJIMC who has joined SJIMC since 2016.

Mr. Jin graduated from Massachusetts Institute of Technology with a mathematics and computer science degree. Mr. Jin worked in Jump Trading (United States of America) where he was responsible for the development and maintenance of mathematical trading model (數學交易模型) encompassing different Exchanges, namely, the Chicago Mercantile Exchange, Eurex Exchange and Cash FX Exchanges.

Mr. Jin is the mastermind for building and designing the program trading software of SJIMC which designates the capacity constraints and trading strategies of each fund.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) Other experienced staff

There are a few experienced quantitative researchers and engineers with knowledge on alpha research and large volume trading employed by SJIMC.

(iv) Risk management measures adopted by the Company

We have enquired about the risk management measures adopted by the Company in regard to the proposed Investments. The management of the Company replied that the Company has its investment management team to analyse the macroeconomic trends, the changes of the investment policies and strategies and other factors effecting the market and be responsible for the selection and risk management of the investment products for the Company. In relation to the Investments, the investment management team has made careful due diligence and study on the Fund Manager. The investment management team will monitor the operation status of Ruike No. 2 Fund and Ruike No. 3 Fund and keep check of their fund value on a daily basis, and will communicate with the Fund Manager in time according to the market risks. When it notices that the fund value drops by 2%, it would request for meeting with the management team of the Fund Manager to follow up and/or adjust the investment strategies to avoid or reduce loss.

There are also warning and exit mechanisms under the Fund Agreements. When the NAV of each fund unit falls to or below RMB0.95 (i.e. the fund value drops by or over 5%), the Fund Manager shall notify the Company within two trading days with the warning notice. When the NAV of each fund unit falls to or below RMB0.90 (i.e. the fund value drops by or over 10%), the exit mechanism will be triggered and the Fund Manager shall immediately take procedures to have cash realisation from its investment, which shall be completed within five trading days. The Company shall redeem all of its fund units and exit from the relevant Investments.

(2) *Fund Agreements*

To further assess the fairness and reasonableness of the terms of the Fund Agreements, we have obtained and reviewed the Fund Agreements and have made enquiries with the Directors of the Company regarding the major terms therein and we were given the understanding as follows:

Salient features of the Fund Agreements

(a) Term

The term of the Fund Agreements is one year for the investor, i.e. the Company can terminate the Fund Agreements in one year after the first day of investment in the Investments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Management fee

The management fee is 2% which is calculated on a daily basis and payable on a monthly basis, i.e. the previous day Net Asset Value (the "NAV") $\times 2\% \times 1/365$.

(c) Custodian fee

The custodian fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is 0.05% which is calculated on a daily basis and payable on a quarterly basis, being the previous day NAV $\times 0.05\% \times 1/365$.

(d) Operation service fee

The operation service fee of each of Ruike No. 2 Fund and Ruike No. 3 Fund is 0.05%, which is calculated on a daily basis (i.e. the previous day NAV $\times 0.05\% \times 1/365$) and payable on a quarterly basis.

(e) Performance sharing fee:

(i) On Redemption Date:

$$E = \begin{cases} \text{When } NAV_n \leq NAV_h, 0 \\ \text{When } NAV_n > NAV_h, (NAV_n - NAV_h) \times S \times R \end{cases}$$

E being the performance sharing fee on the Redemption Date

NAV_n being the accumulated NAV of the fund units on the Redemption Date

NAV_h being the accumulated NAV of the fund units on the date of investment (if never been calculated and paid out) or being reset to RMB1.00 on Dividend Distribution Date

S being fund units held/redeemed by the investor

R being the PSR = 50% for investor (i.e. 50% PSR for SJIMC)

(ii) On Dividend Distribution Date:

The performance sharing fee to be paid on dividend distribution is calculated as stated in (a) above. The Fund Manager will deduct the amount of the performance sharing fee from the redemption amount to arrive at dividend to be paid to the investor.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have enquired with SJIMC on the frequency of dividend distributions, it replied that the funds intend to do dividend distributions on a monthly basis should there be enough profit generated, however, the timing and frequency of dividend distributions are at the discretion of the Fund Manager as stated in the Fund Agreements.

(f) Cooling off period

The Fund Manager offers a twenty-four-hour cooling off period for its investors. Its investors will have the rights to be relieved from the Fund Agreements or to be withdrawn from the subscriptions and/or purchase applications within the cooling off period.

(g) Refund mechanism in case of failure of fund raising

If the privately-raised funds cannot be established after the fund-raising period, the Fund Manager would (i) bear the costs and expenses incurred by the act of the fund raising; (ii) return the amount paid by the investors within thirty days upon the expiration of the fund-raising period plus any interests incurred by the investors; (iii) the Fund Manager would return the executed copies of the Fund Agreements and other related agreements to the Fund Custodian within ten days after the expiration of the fund-raising period. The Fund Manager would need to explain to the Fund Custodian any failures to return the executed copies of the Fund Agreements and other related documents in writing.

(h) Refund mechanism in case of failure of filing (approval) of the privately-raised funds of the Fund Manager by AMAC

The Fund Manager will need to file with AMAC within twenty business days after setting up the privately-raised funds. The operations of the funds are subject to the completion of the filing procedures with AMAC.

The Fund Manager and the Fund Custodian reserve the rights to announce the early termination of the funds after arm's length negotiation in the case of failing the filing procedures with AMAC. This would result the Fund Manager to (i) bear the costs and expenses (including custodian fees, operating fees) incurred by the act of setting up of the funds; (ii) return the amount paid by the investors within thirty days after the announcement of the early termination of the funds plus any interests incurred by the investors; (iii) the Fund Manager would return the executed copies of the Fund Agreements and other related agreements to the Fund Custodian within ten days after the early termination of the funds. The Fund Manager would need to explain to the Fund Custodian any failures to return the executed copies of the Fund Agreements and other related documents in writing.

(i) Warning/Exit mechanism of the Investments

Based on the Fund Agreements, we noted that there is a warning/exit mechanism of the Investments in case of loss making.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The first warning is when the NAVs of Investments fall to or below RMB0.95, i.e. the funds are making over 5% losses, then the Fund Manager and the Custodian must send notifications to all investors of the Investments, notifying them of the first warning and allowing them to choose to make an early redemption within T+2 days for all or part of their fund units.

When the losses of the NAVs of the Investments are over 10%, or when the NAVs of the Investments fall to or below RMB0.90, the exit mechanism is triggered and the investors must redeem all of their fund units with cash realisation to be taken place within five trading days and be exited from the Investments.

(3) *Market comparable analysis*

As the terms of these Fund Agreements are considered confidential by the parties to the contract involved, we have performed an independent research on the privately-raised funds regarding the terms such as management fees, custodian fees, and PSR and we found that such information were not available on the public domain.

In order to assess the fairness and reasonableness of the terms of the Fund Agreements, in particular, the management fee, custodian fee and PSR of the Investments, with regard to common features of fund structure, we have, to the best of our knowledge and as far as we are aware, identified seventeen announcements (the “**Comparables**”) which we consider to be exhaustive and complete in relation to our selection criteria as follows: (1) fund investment/subscription in privately-raised funds of the PRC by companies listed on Shanghai Stock Exchange, Shenzhen Stock Exchange, and the Stock Exchange; (2) from 1 January 2015 and up to the Latest Practicable Date which we considered to be appropriate to reflect recent market statistics on comparable companies; and (3) in relation to investment in mixed financial products which must include commodities and futures products being traded in the relevant futures/commodities exchanges in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Details of our analysis are set out in the table below:

	Date of announcement	Company name	Company Stock Code	Fund Name	Investment Scope [#]	Management fee per annum	Custodian fee per annum	Other fees (operational service fees, initiation fees etc.)	Guaranteed Return	PSR to the fund manager	Categories on PSR
1	3/11/2017	China United Travel Co Ltd (國旅聯合股份有限公司)	600358	Hua She FOF Jing Xuan No.1 [*] (華設FOF精選一號投資基金)	Mixed financial products	0%	0.05%	Undisclosed	No	Undisclosed	
2	22/09/2017	Tengda Construction Group Co Ltd (騰達建設集團股份有限公司)	600512	Jing Lin Rui Da [*] (景林瑞達私募基金)	Mixed financial products	1.50%	0.10%	0.05%	No	20%	A
3	19/05/2017	Qinghai Spring Medicinal Resources Technology Co Ltd (青海春大藥用資源科技股份有限公司)	600381	Wang Zheng Heng Tai [*] (望正恒泰私募證券投資基金)	Mixed financial products	0.50%	0.10%	0.10%	No	Undisclosed	
4	12/5/2017	Qinghai Spring Medicinal Resources Technology Co Ltd (青海春大藥用資源科技股份有限公司)	600381	Hang Shang Jin Dai No.2 [*] (杭商錦帶二號私募投資基金)	Mixed financial products	1.00%	0.15%	4.00%	No	Undisclosed	
5	23/2/2017	Shanghai Fudan Forward Science & Technology Co Ltd (上海復旦復華科技股份有限公司)	600624	Xin Yun No.1 [*] (歆雲一號私募證券投資基金)	Mixed financial products	1.50%	0.10%	0.10%	No	Undisclosed	
6	21/4/2017	Jiangsu High Hope International Group Corporation (江蘇匯諾國際集團股份有限公司)	600981	Yong An Guo Fu FOF No.1 [*] (永安國富-FOF一號私募投資基金)	Mixed financial products	1.20%	Undisclosed	Undisclosed	No	Undisclosed	

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Date of announcement	Company name	Company Stock Code	Fund Name	Investment Scope [#]	Management fee per annum	Custodian fee per annum	Other fees (operational service fees, initiation fees etc.)	Guaranteed Return	PSR to the fund manager	Categories on PSR
7	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	600981	Hui Hong Ming Shi [*] (匯鴻鳴石500指數證券投資基金) No.1 (望正進取二號私募證券投資基金)	Mixed financial products	1.00%	Undisclosed	Undisclosed	No	20% upon the achievement of an annualised performance return of 15%	B
8	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	600981	Wang Zheng Jin Qu No.2 [*] (望正進取二號私募證券投資基金)	Mixed financial products	1.00%	0.05%	0.05%	No	20% upon the achievement of an unspecified annualised performance return	B
9	Victory Precision (蘇州勝利精密制造科技股份有限公司)	2426	Shun Jing No.2 [*] (順景二號私募投資基金)	Mixed financial products	Undisclosed	Undisclosed	Undisclosed	No	Undisclosed	Undisclosed
10	Anhui Yingjia Distillery Co Ltd (安徽迎駕貢酒股份有限公司)	603198	Heng Tian Wen Hong [*] (恒天穩泓可交轉換實私募投資基金)	Mixed financial products	Undisclosed	Undisclosed	Undisclosed	No	Undisclosed	Undisclosed
11	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	600981	Zi Xin Zhi Shu FOI No.2 [*] (紫鑫指數精選FOI二號私募證券投資基金)	Mixed financial products	0.80%	Undisclosed	Undisclosed	No	10% upon the achievement of NAV above 1.08	B
12	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	600981	Zi Xin Xing Xin No.2 [*] (紫鑫星鑫二號私募證券投資基金)	Mixed financial products	0.80%	Undisclosed	Undisclosed	No	10% upon the achievement of NAV above 1.08	B
13	Jiangsu High Hope International Group Corporation (江蘇匯鴻國際集團股份有限公司)	600981	Zi Xin Xing Xin No.3 [*] (紫鑫星鑫三號私募證券投資基金)	Mixed financial products	0.80%	Undisclosed	Undisclosed	No	10% upon the achievement of NAV above 1.08	B

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Date of announcement	Company name	Company Stock Code	Fund Name	Investment Scope [#]	Management fee per annum	Custodian fee per annum	Other fees (operational service fees, initiation fees etc.)	Guaranteed Return	PSR to the fund manager	Categories on PSR
14	Shanghai Tianchen Co Ltd (上海市天宸股份有限公司)	600620	Kai Shi Fu Le Wen Jian No.8 [*] (凱士富樂穩健八號證券投資基金)	Mixed financial products	2.00%	Undisclosed	Undisclosed	Yes Investors get 8% annualised return calculated on a daily basis	Undisclosed	C
15	Ningbo Bird Co Ltd (寧波波導股份有限公司)	600130	An Xiang Jia Zhi No.1 [*] (安享價值一號私募投資基金)	Mixed financial products	Undisclosed	Undisclosed	Undisclosed	No	Undisclosed	
16	NA	NA	Sheng Yu No.12 [*] (盛宇十二號私募證券投資基金)	Mixed financial products	2.00%	Undisclosed	Undisclosed	No	20%	A
17	NA	NA	Kai Shi Jia Zhi No.3 [*] (凱士價值三號證券投資基金)	Mixed financial products	Undisclosed	0.10%	0.05%	No	Undisclosed	
18	The Company	NA	Ruike No.2 Fund (瑞奇睿科二號私募基金)	Futures fund	2.00%	0.05%	0.05%	No	50%	
19	The Company	NA	Ruike No.3 Fund (瑞奇睿科三號私募基金)	Futures fund	2.00%	0.05%	0.05%	No	50%	

Source: Shanghai and Shenzhen Stock Exchanges

[#] Being mixed privately-raised funds in the PRC including commodities and futures products.

A 20% PSR to the fund manager.

B 10%-20% PSR to the fund manager over a specified or unspecified level of annualised performance return or when NAV achieving a specified value

C Fixed annualised return to the investor

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As illustrated above, the management fees of the Comparables ranged approximately 0% to 2% with the median and mean of approximately 1.0% and 1.08%, whilst the management fee charged by SJIMC as regards to the Fund Agreements is 2%, which is at the highest end of the range and within the range.

As illustrated above, the custodian fees of the Comparables ranged approximately 0.05% to 0.15% with the median and mean of approximately 0.1% and 0.09%, whilst the custodian fee charged by SJIMC as regards to the Fund Agreements is 0.05%, which is at the lowest end of the range and is below the median and mean of the range.

As illustrated above, the other fees of the Comparables ranged approximately 0.05% to 4.0% with the median and mean of approximately 0.08% and 0.73%, whilst the other fees charged by SJIMC as regards to the Fund Agreements is 0.05%, which is at the lowest end of the range and is below the median and mean of the range.

In view of the total fees charged by SJIMC on the Investments of 2.1% (2%+0.05%+0.05%) as being below the upper range of the total fees charged by the Comparables i.e. approximately 6.15% (2%+0.15%+4%), we consider the total fees charged by SJIMC on the Investments are not excessive especially when taking into account of the total fees charged by SJIMC on the Investments in comparison with the market Comparables.

As such, we are of the view that the total fees charged by SJIMC as regards to the Fund Agreements are on normal commercial terms and are fair and reasonable.

As regards the PSRs of the Comparables as illustrated above, we noted that only seven out of seventeen Comparables, have disclosed their PSRs to their respective fund managers on their announcements on either Shenzhen or Shanghai Stock Exchanges. Whilst the other ten Comparables have chosen not to disclose such information to the public as they are privately-raised funds and they consider their PSR terms to be major business secrets which are not required by any regulation to be disclosed to the public. For the seven Comparables with PSR disclosed, we noted that their PSR are generally in the range of 10% to 20%, only two of which with 20% PSR have no other pre-conditions for performance sharing, the other five funds are either subject to achieving a floor level on performance value and one fund has a guaranteed return of 8% per annum (which is like a fixed income product). Having enquired with the Directors of the Company who confirmed that as these are privately-raised funds, the PSR are regarded as confidential and have no market/industry standard, and are mainly based on past performance/track records and abilities of the fund manager and thus the confidence on the future performance of the funds as perceived by the potential investor(s), i.e. the Company in this case, as well as arm's length negotiations among the relevant parties to such contracts.

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Although the PSR of the Fund Agreements are at 50% level (which are the same among the Ruike series of SJIMC funds), which appear to be 30% higher than the high end of the range among the Comparables, we noted that there are other reasons that might warrant such higher than average PSR charged by SJIMC that have been considered by the Company.

As there are only seven comparables that have disclosed their PSR in the table above and the other ten comparables have not disclosed these information and the fact that even with disclosures, the modes of PSR charged can be quite different depending on the practice and track records of individual fund managers, we concur with the Directors that such PSR are generally confidential in the privately-raised fund industry and can be quite different according to the merits of the individual fund managers as perceived and deemed appropriate by the investors.

We have continued to research on the merits of the fund performance of SJIMC with respect to the funds under its management. We noted that there are other reasons that may warrant the higher PSR for SJIMC funds than their counterparts in the eyes of the investors, which are depicted as follows:

(1) Analysis of the track records of the fourteen funds managed by SJIMC

A. As noted from AMAC's website and from the data provided by SJIMC, we noted that there are a total of fourteen privately-raised funds managed by SJIMC since its inception on 9 March 2015. Based on our enquiry with SJIMC, we have performed the following analyses:

	Name of privately raised fund	Fund Code	Operational Status	Closed/ Opened for purchase	Fund Start Date	Fund End Date	Duration		From Start date to NAV Date/ Termination date	NAV Date (as at 1 December 2017)	Annualised fund performance		Ranking by annualised fund performance
							Days	Year			%	%	
1	Jin Niu Si Rui* (靖奇金牛思銳私募基金)	SM9333	On-going	Closed	18/10/2016	10/11/2021	1,850	5.07	410	1.12	1.404	36.0%	5
2	Hui Chuang No.1* (靖奇慧創一號私募基金) ⁽ⁱⁱⁱ⁾	SK4303	Terminated 14/12/2016	Closed	30/06/2015	11/07/2021	2,204	6.04	886	1.46	0.995	-0.3%	12
3	Liang Jian Ji Zhi No.1* (靖奇量劍極致一期私募基金) ⁽ⁱⁱ⁾	SK1947	On-going	Closed	24/06/2016	23/06/2021	1,826	5.00	526	1.44	0.935	-4.5%	13
4	Guang He Chang Gu* (靖奇光合長合私募基金) ⁽ⁱⁱ⁾	SK1982	On-going	Closed	15/06/2016	16/06/2021	1,828	5.01	535	1.47	2.928	131.5%	1
5	Shuang Zi Duo Tai A* (靖奇雙紫多泰A私募基金)	SE6993	On-going	Closed	29/02/2016	11/04/2021	1,869	5.12	642	1.76	1.849	48.3%	4
6	Yuan Dian No.2* (靖奇源點二號私募基金)	SE9863	Terminated 22/11/2016	Closed	11/03/2016	10/03/2017	365	1.00	631	0.70	1.045	6.4%	8
7	Yuan Dian No.1* (靖奇源點一號私募基金)	SE9861	Terminated 14/03/2017	Closed	11/03/2016	10/03/2017	365	1.00	631	1.01	1.072	7.1%	7

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	Name of privately raised fund	Fund Code	Operational Status	Closed/ Opened for purchase	Fund Start Date	Fund End Date	Duration		From Start date to NAV Date/ Termination date	NAV Date (as at 1 December 2017)	Annualised fund performance %	Ranking by annualised fund performance %
							Days	Year				
8	Jin Niu Gu Li* (靖奇金牛固利私募基金) ⁽ⁱⁱⁱ⁾	SE6899	On-going	Closed	03/04/2016	04/03/2021	1,797	4.92	608	2.308	78.5%	2
9	Bai Yang No.1* (靖奇白楊一號私募基金) ⁽ⁱⁱⁱ⁾	SE6898	On-going	Closed	25/02/2016	25/02/2021	1,828	5.01	646	2.128	63.7%	3
10	Ruike No.1 fund* (靖奇睿科一號私募基金) ⁽ⁱⁱⁱ⁾	SH9506	On-going	Opened	05/09/2017	04/09/2018	365	1.00	88	0.987	-5.4%	14
11	Ruike No.2 Fund (靖奇睿科二號私募基金) ⁽ⁱⁱⁱ⁾	SI1619	On-going	Opened	06/09/2017	05/09/2018	365	1.00	87	1.00	0.0%	11
12	Ruike No.3 Fund (靖奇睿科三號私募基金) ⁽ⁱⁱⁱ⁾	SW9335	On-going	Opened	06/09/2017	05/09/2018	365	1.00	87	1.019	8.0%	6
13	Ruike No.4 fund* (靖奇睿科四號私募基金)	SW9336	On-going	Opened	05/09/2017	04/09/2018	365	1.00	88	1.003	1.2%	10
14	Ruike No.5 fund* (靖奇睿科五號私募基金)	SW9337	On-going	Opened	05/09/2017	04/09/2018	365	1.00	88	1.011	4.6%	9

Source: AMAC website and SIIMC

Notes:

- (i) Being the only equity fund investing in A shares in the PRC. The other thirteen funds invest in futures in the relevant exchanges in the PRC.
- (ii) Being the three top-performing futures funds of SIIMC.
- (iii) Being the two loss-making (negative change in NAV from fund start date to NAV date or early termination date) futures funds of SIIMC as at the NAV date, i.e. 1 December 2017.
- (iv) Being the two funds, the Investments (Ruike No. 2 and 3 Funds) that are planned to be invested by the Company at RMB10 million each.

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Based on the NAV data as at 1 December 2017 (the “NAV Date(s)”) and the termination dates for Fund Codes SK4303, SE9863, and SE9861 as provided by SJIMC, we have calculated the percentage changes in NAV from the start date (the “Fund Start Date(s)”) to the NAV Date or the termination date (the “Termination Date(s)”) of the respective funds, which were indexed at RMB1.00 as starting points.

- (i) As advised by SJIMC, Fund Code SK4303, namely Hui Chuang No.1* (靖奇慧創一號私募基金) and Fund Code SE9863, namely, Yuan Dian No.2* (靖奇源點二號私募基金) were terminated early at the request of the investors, and the main reasons being that they need to repatriate the investment money for other uses and there are no redemption fees for early, deferred or any redemptions. Fund Code SE9861, namely, Yuan Dian No.1* (靖奇源點一號私募基金) has been terminated four days after the original end date at the request of the investors due to the same reason, while the rest of the funds are on-going operationally as of the Latest Practicable Date.
- (ii) We observed that there is only one equity fund, Fund Code SK1947, namely, Liang Jian Ji Zhi No.1* (靖奇量劍極致一期私募基金), which is investing in equity securities in the PRC and is loss-making as stated below; while the other thirteen funds are futures funds investing in the futures/commodity exchanges, including Shanghai Futures Exchange (SHFE), Dalian Commodity Exchange (DCE), China Financial Futures Exchange (CFFEX) and China Zhengzhou Commodity Exchange (CZCE) in the PRC.
- (iii) We observed that there are three funds that were loss-making on annualized basis (negative change in NAV -0.3% to -5.4% up to its respective NAV Dates or Termination Dates), including Fund Code SK4303, namely Hui Chuang No.1* (靖奇慧創一號私募基金) which was terminated on 14 December 2016, and Fund Code SK1947, namely, Liang Jian Ji Zhi No.1* (靖奇量劍極致一期私募基金), which was the only equity fund of SJIMC that has been operating for approximately 1.44 years since its inception, and Fund Code SH9506, namely, Ruike No.1 fund* (靖奇睿科一號私募基金) which has been recently launched as the first fund within the Ruike series since its inception on 5 September 2017.
- (iv) We have enquired with SJIMC on the reasons why the Company is not recommended to invest in the three top-performing funds (profit-making on annualized bases (positive change in NAV of 63.7% to 131.5% up to its respective NAV Dates or Termination Dates) which are on-going operationally, and we were advised that the main reason being that these three futures funds, though having high performance as at the NAV Date, are regarded as highly-aggressive futures funds of SJIMC employing highly risky trading strategies including highly-leveraged margin trading and have higher exposures, thus higher risks and lesser liquidity than the Ruike series.

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- (v) In fact, we were advised by SJIMC that save for the five newly developed Ruike series No. 1 to No. 5 funds, all the other eight futures funds and one equity fund were closed for purchase (three futures funds were terminated as stated in (i) above, and the other six funds are operating) due to limited designed capacity for each fund as determined by the program trading software of SJIMC.
- (vi) On the other hand, Fund Code SJ1619, namely, Ruike No.2 Fund (靖奇睿科二號私募基金) and Fund Code SW9335, namely, Ruike No.3 Fund (靖奇睿科三號私募基金) are among the recently-launched Ruike series that are considered more suitable for corporate investors as they represent newly developed strategies from the program trading model with bigger capacity in aggregate (up to HK\$70 million for the Ruike series) which are regarded as less risky than other closed funds of SJIMC.
- (vii) According to an article published on Sina Finance (<http://finance.sina.com.cn/roll/2016-12-23/doc-ifxyxqsk6405195.shtml>) on 13 January 2017, we noted that the average return on NAV of 2016 was 19.19% as regards the privately-raised futures funds in the PRC which is significantly below the five futures funds (with return on NAV on an annualized basis from 36% to 131.5%) and above the three futures funds (with return on NAV on an annualized basis from -0.3% to 7.1%) out of the eight futures funds of SJIMC that have trading periods over one year. With respect to the above, we have excluded the recently launched Ruike series (No. 1 to No. 5) funds as they have been trading for a few months only.
- (viii) We have reviewed the key terms of each of the fund agreement signed with other respective investors of the other three Ruike series funds (Ruike No. 1, 4 and 5 funds) and the key terms of two of the fund agreements signed with other respective investors of Ruike No. 2 and 3 Funds, managed by the Fund Manager and noted that they all have the same terms with respect to management fees, custodian fees and PSRs being 50% of the Fund Agreements entered into between the Company and the Fund Manager.

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B. Advanced trading strategies employed by the Fund Manager

We have enquired about the general trading strategies of the Fund Manager, which entails an intra-day high frequency trading strategy based on an in-house designed automatic program trading software with the following salient features:

- (a) Intra-day trades only, meaning that long or short positions will not be held overnight.
- (b) High frequency trading, meaning that many trades with very short durations are made intra-day.
- (c) All trades are executed based on an in-house proprietary execution software that utilizes low-latency trading capability developed by the Director of Information Technology, Mr. Jin Rong Zhen, which can capture the split-second trading opportunities in the futures markets, providing a competitive edge over its competitors in the marketplace due to its high-speed capability.
- (d) Low correlation of the investment portfolios with other risky assets and indices, providing lower levels of systematic risks on asset allocation strategies adopted by the investors, thus may yield better returns.
- (e) Using a statistical hedging model, the risks relating to holding unilateral positions are avoided as every contract is locked-up for profit; for those unlocked contracts, SJIMC would hold very small positions and for very short time to minimize risks.

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C. Ranking of the individual fund manager (Mr. Tang Jing Ren) of the Fund Manager (SJIMC)

- (a) According to the Simuwang (私募排排網) as depicted below, Mr. Tang Jing Ren ranks No. 2 fund manager among the futures fund managers in the PRC, having a better sharpe ratio of 4.99, and a cumulative fund performance of 67.41 % with respect to Guang He Chang Gu* (靖奇光合長谷私募基金) as at 15 December 2017.

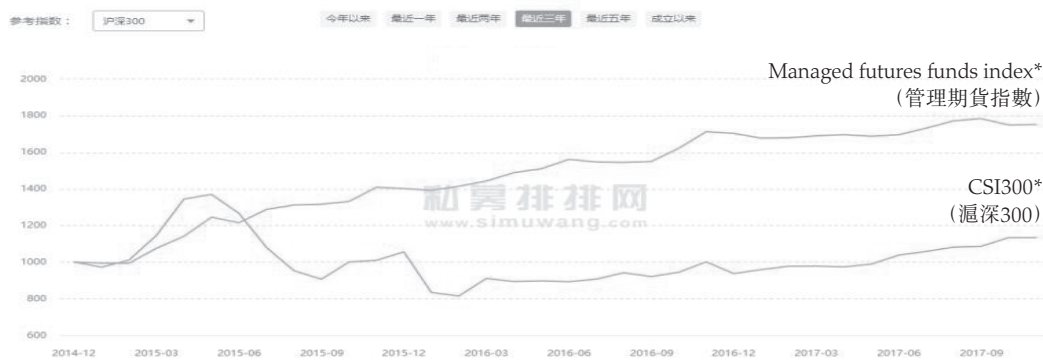
Ranking* (排名)	Fund manager* (基金經理)	Fund management company* (基金公司)	Years of experience* (從業年限)	Type of funds managed* (職業背景)	Number of funds* (產品數)	Sharpe ratio* (夏普比率)	Fund performance (recent year)* (最近一年%)	Representative fund* (代表產品)	NAV* (最新淨值)	Cumulative fund performance %* (累計%)
1	Guan Yu Hua* (管宇華)	Hui Xiang 2011* (匯祥貳零壹壹)	20	Privately-raised fund* (私募)	1	1.83	231.48%	Hui Xiang No.1* (匯祥1號)	3.8881 2017-12-15	326.75%
2	Tang Jing Ren* (唐靖人)	Fund Manager (靖奇投資)	6	Privately-raised fund* (私募)	1	4.99	67.41%	Guang He Chang Gu* (靖奇光合長谷)	2.9340 2017-12-15	193.40%
3	Ge Kai Ji* (葛開紀)	Jiao Jin Futures* (招金期貨)	10	Futures* (期貨)	2	1.98	40.28%	Jiao Jin No.1* (招金恒強一號)	1.3300 2017-12-15	51.68%
4	Hua Lui Fen* (花蕾芬)	Dong Hua Futures* (東華期貨)	10	Futures* (期貨)	7	1.43	37.75%	Zhu Dong Ping Heng No.1* (東華期貨主動平衡1號)	9.5692 2017-11-30	856.92%
5	Shen Yong Jun* (申永俊)	Ru Sheng Investment* (濡聖投資)	8	Privately-raised fund* (私募)	4	1.31	34.81%	Ling Hang No.1* (瀟聖投資-領航1號)	1.0732 2017-12-08	54.78%
6	Qiao Liang* (喬亮)	Dao Qian Asset* (導乾資產)	21	Privately-raised fund* (私募)	13	-	31.15%	Dao Qian CTA No.1* (導乾CTA1號)	1.7025 2017-11-30	70.25%
7	Zhai Pang Fei* (翟鵬飛)	Mei Ge Man Ne* (梅戈曼尼)	-	Private investment fund* (民間)	1	0.74	28.77%	Shen Wan Hui Fu* (申萬匯富梅戈曼尼1號)	1.2760 2017-11-29	68.30%

Source: Simuwang (私募排排網)

- (b) As presented by the CCTV Securities Asset Think Tank* (央證資產智庫) and co-presented by the Financial Research Institute* (CCTV證券資訊頻道金融研究院) at the Fourth CCTV Asset Summit* (第四屆央證資產峰會) on 16 December 2017, Jin Niu Gu Li* (靖奇金牛固利私募基金) (Fund Code: SE6899), one of the fourteen privately-raised funds managed by the Fund Manager won the "2017 best futures strategy award"* (2017最佳管理期貨策略).

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D. Consistent outperformance of futures fund index over equity index in the PRC



Source: Simuwang (私募排排網)

According to Simuwang (私募排排網) as depicted above, it can be seen that the managed futures funds index has been outperforming the CSI300 equity fund index for most of the past three years since 2015 in the PRC.

Having reviewed the Fund Agreements and based on the aforesaid, we are of the view that the terms of the Fund Agreements are arrived at arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Principal factors and reasons considered:

- (i) the fact that SJIMC is properly registered under AMAC and established with the Shanghai Baoshan Market Superintend Management Bureau;
- (ii) the stringent requirements and potential penalties as imposed by the relevant authorities, namely, the CSRC and AMAC which overlook the professional conduct of the fund managers in the PRC are in place to monitor the professional conduct of the fund managers in the PRC;
- (iii) the intention of the Company is to use its idle funds to generate better returns for its Shareholders;
- (iv) the Company intends to employ their own risk management measures in relation to the Investments in addition to the warning and exit mechanism provided by the Fund Agreements as described above;

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- (v) the Investments are being managed by Mr. Tang Jing Ren, who has gained public recognition recently as the No. 2 futures fund manager in the PRC according to Simuwang (私募排排網), based on having a good sharpe ratio of 4.99, and a cumulative fund performance of 67.41% with respect to Guang He Chang Gu* (靖奇光合長谷私募基金) as at 15 December 2017;
- (vi) Jin Niu Gu Li* (靖奇金牛固利私募基金) (Fund Code: SE6899), one of the fourteen privately-raised funds managed by the Fund Manager won the “2017 best futures strategy award”* (2017最佳管理期貨策略) as presented by the CCTV Securities Asset Think Tank* (央證資產智庫) and co-presented by the Financial Research Institute* (CCTV 證券資訊頻道金融研究院) at the Fourth CCTV Asset Summit* (第四屆央證資產峰會) on 16 December 2017;
- (vii) SJIMC is supervised by three experienced fund managers and operated by other experienced research and quantitative analysts specializing in their respective areas, including investment strategies, risk controls, and program trading which are the pre-requisites of managing highly speculative products like futures/commodities requiring extensive and in-depth quantitative skills and macro-economic knowledge; and
- (viii) the terms of the Fund Agreements, including the management fees, custodian fees, operation service fees, and the PSR are arrived at arm’s length basis between the Company and the Fund Manager and the same terms are offered to all other investors of the Investments as stated above.

Having considered the principal factors and reasons above, we consider that although the Investments are not in the ordinary and usual course of business of the Company, the terms of the Fund Agreements are on normal commercial terms and are fair and reasonable and the Investments are in the interest of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we recommend the Independent Shareholders to vote in favor of the ordinary resolution approving the Fund Agreements and the transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited
Hugo Cheung
Director of Investment Banking

Mr. Hugo Cheung is a licensed person registered with the SFC and a responsible officer of Grand Moore Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of the Directors, chief executives and supervisors of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Directors/Supervisors	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Ms. Tang Jing Jing (<i>Note</i>)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Mr. Tang Jing Qi (formerly known as Mr. Tang Liu Jun) (<i>Note</i>)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2%	1.4%

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives and supervisors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listings Rules.

(b) Interests of Shareholders discloseable pursuant to the SFO

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed “Interests of the Directors, chief executives and supervisors of the Company” above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Names of Shareholders	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Tang Li Min (<i>Note</i>)	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
Greater China 1 Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

Note: Mr. Tang Li Min is the father of Ms. Tang Jing Jing and Mr. Tang Jing Qi, both of whom are non-executive Directors.

Saved as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed “Interests of the Directors, chief executives and supervisors of the Company” above) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

3. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Director or supervisor of the Company was materially interested in any contract or arrangement entered into by the Company, which was subsisting and was significant in relation to the business of the Company.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any asset which had been acquired or disposed of by or leased to the Company or were proposed to be acquired or disposed of by or leased to the Company since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders of the Company and their respective close associates, that competes or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Company.

6. CONSENT AND QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Grand Moore Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
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Grand Moore has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Grand Moore did not have any direct or indirect shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in the Company.

As at the Latest Practicable Date, Grand Moore did not have any direct or indirect interests in any assets which have been, since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to the Company, or which are proposed to be acquired or disposed of by or leased to the Company.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor supervisors of the Company had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

8. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against the Company.

9. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Company within the two years immediately preceding the Latest Practicable Date and which are or may be material:

- (a) the loan agreement dated 12 July 2016 entered into between the Company (as lender) and Zhejiang Yixin Materials Company Limited (as borrower), pursuant to which the Company agreed to advance the loan to Zhejiang Yixin Materials Company Limited in the principal amount of RMB27,000,000 with an annual interest rate of 5%;
- (b) the guarantee fee agreement dated 3 October 2016 and entered into between Zhejiang Zhongfa Bomo Co., Ltd (the "**Borrower**") and the Company, pursuant to which the Borrower agreed to pay the guarantee fee to the Company in consideration of the guarantee to be provided by the Company under the guarantee agreements dated 19 December 2016;
- (c) the indemnity agreement dated 3 October 2016 and entered into between Mr. Tang Cheng Fang and the Company, pursuant to which Mr. Tang Cheng Fang agreed to indemnify the Company against any liquidated damages, penalty claims and all other relevant expenses incurred by the Company arising from the guarantee agreements dated 19 December 2016;
- (d) the guarantee agreement dated 19 December 2016 entered into between the Company as guarantor in favour of Shaoxing Branch of China Citic Bank Corporation Limited (the "**Bank**"), pursuant to which the Company agreed to pay and satisfy to the Bank in relation to the sum of RMB9,000,000 and interest, debts and liabilities owing or incurred, due but unpaid to the Bank from or by the Borrower under the loan agreement entered into by the Bank and the Borrower (the "**Loan Agreement**");

- (e) the guarantee agreement dated 19 December 2016 entered into between the Company as guarantor in favour of the Bank, pursuant to which the Company agreed to pay and satisfy to the Bank in relation to the sum of RMB12,000,000 and interest, debts and liabilities owing or incurred, due but unpaid to the Bank from or by the Borrower under the Loan Agreement;
- (f) the Subscription Agreements; and
- (g) the Fund Agreements.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2016, the date to which the latest published audited financial statements of the Company were made up.

11. GENERAL

- (a) The company secretary of the Company is Mr. Fung Siu Kei. He is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The compliance officer of the Company is Mr. Hong Guo Ding.
- (c) The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal control and risk management systems of the Company.
- (d) The registered office of the Company is located at Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC.
- (e) The principal place of business of the Company in Hong Kong is Room 1603, 16th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong.
- (f) The Hong Kong branch share registrar and transfer of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (g) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m. on Monday to Friday except public holidays) on any Business Day at the principal place of business in Hong Kong of the Company at Room 1603, 16th Floor, China Building, 29 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2015 and 2016;
- (c) a letter of recommendation from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 43 of this circular;
- (e) the letter of consent referred to in the paragraph headed "Consent and Qualification of Expert" in this appendix;
- (f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and
- (g) this circular.

NOTICE OF EGM



展 望
ZHANWANG

浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 8273)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Zhejiang Prospect Company Limited* (the “**Company**”) will be held at the conference room of the Company at Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People’s Republic of China on Friday, 2 March 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions as an ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) Jingqi Ruike No.2 privately-raised fund agreement* (靖奇睿科二號私募基金合同) (“**Ruike No.2 Fund Agreement**”) dated 1 December 2017 entered into among the Company as investor, Shanghai Jingqi Investment Management Company Limited* (上海靖奇投資管理有限公司) (the “**Fund Manager**”) and Guotai Junan Securities Co., Ltd.* (國泰君安證券股份有限公司) (the “**Fund Custodian**”), pursuant to which the Company agrees to invest in Ruike No. 2 Fund for 10,000,000 fund units in the amount of RMB10,000,000 (copy of the Ruike No.2 Fund Agreement has been produced to this Meeting marked “A” and initialed by the chairman of this Meeting for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute, deliver all such documents and take all such actions as he or she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Ruike No.2 Fund Agreement and the transaction contemplated thereunder.”

* For identification purposes only

NOTICE OF EGM

2. “THAT:

- (a) Jingqi Ruike No.3 privately-raised fund agreement* (靖奇睿科三號私募基金合同) (“**Ruike No.3 Fund Agreement**”) dated 1 December 2017 entered into among the Company as investor, the Fund Manager and the Fund Custodian, pursuant to which the Company agrees to invest in Ruike No.3 Fund for 10,000,000 fund units in the amount of RMB10,000,000 (copy of the Ruike No.3 Fund Agreement has been produced to this Meeting marked “B” and initialed by the chairman of this Meeting for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute, deliver all such documents and take all such actions as he or she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Ruike No.3 Fund Agreement and the transaction contemplated thereunder.”

By order of the Board
浙江展望股份有限公司
Zhejiang Prospect Company Limited*
Fei Guo Yang
Chairman

Zhejiang Province, the People’s Republic of China
15 January 2018

* For identification purposes only

NOTICE OF EGM

Notes:

- (1) Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf at the Meeting in accordance with the article of association of the Company. A proxy needs not be a shareholder of the Company.
- (2) In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company at the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the legal address of the Company (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China) not less than 24 hours before the time for holding the Meeting or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time.
- (3) Shareholders of the Company or their proxies shall produce their identity documents when attending the Meeting.
- (4) The H share register of members of the Company will be closed from Wednesday, 31 January 2018 to Friday, 2 March 2018 (both dates inclusive), during which no transfer of H shares will be registered. In order to qualify for attending the Meeting, unregistered holders of H shares of the Company should ensure that all transfers of H shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 January 2018.
- (5) Holders of domestic shares and H shares whose names stand on the register of members of the Company at the close of business on Tuesday, 30 January 2018 are entitled to attend and vote at the Meeting.
- (6) Shareholders of the Company who intend to attend the Meeting should complete and lodge the reply slip at the Company's legal address (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China) on or before Saturday, 10 February 2018. The reply slip can be delivered in person or by mail.
- (7) Shareholders of the Company and proxies attending the Meeting shall be responsible for their own transportation and accommodation expenses.