
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Radford Capital Investment Limited 萊福資本投資有限公司 (the “Company”), you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Dealings in Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, having attached hereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in appendix V to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of any of the Prospectus Documents.

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



RADFORD CAPITAL INVESTMENT LIMITED 萊福資本投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 901)

RIGHTS ISSUE OF 858,656,304 RIGHTS SHARES AT THE SUBSCRIPTION PRICE OF HK\$0.15 PER RIGHTS SHARE ON THE BASIS OF FOUR RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE WITH BONUS WARRANT ISSUE OF 214,664,076 BONUS WARRANTS AT THE EXERCISE PRICE OF HK\$0.05 PER BONUS WARRANT ON THE BASIS OF ONE BONUS WARRANT FOR EVERY FOUR RIGHTS SHARES TAKEN UP

Underwriter of the Rights Issue



Freeman Securities Limited

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Friday, 9 March 2012. The procedure for acceptance and payment or transfer of the Rights Shares is set out on pages 23 to 24 of this Prospectus.

Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 28 February 2012 to Tuesday, 6 March 2012 (both days inclusive). If the conditions of the Rights Issue (as described on pages 28 to 29 of this Prospectus) are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Tuesday, 28 February 2012 to Tuesday, 6 March 2012 (both days inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time on or prior to 6:00 p.m. on the Settlement Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed “Termination of the Underwriting Agreement” on page 12 of this Prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on page 28 to 29 of this Prospectus being fulfilled. In the event that such conditions have not been satisfied by the Underwriter in accordance with the Underwriting Agreement on or before 4:00 p.m. on 31 March 2012, all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other save for any antecedent breach of the Underwriting Agreement. In such event, the Rights Issue will not proceed.

CONTENTS

	<i>Page</i>
Expected timetable	1
Definitions	3
Termination of the Underwriting Agreement.	12
Letter from the Board	13
Appendix I – Financial Information of the Group	61
Appendix II – Unaudited Pro Forma Financial Information of the Group	68
Appendix III – Summary of the terms of the Bonus Warrants	72
Appendix IV – Additional Disclosures	84
Appendix V – General Information	118

EXPECTED TIMETABLE

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

(Hong Kong time)
2012

First day of dealings in nil-paid Rights Shares	Tuesday, 28 February
Latest time for splitting nil-paid Rights Shares	4:30 p.m. Thursday, 1 March
Last day of dealings in nil-paid Rights Shares	Tuesday, 6 March
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares.	4:00 p.m. Friday, 9 March
Rights Issue expected to become unconditional	6:00 p.m. Wednesday, 14 March
Announcement of results of the Rights Issue	Thursday, 15 March
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted.	Friday, 16 March
Share certificates for the Rights Shares expected to be posted	Friday, 16 March
Dealings in fully-paid Rights Shares commence	9:00 a.m. Tuesday, 20 March

The following events are conditional on the results of the relevant Court hearings. The dates are therefore tentative.

(Hong Kong time)
2012

Announcement of expected effective date of the Capital Reorganisation	on or before Tuesday, 24 April
Warrant certificates for the Bonus Warrants expected to be posted	Monday, 30 April
Dealings in the Bonus Warrants commence	9:00 a.m. Thursday, 3 May

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

- (a) a tropical cyclone warning signal number 8 or above, or
- (b) a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 5:00 p.m. on the following business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares (if any) does not take place on the Latest Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Adjustment Proposal”	the Capital Reduction and the application of the credit arising from the Capital Reduction to set-off the accumulated losses of the Company, with the balance (if any) to be transferred to a distributable reserve account of the Company
“announcement”	shall include the release of an announcement to the press or the delivery or transmission by telephone, telex, facsimile transmission or otherwise of an announcement to the Stock Exchange, “date of announcement” shall mean the date on which the announcement is first so released, delivered or transmitted and “announce” shall be construed accordingly
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bonus Warrant(s)”	214,664,076 bonus warrant(s) to be issued by the Company to the successful applicants of the Rights Shares pursuant to the Rights Issue on the basis of one bonus warrant for every four Rights Shares taken up, conferring rights on the holder(s) thereof to subscribe for the Bonus Warrant Shares at the Exercise Price of HK\$0.05 per Adjusted Share (subject to adjustments)
“Bonus Warrant Issue”	the proposed issue of the Bonus Warrants on the basis of one Bonus Warrant for every four Rights Shares taken up under the Rights Issue

DEFINITIONS

- “Bonus Warrant Share(s)” new Adjusted Share(s) to be issued by the Company upon exercise of the subscription rights attaching to the Bonus Warrants
- “business day” any day on which banks in Hong Kong are generally open for business, except a Saturday or a Sunday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
- “Capital Distribution” shall (without prejudice to the generality of that phrase) include distributions in cash or specie, and any dividend or distribution charged or provided for in the accounts for any financial period shall (whenever paid and however described) be deemed to be a Capital Distribution, provided that any such dividend shall not automatically be so deemed if:–
- (i) it is paid out of the aggregate of the net profits (less losses) attributable to the holders of Shares for all financial periods after that ended 31 December as shown in the audited accounts of the Company and its Subsidiaries for each such financial period; or
 - (ii) to the extent that (i) above does not apply, the rate of that dividend, together with all other dividends on the class of capital in question charged or provided for in the accounts for the financial period in question, does not exceed the aggregate rate of dividend on such class of capital charged or provided for in the accounts for the last preceding financial period. In computing such rates, such adjustments may be made as are in the opinion of the Company’s auditors appropriate to the circumstances and shall be made in the event that the lengths of such periods differ materially
- “Capital Reduction” the proposed reduction of the nominal value of every issued Share from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 per issued Share

DEFINITIONS

“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company by way of the Adjustment Proposal and the Share Subdivision as referred to in the Circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Company dated 20 January 2012 relating to, inter alia, the Rights Issue and the Bonus Warrant Issue
“Commission Payment”	the payment of the underwriting commission by the Company to the Underwriter under the Underwriting Agreement comprising of a fee payable upon completion of issuance and allotment of Rights Shares of HK\$750,000, plus 3% of the aggregate Subscription Price of the Underwritten Shares
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Radford Capital Investment Limited 萊福資本投資有限公司, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Court”	the Grand Court of the Cayman Islands
“Custodian”	Standard Chartered Bank Limited
“Custodian Agreement”	the custodian agreement dated 11 February 2002 entered into between the Company and the Custodian

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the form of application for excess Rights Shares issued to the Qualifying Shareholders who wish to apply for excess Rights Shares
“Effective Consideration”	in respect of the amount receivable for the securities issued shall be deemed to be consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto
“EGM”	the extraordinary general meeting of the Company convened and held at 9:00 a.m. on Monday, 13 February 2012 approving the Capital Reorganisation, the Rights Issue, the Bonus Warrant Issue and the issuance of the Bonus Warrant Shares pursuant to any exercise of the subscription rights attached to the Bonus Warrants by the Shareholders
“Exercise Price”	the price payable for each Bonus Warrant Share on exercise of the subscription rights attached to the Bonus Warrants, which is initially set at HK\$0.05 per Adjusted Share (subject to adjustments)
“Freeman”	Freeman Financial Corporation Limited (stock code: 279), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting in favour of the resolution relating to the Rights Issue under the Listing Rules
“Investment Management Agreements”	the management agreement dated 3 November 2003 and the supplemental agreement dated 30 June 2011 entered into between the Company and the Investment Manager
“Investment Manager”	CU Investment Management Limited, a corporation licensed to carry out business in type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Last Trading Date”	7 November 2011, being the date of the Underwriting Agreement
“Latest Acceptance Date”	9 March 2012 or such other date as may be agreed between the Company and the Underwriter, being the latest date for acceptance of the offer of and payment for the Rights Shares
“Latest Practicable Date”	20 February 2012, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with the provisions of the Articles

DEFINITIONS

“Non-Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong where the Directors, based on opinions provided by its legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company and whose addresses as shown on such register are outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“Prospectus Date”	24 February 2012 or such other date as the Underwriter may agree in writing with the Company, being the date on which the Prospectus Documents are to be issued and dispatched to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prospectus”	this prospectus issued by the Company to the Shareholders in relation to the Rights Issue
“Prospectus Documents”	this Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholders, other than the Non-Qualifying Shareholders

DEFINITIONS

“Record Date”	23 February 2012 or such other date as may be agreed between the Company and the Underwriter in writing, being the record date to determine entitlements of the Shareholders to participate in the Rights Issue and the Bonus Warrant Issue
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, situated at Shop 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“RSI”	the relative strength index. A technical momentum indicator used in the technical analysis of stocks that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of a stock, the RSI ranges from 0 to 100. A stock is deemed to be overbought once the RSI approaches the 70 level, meaning that it may be getting overvalued and is a good candidate for a pullback. Likewise, if the RSI approaches 30, it is an indication that the stock may be getting oversold and therefore likely to become undervalued.
“Rights Issue”	the proposed offer and issue of the Rights Shares by way of a rights issue on the basis of four Rights Shares for every Share held on the Record Date, at the Subscription Price on the terms set out in the Underwriting Agreement and the Prospectus Documents, with Bonus Warrants on the basis of one Bonus Warrant for every four Rights Shares taken up
“Rights Share(s)”	858,656,304 new Share(s) to be issued and allotted under the Rights Issue
“Rights Shares Dealing Date”	the date on which the fully-paid Rights Shares commence dealings on the Stock Exchange
“Settlement Date”	14 March 2012, being the third business day following the Latest Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company or the Adjusted Share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation becoming effective (as the case may be)
“Shareholder(s)”	shareholder(s) of the Company
“Share Options”	the share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 7 February 2005, being the only share option or incentive scheme of the Company subsisting for the time being
“Share Subdivision”	the proposed share subdivision whereby each of the authorised but unissued Shares of par value of HK\$0.10 each will be subdivided into ten Adjusted Shares of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.15 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“total Effective Consideration”	in respect of the amount receivable for the securities issued shall be deemed to be aggregate consideration receivable by the issuer for such securities for the issue thereof plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto
“Underwriter”	Freeman Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 7 November 2011 entered into between the Company and the Underwriter in relation to the underwriting of the Underwritten Shares
“Underwritten Shares”	858,656,304 Rights Shares as fully underwritten by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement
“US”	the United States of America
“HK\$”	Hong Kong dollars, being the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum

TERMINATION OF THE UNDERWRITING AGREEMENT

Termination of the Underwriting Agreement

If at any time between the date of the Underwriting Agreement and 6:00 p.m. on the third business day following the Latest Acceptance Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement are untrue, inaccurate, misleading or have been breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, the Cayman Islands or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
 - (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong, the Cayman Islands or elsewhere,which event or events is or are in the reasonable opinion of the Underwriter:
 - (vii) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole;
 - (viii) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up;
 - (ix) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, the Underwriter may by notice in writing to the Company terminate the Underwriting Agreement whereupon all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue shall not proceed. The Company shall continue to be liable for all legal fees and any out of pocket expenses of the Underwriter.

LETTER FROM THE BOARD



RADFORD CAPITAL INVESTMENT LIMITED

萊福資本投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 901)

Executive Directors:

Mr. Chung Yuk Lun (*Chairman*)
Mr. Shimazaki Koji (*Chief Executive Officer*)
Mr. Sam Nickolas David Hing Cheong
Mr. Cheung Wing Ping

Independent Non-executive Directors:

Mr. Lum Pak Sum
Ms. Lam Yan Fong, Flora
Ms. Ng Yin Ling, Elaine

Registered office:

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

Principal place of business

in Hong Kong:
Room 2201, 22/F
China United Centre
28 Marble Road
North Point
Hong Kong

24 February 2012

To: the Qualifying Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 858,656,304 RIGHTS SHARES
AT THE SUBSCRIPTION PRICE OF HK\$0.15 PER RIGHTS SHARE
ON THE BASIS OF FOUR RIGHTS SHARES
FOR EVERY SHARE HELD ON THE RECORD DATE
WITH BONUS WARRANT ISSUE OF 214,664,076 BONUS WARRANTS
AT THE EXERCISE PRICE OF HK\$0.05 PER BONUS WARRANT
ON THE BASIS OF ONE BONUS WARRANT
FOR EVERY FOUR RIGHTS SHARES TAKEN UP**

INTRODUCTION

On 7 November 2011, the Board announced that the Company proposed to (a) raise approximately HK\$128.80 million (before expenses) by way of a rights issue on the basis of four Rights Shares for every Share held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share. Subject to the fulfillment of the conditions to the Rights Issue and the Bonus Warrant Issue, Bonus Warrants will be issued to the persons who have taken up the Rights Shares on the basis of one Bonus Warrant for every four Rights Shares taken up. Each of the Bonus Warrants

LETTER FROM THE BOARD

will entitle the holder(s) thereof to subscribe for one Adjusted Share at the Exercise Price of HK\$0.05 per Adjusted Share (subject to adjustments) while the issue of the Adjusted Share(s) will be conditional upon the Capital Reorganisation of the Company becoming effective, at any time between the date of issue of the Bonus Warrants and the day immediately preceding the date which is 24 months after the date of issue of the Bonus Warrants.

The Rights Issue and the Bonus Warrant Issue were approved by the Independent Shareholders by way of poll at the EGM. The Bonus Warrant Issue is conditional upon the Capital Reorganisation becoming effective which is further subject to the Court's approval.

The purpose of this Prospectus is to provide you, among others, further details about the Rights Issue and the Bonus Warrant Issue.

RIGHTS ISSUE

Terms of the Rights Issue

The Company proposes to raise approximately HK\$128.80 million (before expenses) by way of a rights issue on the basis of four Rights Shares for every Share held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share.

Issue statistics

Basis of the Rights Issue	:	four Rights Shares for every Share held on the Record Date with Bonus Warrants on the basis of one Bonus Warrant for every four Rights Shares taken up
Number of Shares in issue as at the Latest Practicable Date	:	214,664,076 Shares
Number of Rights Shares	:	858,656,304 Rights Shares
Subscription Price	:	HK\$0.15 per Rights Share
Number of Bonus Warrants	:	214,664,076 Bonus Warrants
Underwriter	:	Freeman Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activities under the SFO

LETTER FROM THE BOARD

The Underwriter is a subsidiary of Freeman. Freeman is in turn an indirect substantial shareholder (as defined under the Listing Rules) of CU Investment Management Limited, the investment manager of the Company.

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

858,656,304 nil-paid Rights Shares proposed to be provisionally allotted represent 400% of the Company's issued share capital as at the Latest Practicable Date and 80% of the Company's issued share capital as enlarged by the issue of 858,656,304 Rights Shares. The aggregate nominal value of the Rights Shares will be HK\$85,865,630.40.

Qualifying Shareholders

The Company has sent the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Rights Issue and Bonus Warrant Issue, a Shareholder must:

- (a) be registered as a member of the Company at the close of business on the Record Date; and
- (b) be a Qualifying Shareholder.

The Company has sent the Prospectus Documents to the Qualifying Shareholders and the Prospectus to the Non-Qualifying Shareholders for information purpose only.

Rights of the Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, none of the Shareholders as recorded on the register of members of the Company had address(es) which is/are outside Hong Kong. Accordingly, there is no Non-Qualifying Shareholder for the purpose of the Rights Issue (including for the avoidance of doubt the Bonus Warrants).

LETTER FROM THE BOARD

Terms of the Rights Issue and the Bonus Warrant Issue

Subscription Price

The Subscription Price for the Rights Share is HK\$0.15 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the provisional allotment of the Rights Shares or, where applicable, upon application for any of the excess Rights Shares, or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 67.39% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 67.39% to the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on the Last Trading Date;
- (c) a discount of approximately 29.25% to the theoretical ex-rights price of approximately HK\$0.212 per Share based on the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date. This theoretical ex-rights price has not taken into account the impact or effect or value of the Bonus Warrant Issue;
- (d) a discount of approximately 1.96% to the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 73.87% to the unaudited consolidated net asset value per Share of approximately HK\$0.574 as at 31 December 2011.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price and the above-mentioned theoretical ex-rights price of the Shares. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the closing price of the Shares on the Last Trading Date with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.143.

LETTER FROM THE BOARD

Basis of the provisional allotment

The basis of the provisional allotment shall be four Rights Shares for every Share held on the Record Date, being 858,656,304 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Bonus Warrant Issue

Subject to the Capital Reorganisation becoming effective, and the fulfillment of the conditions to the Rights Issue and the Bonus Warrant Issue, Bonus Warrants will be issued to Shareholders and such other persons who have taken up the Rights Shares on the basis of one Bonus Warrant for every four Rights Shares taken up. Fractional entitlements to the Bonus Warrants will not be allotted but will be aggregated and sold for the benefit of the Company. On the basis of 858,656,304 Rights Shares to be issued under the Rights Issue, the total number of the Bonus Warrants to be issued will be 214,664,076. Each of the Bonus Warrants will entitle the holder(s) thereof to subscribe for one Adjusted Share at the Exercise Price of HK\$0.05 per Adjusted Share (subject to adjustments), at any time between the date of issue of the Bonus Warrants and the day immediately preceding the date which is 24 months after the date of issue of the Bonus Warrants. The Bonus Warrant Shares to be issued upon exercise of the subscription rights attached to the Bonus Warrants will represent approximately 16.67% of issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Bonus Warrant Shares.

The Exercise Price of each Bonus Warrant represents:

- (a) a discount of approximately 89.13% to the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 89.13% to the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the five consecutive trading days ending on the Last Trading Date;
- (c) a discount of approximately 76.42% to the theoretical ex-rights price of approximately HK\$0.212 per Share based on the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date. This theoretical ex-rights price has not taken into account the impact or effect or value of the Bonus Warrant Issue;

LETTER FROM THE BOARD

- (d) a discount of approximately 67.32% to the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 91.29% to the unaudited consolidated net asset value per Share of approximately HK\$0.574 as at 31 December 2011.

The weighted average price per Share for the Rights Shares and the Bonus Warrant Shares is HK\$0.13, calculated with reference to the Subscription Price of HK\$0.15 per Rights Share and the Exercise Price of HK\$0.05 per Adjusted Share and the allotment of the Bonus Warrants on the basis of one Bonus Warrant for every four Rights Shares taken up. Such weighted average price of HK\$0.13 represents a discount of approximately 29.73% to the theoretical ex-rights price (including the effect of the Bonus Warrants) of approximately HK\$0.185 per Share. This theoretical ex-rights price (including the effect of the Bonus Warrants) has been calculated based on the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date, the Subscription Price of HK\$0.15 per Rights Share and the Exercise Price of HK\$0.05 per Adjusted Share, and on the basis that a Shareholder will own 6 Shares in total (including the one Share he holds on the Record Date, four Rights Shares taken up and one Adjusted Share upon exercise of one Bonus Warrant) for every Share held on the Record Date upon full acceptance of entitlements under the Rights Issue and full exercise of Bonus Warrant to be issued. For simplicity, the time value of the Bonus Warrants is not taken into consideration in calculating the theoretical ex-rights price (including the effect of the Bonus Warrants) of approximately HK\$0.185 per Share as the Board is of the opinion that such effect is immaterial.

The Exercise Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares and the above-mentioned theoretical ex-rights price (both including and excluding the effect of the Bonus Warrants). It is subject to customary anti-dilutive adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and further issue of shares or convertible securities with a conversion price less than the then market price provided that the Exercise Price shall not at any time fall below the par value of the Adjusted Shares. The Bonus Warrant Issue is designed to encourage Shareholders to take up their entitlements under the Rights Issue so as to participate in the future growth of the Company.

Shareholders and investors are reminded that the theoretical ex-rights price (either including or excluding the effect of the Bonus Warrants) may or may not be the Share price on the first dealing day of Shares of the Company on an ex-entitlement basis.

LETTER FROM THE BOARD

Despite the current market environment, the Directors are of the view that Shareholders will be willing to participate in the Rights Issue because of (a) the discount of the Subscription Price to the current market price, theoretical ex-rights price (excluding the effect of the Bonus Warrants) and net asset value per Share, (b) the Bonus Warrants that will be issued to Shareholders taking up the Rights Shares, and (c) the Company is able to take advantage of current market conditions and use the Rights Issue proceeds to acquire investments at attractive prices and reap potential gains for the Company in any future recovery of the general economy and the stock market. Shareholders as a whole will benefit from such gains and from the growth of the Company. In view of the above, the Directors believe that Shareholders will be willing to participate in the Rights Issue.

The Rights Issue is in the interest of Shareholders not taking up the Rights Shares because:

- (a) In any case, such Shareholders can sell their nil-paid Rights Shares on the market when trading in nil-paid Rights Shares commences. Any Shareholder not willing to take up the Rights Shares can sell four nil-paid Rights Shares for every Share they hold. Based on the theoretical ex-rights price (excluding the effect of the Bonus Warrants) of HK\$0.212 (calculated with reference to the closing share price of the Company on the Last Trading Day), the value of each nil-paid Rights Share would be HK\$0.062. On the basis of such theoretical ex-rights price, Shareholders not taking up the Rights Shares could therefore receive a significant amount of cash proceeds (i.e. $4 \times \text{HK\$}0.062 = \text{HK\$}0.248$ for each existing Share held) from disposing their nil-paid Rights Shares and enjoy $\text{HK\$}0.248 + \text{HK\$}0.212$ (above-mentioned theoretical ex-rights price) = HK\$0.46 for each existing Share held, which equals the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date.

On the basis of the above, the Directors believe the Rights Issue is in the interest of Shareholders even if they do not take up the Rights Shares. Shareholders not taking up the Rights Shares can sell their nil-paid Rights Shares.

- (b) The existing shareholding of Shareholders not taking up the Rights Shares will be able to benefit from the growth of the Company and the potential gains that the Company may reap from making investments using the proceeds from the Rights Issue. Even if some Shareholders decide not to take up the Rights Shares, the Directors believe that the Rights Issue will also benefit them as the Company can take advantage of current market conditions and use the Rights Issue proceeds to acquire investments at attractive prices. The growth of the Company and the potential gains that the Company may reap from such investments will benefit all Shareholders (including Shareholders who have decided not to take up their Rights Shares), thereby offsetting or reducing the dilution impact (if any) on share price. In addition, Shareholders not taking up the Rights Shares can also sell the nil-paid Rights Shares on the market when trading in nil-paid Rights Shares commences. On the basis of the above, the Directors believe that the Rights Issue is fair and reasonable to Shareholders as a whole.

LETTER FROM THE BOARD

- (c) Despite of the dilution effect in the event that Shareholders do not subscribe the Rights Shares and the Subscription Price is set at a discount of approximately 81% to NAV per Share as at 30 September 2011 (being the date in respect of which the NAV per share was last published prior to the announcement of the Rights Issue), such Shareholders would still be able to benefit from the growth of the Company and the potential gains that the Company may reap from investments using the proceeds from the Rights Issue. The potential improvement in investment returns would also serve to narrow the discount of market price to NAV per Share.

In regards to potential dilution effects, the structure of the Rights Issue is dictated by the proceeds which the Company would like to raise at the Subscription Price, with a reasonable discount of approximately 29% to theoretical ex-rights price (excluding the effect of the Bonus Warrants and calculated with reference to the closing share price of the Company on the Last Trading Day), and the Bonus Warrant Issue is to encourage Shareholders to participate in the Rights Issue. This structure allows Shareholders not taking up Rights Shares to sell as many as four nil-paid Rights Shares for every Share held.

In regards to discount to NAV per Share, the closing price of HK\$0.46 per Share as quoted on the Stock Exchange on the Last Trading Date is at an approximately 40% discount to NAV per Share of HK\$0.77 as at 30 September 2011 (being the date in respect of which the NAV per share was last published prior to the announcement of the Rights Issue). Having a Subscription Price of approximately 29% discount to theoretical ex-rights price (excluding the effect of the Bonus Warrants and calculated with reference to the closing share price of the Company on the Last Trading Day) is also not unusual and not unreasonable. It is a combination of the above that results in the Subscription Price of HK\$0.15 per Rights Share is at an approximately 81% discount to NAV per Share as at 30 September 2011, and the Company therefore believes there is no issue with the discount of Subscription Price to NAV per Share, especially when Shareholders not taking up the Rights Shares can still benefit from the Rights Issue as mentioned under (a) to (c) above.

LETTER FROM THE BOARD

The theoretical ex-rights price (excluding the effect of the Bonus Warrants) is HK\$0.1506 if calculated with reference to the closing share price of the Company of HK\$0.153 on the Latest Practicable Date. The Subscription Price therefore represents a discount of approximately 0.4% to such theoretical ex-rights price, which is not unreasonable. The benefits described under (a) to (c) above still hold true except that the numbers under (a) should be adjusted as follows: on the basis of the theoretical ex-rights price (excluding the effect of the Bonus Warrants) of HK\$0.1506, the value of each nil-paid Rights Share would be HK\$0.0006, the proceeds from selling nil-paid Rights Shares would be HK\$0.0024 for each existing Share held, and Shareholders would still enjoy HK\$0.0024 + HK\$0.1506 (ie, HK\$0.153) for each existing Share held, which equals the closing price of the Company on the Latest Practicable Date. Consequently, the Directors consider the Rights Issue to be in the interest of Shareholders even after taking into account the discount to theoretical ex-rights price excluding the effect of the Bonus Warrants and calculated with reference to the closing share price of the Company on the Latest Practicable Date.

In any event, different Shareholders have different considerations and may take different courses of actions. The Company and its Directors are required to act in the interest of Shareholders as a whole. The Company and its Directors believe that the Rights Issue, the terms of which are negotiated between the Company and the Underwriter on an arms-length basis, is in the interest of Shareholders as a whole.

Assuming all the Bonus Warrants are exercised, gross proceeds and net proceeds of approximately HK\$10.73 million and HK\$10.68 million, respectively, will be raised. The net price per Bonus Warrant Share is therefore approximately HK\$0.05. As the Bonus Warrants and the Bonus Warrant Shares will only be issued after the Capital Reorganisation has become effective, the aggregate nominal value of all the Bonus Warrant Shares that may fall to be issued is approximately HK\$2.1 million.

The obligations of the Company to issue and allot the Bonus Warrants are conditional upon:

- (a) the passing of the relevant resolution at the EGM approving the Bonus Warrant Issue and the issuance of the Bonus Warrant Shares upon any exercise of the subscription rights attached to the Bonus Warrants in accordance with the Articles and the Listing Rules;
- (b) the approval of the Capital Reduction by the Court;
- (c) the passing of a special resolution approving the Capital Reorganisation at the EGM;
- (d) the Capital Reorganisation having become effective, and compliance with any conditions imposed by the Court on the Capital Reduction;

LETTER FROM THE BOARD

- (e) compliance with all necessary requirements and obtaining all consents and approvals under the Listing Rules for the issue of the Bonus Warrants by the Company;
- (f) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in the Adjusted Shares, the Bonus Warrants and the Bonus Warrant Shares, either unconditionally or subject to such conditions as the Underwriter may in its absolute discretion accept and the satisfaction of such conditions (if any and where relevant);
- (g) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and
- (h) the Rights Issue having become unconditional, and the Rights Shares in their fully-paid form having been duly issued and allotted.

Fractions of Rights Shares and Bonus Warrants

On the basis of the provisional allotment of four Rights Shares for every Share held by the Qualifying Shareholders at the close of business on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

On the basis of one Bonus Warrant for every four Rights Shares taken up by the Qualifying Shareholders, fractional entitlements to the Bonus Warrants will not be allotted but will be aggregated and sold for the benefit of the Company.

Status of the Rights Shares and the Bonus Warrant Shares

The Rights Shares and the Bonus Warrant Shares, when fully paid and issued, will rank pari passu in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form or the Bonus Warrant Shares (as the case may be).

LETTER FROM THE BOARD

Procedures for acceptance and payment or transfer

Qualifying Shareholders will find enclosed with this Prospectus a PAL which entitles them to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong so as to be received by no later than 4:00 p.m. on Friday, 9 March 2012. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Radford Capital Investment Limited – Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been received by the Registrar by 4:00 p.m. on Friday, 9 March 2012, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Thursday, 1 March 2012 with the Registrar who will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the Registrar after 9:00 a.m. on the second business day after the surrender of the original PAL.

LETTER FROM THE BOARD

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques and cashier's orders accompanying completed PALs will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. Completion and return of the PAL with a cheque or a cashier's order in payment for the Rights Shares, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the subscriber that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque and/or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. You must pay the exact amount payable upon application for the Rights Shares, underpaid application will be rejected. In the event of overpaid application, a refund cheque will be made out to you only if the overpaid amount is HK\$100 or above.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any jurisdiction other than Hong Kong. Accordingly, no person receiving a copy of this Prospectus, the PAL or the EAF in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant jurisdictions, such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. It is the responsibility of anyone outside Hong Kong wishing to make on his/her/its/their behalf an application for the Rights Shares to satisfy himself/itself as to the observance of the laws and regulations of all relevant jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that in doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

If the Underwriter exercises the rights to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered addresses at their own risk as soon as practicable thereafter.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its/their provisional allotment must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong so as to be received by not later than 4:00 p.m. on Friday, 9 March 2012. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a bank in Hong Kong and made payable to "Radford Capital Investment Limited – Excess Application Account" and crossed "Account Payee Only".

The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (a) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse this mechanism; and
- (b) subject to availability of excess Rights Shares after allocation under principle (a) above, the excess Rights Shares will be allocated to Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for a smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive a lesser number of Rights Shares; whereas Qualifying Shareholders applying for a larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive a higher number of Rights Shares), and with board lot allocations to be made on a best effort basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

LETTER FROM THE BOARD

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on or about Thursday, 15 March 2012. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that the amount tendered on application will be refunded in full without interest on or before Friday, 16 March 2012 by post at their own risk. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application monies are also expected to be refunded to them without interest on or before Friday, 16 March 2012 by post at their own risk.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it, have been, or will be, duly complied with. Completion and return of the EAF together with a cheque or cashier's order in payment for excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected. You must pay the exact amount payable upon application for the Rights Shares, underpaid application will be rejected. In the event of overpaid application, a refund cheque will be made out to you only if the overpaid amount is HK\$100 or above.

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

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled or waived (as applicable), the monies received in respect of the relevant applications for excess Rights Shares will be returned to the applicants, or in case of joint applicants, to the first-named person, without interest by means of cheques despatched by the ordinary post to their respective addresses at their own risk as soon as practicable thereafter.

LETTER FROM THE BOARD

Certificates for the Rights Shares and the Bonus Warrants and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for the fully-paid Rights Shares are expected to be posted on or before 16 March 2012 to those Qualifying Shareholders and applicants who have accepted or (as the case may be) applied and paid for the Rights Shares, at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 16 March 2012 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid forms is expected to commence on Tuesday, 20 March 2012.

Subject to the fulfillment of the conditions of the Bonus Warrant Issue and the timing of the relevant Court hearings, certificates for the Bonus Warrants are expected to be posted on or before 30 April 2012 to Shareholders or such other persons who have taken up the Rights Shares, at their own risk.

Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it/them. The Bonus Warrants will be issued subject to and with the benefit of the instrument by way of deed poll (the “Instrument”) to be executed by the Company. The Bonus Warrants will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

Application for listing

The Company has applied to the Listing Committee for the listing of, and permission to deal in the Rights Shares (in both nil-paid and fully-paid forms).

Subject to the granting of the listing of, and permission to deal in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Subject to the fulfillment of the conditions of the Bonus Warrant Issue which include the granting of the listing of, and permission to deal in the Bonus Warrants and the Bonus Warrant Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the Bonus Warrant Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS after issuance.

LETTER FROM THE BOARD

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 20,000 Shares while Bonus Warrants will also be traded in board lots of 20,000 Bonus Warrants.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms), the Bonus Warrants and the Bonus Warrant Shares will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy and/or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, the Bonus Warrants and the Bonus Warrant Shares and, in regards to the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the nil-paid Rights Shares otherwise falling to be issued to them under the Rights Issue.

It is emphasised that neither the Company, the Directors nor any other parties involved in the Rights Issue and the Bonus Warrant Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares and the Bonus Warrants resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, the Bonus Warrants and the Bonus Warrant Shares.

Conditions precedent to the Rights Issue

The Rights Issue and the underwriting obligations of the Underwriter under the Underwriting Agreement are conditional upon the following:

- (a) the passing of the relevant resolutions by Independent Shareholders at the EGM approving the issue and allotment of the Rights Shares in accordance with the Articles and the Listing Rules;
- (b) the delivery to the Stock Exchange and the filing with and registration of the Prospectus (with all documents required to be attached thereto by section 342C of the Companies Ordinance), the PAL and the EAF (all having been duly authorised for registration by the Stock Exchange and certified by any two Directors or their respective authorised agents) by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance on or before the Prospectus Date;

LETTER FROM THE BOARD

- (c) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Date;
- (d) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms), either unconditionally or subject to such conditions as the Underwriter may in its absolute discretion accept and the satisfaction of such conditions (if any and where relevant) before 8:00 a.m. on the first date of dealings in nil-paid Rights Shares on the Stock Exchange and not having withdrawn or revoked such listing and permission before 8:00 a.m. on the Rights Shares Dealing Date; and
- (e) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

In the event that the above conditions have not been satisfied on or before 4:00 p.m. on 31 March 2012 (or such other date as the Underwriter and the Company may agree in writing), the obligations of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of the Underwriting Agreement and save that all legal fees and any out of pocket expenses of the Underwriter shall continue to be borne by the Company, and the Rights Issue will not proceed.

Underwriting Agreement

- | | | |
|---|---|---|
| Date | : | 7 November 2011 |
| Parties | : | (i) the Company as the Issuer; and
(ii) Freeman Securities Limited as the Underwriter |
| Total number of Rights shares being underwritten by the Underwriter | : | The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite on a fully underwritten basis, being 858,656,304 Rights Shares, subject to the terms and conditions of the Underwriting Agreement |
| Commission Payment | : | A fee payable upon completion of issuance and allotment of the Rights Shares of HK\$750,000, plus 3% of the aggregate Subscription Price of the Underwritten Shares |

LETTER FROM THE BOARD

The Commission Payment was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market conditions. It was the Underwriter who initially approached the Company with a proposal to underwrite a rights issue for the Company. Apart from Freeman Securities Limited, the Company is of the view that it is difficult to find any underwriter to underwrite the underwritten Rights Shares given the prevailing market conditions. The Company's understanding is that currently underwriters in general have a much lower risk appetite in the current economic environment and are keen to preserve their capital base. Therefore, the Company did not approach any other underwriters for the Rights Issue. In the two earlier rights issues announced by the Company in April and June of 2011, the underwriting commission was 2.5%. In view of the significantly more volatile economic environment and the deepening European debt crisis in recent months, and the impact of such on the global financial sector, the Directors are of the view that it is not unreasonable for the Underwriter to require a higher commission payment to cater for significantly higher underwriting risks. Consequently, the Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the Commission Payment) are fair and reasonable and in the interests of the Company and the Shareholders as a whole as they are commercial terms negotiated on an arms-length basis, including the Commission Payment which is within the range of 0% to 4% underwriting commission for 36 rights issue conducted by companies listed on the Stock Exchange recently, details of which are contained in the section headed "Comparison with other rights issues" of the letter of advice from Grand Vinco Capital Limited, the independent financial adviser of the Company, included in the Circular.

Undertaking from substantial Shareholders

The Company has not received any information from its substantial Shareholders (as defined in the Listing Rules) as to whether they intend to take up the Rights Shares to be provisionally allotted or offered to them.

Termination of the Underwriting Agreement

If at any time between the date of the Underwriting Agreement and 6:00 p.m. on the third business day following the Latest Acceptance Date, one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise or exist:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement are untrue, inaccurate, misleading or have been breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue;
- or

LETTER FROM THE BOARD

- (b) (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, the Cayman Islands or elsewhere;
- (ii) any change in local, national or international financial, political, industrial or economic conditions;
- (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
- (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
- (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong, the Cayman Islands or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:
 - (vii) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole;
 - (viii) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up;
 - (ix) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, the Underwriter may by notice in writing to the Company terminate the Underwriting Agreement whereupon all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue shall not proceed. The Company shall continue to be liable for all legal fees and any out of pocket expenses of the Underwriter.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES AND/OR TAKING UP THE RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis since Wednesday, 15 February 2012. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 28 February 2012 to Tuesday, 6 March 2012 (both days inclusive).

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during this period who are in doubt about their position are recommended to consult their professional advisers.

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out in this Prospectus under the section headed “Conditions precedent to the Rights Issue”. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue have not been fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.

In addition, if the conditions precedent to the Bonus Warrant Issue are not satisfied, the Company will not be in a position to issue the Bonus Warrants to Shareholders and investors who take up the Rights Shares. There is therefore no guarantee that Shareholders and investors taking up the Rights Shares will receive the Bonus Warrants. In any event, as the completion of the Rights Issue is expected to occur before the completion of the Bonus Warrant Issue, Shareholders and investors should expect there will be a time gap between taking up the Rights Shares and receiving the Bonus Warrants. Shareholders and the public are therefore reminded to exercise caution when dealing in the securities of the Company and deciding, whether or not, to take up the Rights Shares.

Furthermore, Shareholders should be aware of the potential dilution effect to the Qualifying Shareholders opting not to subscribe for their pro-rata Rights Shares. The theoretical ex-rights price (excluding the effect of the Bonus Warrants) is HK\$0.1506 if calculated with reference to the closing share price of the Company of HK\$0.153 on the Latest Practicable Date. The Subscription Price therefore represents a discount of approximately 0.4% to such theoretical ex-rights price. The weighted average price per Share for the Rights Shares and the Bonus Warrant Shares is HK\$0.13, calculated with reference to the Subscription Price of HK\$0.15 per Rights Share and the Exercise Price of HK\$0.05 per Adjusted Share and the allotment of the Bonus Warrants on the basis of one Bonus Warrant for every four Rights Shares taken up. Such weighted average price of HK\$0.13 represents

LETTER FROM THE BOARD

a discount of approximately 3% to the theoretical ex-rights price (including the effect of the Bonus Warrants) of approximately HK\$0.134 per Share. This theoretical ex-rights price (including the effect of the Bonus Warrants) has been calculated based on the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the Subscription Price of HK\$0.15 per Rights Share and the Exercise Price of HK\$0.05 per Adjusted Share, and on the basis that a Shareholder will own 6 Shares in total (including the one Share he holds on the Record Date, four Rights Shares taken up and one Adjusted Share upon exercise of one Bonus Warrant) for every Share held on the Record Date upon full acceptance of entitlements under the Rights Issue and full exercise of Bonus Warrant to be issued. For simplicity, the time value of the Bonus Warrants is not taken into consideration in calculating the theoretical ex-rights price (including the effect of the Bonus Warrants) of approximately HK\$0.134 per Share as the Board is of the opinion that such effect is immaterial.

Shareholders and investors are reminded that the theoretical ex-rights price (either including or excluding the effect of the Bonus Warrants) may or may not be the Share price on the first dealing day of Shares of the Company on an ex-entitlement basis.

Shareholders and the public are therefore reminded to exercise caution when dealing in the securities of the Company and deciding whether or not to take up the Rights Shares.

Fund raising exercises of the company during the past three years

The Company's equity fund raising exercises over the past three years immediately preceding the Latest Practicable Date are set out below:

Date of announcement	Fund raising activity	Net Proceeds raised (approximately)	Use of the net proceeds
29 September 2008	Issue of convertible notes	HK\$45 million	To offset the outstanding loans of the Company
5 June 2009	Subscription of 162,000,000 new Shares	HK\$18.8 million (note 1)	For investment purposes and for the purchase of listed securities of Hong Kong
3 August 2009	Placing of 1,000,000,000 new Shares	Nil (note 2)	Not Applicable

LETTER FROM THE BOARD

Date of announcement	Fund raising activity	Net Proceeds raised (approximately)	Use of the net proceeds
28 October 2009	Subscription of 195,701,457 new Shares	HK\$19.43 million (note 1)	For investments pursuant to the investment objectives of the Company
10 June 2010	Rights issue on the basis of four rights shares for every share held	HK\$106.21 million (note 3)	For investments pursuant to the investment objectives of the Company
16 August 2010	Subscription of 50,234,378 new Shares	HK\$4.87 million (note 3)	For investment purposes and for the purchase of listed securities in Hong Kong
8 April 2011	Rights issue on the basis of four rights shares for every share held	Nil (Note 4)	Not Applicable
29 June 2011	Rights issue on the basis on one rights share for every two shares held	HK\$51.67 million (note 5)	For the committed investments of the Group in Bao Yuan Holdings Limited and as general working capital of the Company and further investments in listed securities

Notes:

1. Set out below is a breakdown of the actual use of the proceeds:–

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
Year 2009				
HK\$5.38 million	Investment in securities in: Mascotte Holdings Ltd (Stock code: 136)	loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment	Realised gain for the year ended 31 December 2009: approximately HK\$1,600 Unrealised loss for the year ended 31 December 2009: approximately HK\$441,000 Unrealised loss for the year ended 31 December 2010: approximately HK\$1,265,000 Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$630,000	<ul style="list-style-type: none"> • Mascotte's financial position was strong. Cash and cash equivalent totaled HK\$33 million and no outstanding bank borrowing at end of fiscal 2009. • Mascotte already established its market position in the computer, photographic, video, phone and multi-media bag and accessory market, after more than 30 years in the industry.

LETTER FROM THE BOARD

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
HK\$6.12 million	Investment in securities in: China Strategic Holdings Ltd (Stock code: 235)	Manufacture and trading of battery products and related accessories, and investment in securities	Realised gain for the year ended 31 December 2009: approximately HK\$1,052,000	<ul style="list-style-type: none"> China Strategic's financial position remained sound, with a high cash position, which the Directors consider the company can demonstrate good potential for further development. China Strategic's investment in Nan Shan Life Insurance would help it to enter successfully into Taiwan's insurance industry.
HK\$0.80 million	Investment in securities in: Freeman Financial Corporation Ltd (Stock code: 279)	Trading of securities, provision of finance, property holdings and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding	Realised loss for the year ended 31 December 2009: approximately HK\$414,000	<ul style="list-style-type: none"> The capital commitments of the group as at 30 September 2008 HK\$24,050,000, the group have sufficient financial resources to meet the operational requirements, which the Directors consider the company can demonstrate good potential for further development. The group had shareholders' funds of HK\$1,055,579,000 as at 30 September 2008. Revenue of the provision of finance business for the period amounted to HK\$7,230,000 for the six months ended 30 September 2008. The business recorded a profit of the provision of finance business HK\$2,625,000 in that period.
HK\$7.40 million	Investment in securities in: Heritage International Holdings Ltd (Stock code: 412)	Property investment, investments in securities, money lending and investment holding	Realised loss for the year ended 31 December 2009: approximately HK\$752,000	<ul style="list-style-type: none"> Heritage's financial position remained strong. The company's debt ratio was only 4.83% at end of fiscal 2009. The recent downturn in the global equity markets represented opportunities for the company to buy assets at depressed prices.
HK\$18.53 million	Investment in securities in: G-Resources Group Ltd (Stock code: 1051)	Mining business, provision of financial information services, trading of electronic goods and accessories, and securities trading	<p>Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$190,000</p> <p>Unrealised loss for the year ended 31 December 2009: approximately HK\$10,838,000</p> <p>Unrealised gain for the year ended 31 December 2010: approximately HK\$1,883,000</p>	<ul style="list-style-type: none"> The company completed the acquisition of the Martabe gold/silver project in North Sumatra, Indonesia, with expected gold production in 2011. The company's expected cost of US\$250/oz. compared with spot price was very attractive. The company gave an outlook that had so much more upside than downside for gold. The company was expected to drive organic growth by acquisition of gold projects and gold operations. The board and senior management had the right backgrounds and experience for the growth profile and were familiar with the regional mining environments.

2. The placing was terminated by mutual agreement between the Company and the placing agent as announced by the Company on 28 October 2009.

LETTER FROM THE BOARD

3. Set out below is a breakdown of the actual use of the proceeds:–

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
Year 2010				
HK\$38.04 million	Investment in securities in: China Tycoon Beverage Holdings Ltd (Stock code: 209)	Manufacturing and trading of hard and stuffed toys and the manufacturing and sales of beverage products	Realised gain for the year ended 31 December 2010: approximately HK\$254,000 Unrealised loss for the year ended 31 December 2010: approximately HK\$422,000 Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$15,752,000	<ul style="list-style-type: none"> • The group's financial position remains sound • The group has sufficient financial resources to meet its ongoing operational requirements. • The group had entered into a conditional acquisition agreement to acquire 82.3% equity interest in Tycoon Beverage Group Co. Ltd. which indirectly engaged in trading and distribution of drink products under the brand of "Daheng" in the PRC. • Increase in urban population and population in the PRC; rapid development of chain store in the PRC which made the juice products more affordable and accessible and thus that the outlook of the beverage industry in PRC was optimistic.
HK\$3.42 million	Investment in securities in: Willie International Holdings Ltd (Stock code: 273)	Property investment, investment in securities trading, money lending and investment holding	Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$2,612,000 Unrealised gain for the year ended 31 December 2010: approximately HK\$628,000	<ul style="list-style-type: none"> • The company continued to take a conservative and cautious approach in investing and had achieved a turnaround from its core business. • The group remained active in seeking opportunities in financial services, energy related projects and property investments. Its investment portfolio benefitted from the recovery of the stock market and returned a profit approximately HK\$72 million for the year ended 31 December 2009 and net fair value gains on trading of investment held of approximately HK\$38 million.

LETTER FROM THE BOARD

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
HK\$20.56 million	Investment in securities in: Freeman Financial Corporation Ltd (Stock code: 279)	Trading of securities, provision of finance, property holdings and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding	Realised loss for the year ended 31 December 2010: approximately HK\$761,000	<ul style="list-style-type: none"> • The financial market had stabilised and thus the performance of the group had improved the income from sales of trading securities which recorded a profit of HK\$56.8 million for the year ended 31 March 2010, representing an increase of 5.9 times. • Dividend income increased by 8.6 times to HK\$23.1 million for the year ended 31 March 2010. • Gross rental income increased to HK\$4 million for the year ended 31 March 2010, representing an increase of 11.1%.
HK\$45 million	Investment in securities in: Rising Development Holdings Ltd (Stock code: 1004)	Investment holding and trading in securities, manufacture and sale of fur garments, trading of fur skins and business of mining natural resources	<p>Realised loss for the period from 1 January 2011 to the Latest Practicable Date approximately HK\$34,000</p> <p>Unrealised gain for the year ended 31 December 2010: approximately HK\$8,234,000</p> <p>Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$23,336,000</p>	<ul style="list-style-type: none"> • Demand for fur products was strong due to the continuing expansion of the Chinese domestic market and the economic recovery in Russia and South Korea. • The company continue fur products as the main direction of the group's development. • Sales of fur products in China had been satisfactory. • The group continued strengthening its brand "Frede Derick" in China through co-operating with its strategic partners and efficiently minimise the production costs. • The company continued to develop high-end collection for its brand "Lecottia" to cater for the demand of Russian and other tourists in its retail shop in Paris.
HK\$4.06 million	Investment in securities in: China New Energy Power Group Limited (Stock code: 1041)	Manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products	Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$35,000	<ul style="list-style-type: none"> • During the year ended 31 December 2009, timber business resumed to be the core business of the Group. • The company managed to seize the opportunities arising from a rising demand in emerging markets and steadily broadened its market share. • The group managed to maintain a healthy cash position of approximately US\$30.6 million as at 31 December 2009 technically. • The stock price had been consolidated for a long while and received support at 20 days and 50 days moving average levels and could be strategically accumulated.

LETTER FROM THE BOARD

4. The rights issue was not approved by the Shareholders at the extraordinary general meeting held on 27 June 2011 and has since lapsed.
5. It was stated in the prospectus of the Company dated 15 July 2011 that the proceeds from the rights issue would be applied to the committed investments of the Group in Bao Yuan Holdings Limited (“Bao Yuan”) and 3D GOLD Jewellery Holdings Limited (“3D-GOLD”) and as general working capital of the Group and further investment in listed securities. As the resumption proposal of 3D-GOLD has not been approved by the Stock Exchange as at the Latest Practicable Date, the net proceeds of approximately HK\$51.67 million from the rights issue have been used as to approximately HK\$6.923 million to take up the rights shares in Bao Yuan pursuant to the sub-underwriting arrangement by the Group in the rights issue of Bao Yuan. The actual use of the net proceeds from the rights issue for securities investments is as follows:–

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
Year 2011				
HK\$10.49 million	Investment in securities in: Dragonite International Limited (Stock code: 329)	Production and sales of health care products, pharmaceutical products and RUYAN atomising cigarettes	Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$7,066,000	<ul style="list-style-type: none"> • The company enforced and protected its proprietary rights in e-cigarette technology with proceedings being initiated against suspected infringers in the United States. • The company maintains a positive view towards the prospects of the real estate market in Hong Kong, particularly the commercial and retail real estate sector. • The company held a trade conference and received positive responses from its distributors.
HK\$3.39 million	Investment in securities in: Heritage International Holdings Ltd (Stock code: 412)	Property investment, investments in securities, money lending and investment holding	<p>Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$730,000</p> <p>Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$635,000</p>	<ul style="list-style-type: none"> • The company owned certain commercial properties in North Point and a luxury residential property in Stanley. • The gain arising from changes in fair value amounted to approximately HK\$0.9 million for the six months ended 30 September 2010. • The value of the property investment stood at HK\$237 million as at 31 March 2010. • The money lending business has contributed a gain of approximately HK\$2 million for the six months ended 30 September 2010. • The company has a 20% interest in a company engaging in lottery related business in the PRC, which has obtained lottery selling rights for China Welfare Lottery Tickets in over 10 provinces in China.

LETTER FROM THE BOARD

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
Year 2011				
HK\$6.92 million	Investment in securities in: Bao Yuan Holdings Ltd (Stock code: 692)	Trading of the fabrics, garments and other related accessories. Exploration, development and mining of iron and titanium ores and trading of securities	Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$555,000	<ul style="list-style-type: none"> • In the PRC, there is huge demand for iron and titanium applications such as aerospace, sport equipment, cosmetics, etc. • To capitalise on these growing opportunities, the company are proceeding to apply for various licenses and permits for operating the mine. • The company considers that the prospect for mining and sale of the metals remains attractive in the years ahead. • Technically, the stock was under-performing for a long while, its RSI gradually moved up higher and higher and the upward momentum has been increasing.
HK\$3.10 million	Investment in securities in: Wo Kee Hong (Holdings) Ltd (Stock code: 720)	Import, marketing and distribution of cars, electrical appliances and fashion apparels and accessories	Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$697,000	<ul style="list-style-type: none"> • The company's cars business turnover rose by 49.3% to HK\$700.4 million for the six months ended 30 June 2011. • Turnover of the company's electrical appliances segment recorded a mild increase of 6.6% to HK\$130.1 million for the six months ended 30 June 2011. • The company sales of its own-branded men's wear "V-one" recorded a double-digit growth.

LETTER FROM THE BOARD

Proceeds (Approximately)	Actual use of net proceeds	Description of business	Realised or unrealised trading gain or loss	Basis for making investments
Year 2011				
HK\$19.18 million	Investment in securities in: Tack Fiori International Group Limited (formerly known as Tack Fat Group International Ltd) (Stock code: 928)	Retail and concessionaire sales of garments	Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$8,773,000	<ul style="list-style-type: none"> • Some of the emerging countries in which the company operates are less exposed to the financial crisis. Government policies which are anticipated to stimulate domestic consumption would favor the growth of the retail industry. • Strong GDP growth and rising domestic consumption power in mainland China translate to increasing demand for the company branded fashion products. • The company has strong and continuous support from investors in terms of both business and financial aspects. • The group will be able to sustain its retail business at a sufficient level in upcoming financial years and expand its retail business to a substantial level within a reasonable period of time after the resumption of trading in the shares on the Stock Exchange.
HK\$6 million	Investment in securities in: Rising Development Holdings Ltd (Unlisted convertible bond)	Investment holding and trading in securities, manufacture and sale of fur garments, trading of fur skins and business of mining natural resources	Unrealised gain/loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$0	<ul style="list-style-type: none"> • Demand for fur products was strong due to the continuing expansion of Chinese domestic market and the economic recovery in Russia and South Korea and the company's sales of fur products in China have been satisfactory.
HK\$2.59 million	General working capital of the Company	-	-	-

The Company disclosed in its prospectus dated 15 July 2011 that “As at the Latest Practicable Date, the Company has no specific target of investment and the Company has no immediate plan to invest in any of the major (top-ten bought) investments but is not precluded from doing so in the future”. The Company has subsequently invested in Heritage International Holdings Limited, Dragonite International Limited and Rising Development Holdings Limited, which are companies in the top-ten bought investments of the Company.

The Company considers that the statement made in the prospectus was true and valid as at the latest practicable date for ascertaining information to be included in the prospectus, i.e., the Company did not have any plan at that relevant time to invest in the top-ten investments of the Company. It was also disclosed in the prospectus that the Company is not precluded from investing in the top-ten bought securities in the future. Accordingly, the Company considers that there had not been any changes to its investment plan when it subsequently invested in Heritage International Holdings Limited, Dragonite International Limited and Rising Development Holdings Limited.

LETTER FROM THE BOARD

The decision to invest in Heritage International Holdings Limited, Dragonite International Limited and Rising Development Holdings Limited are made by the Company with reference to the investment reports and the recommendation as provided by the Investment Manager, and approved by the Board based on the following considerations.

Heritage International Holdings Limited (“Heritage”)

The Heritage’s property portfolio appreciated in value with the increase in property prices in Hong Kong. The gain from changes in fair value amounted to approximately HK\$4.2 million for the year ended 31 March 2011.

Heritage has a 20% interest in a company engaging in lottery related business in the PRC (the “PRC Company”). In view of the technological development in the PRC which allows for the sale of lottery tickets through internet, Heritage is recently considering diversifying its business into internet lottery business by increasing its investment in the PRC Company.

Recently, Heritage has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic. This operation includes Chinese medical consultation and other Chinese manipulative therapy treatments such as acupuncture, tuina, moxibustion, fire cupping, Chinese herbalism and qigong. The management believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

Heritage has sufficient cash level and low gearing which enable it to get through economic volatility.

From a technical perspective, the stock price of Heritage has traded flat for a long period. Recently, turnover in its shares increased and the Company invested in this stock in anticipation of a technical rebound.

Dragonite International Limited (“Dragonite”)

After a number of fund raising activities performed in Year 2010, the financial position of Dragonite has significantly improved.

In the first six months of 2011, Dragonite focused on developing the electronic cigarette business through new product innovation. Dragonite paid much attention to research and development of new products and plans to launch new products in the PRC prior to launching in overseas markets.

In view of the surge of the real estate market in the recent years, Dragonite holds a positive view towards the prospects of real estate market in Hong Kong, particularly the commercial and retail real estates and the board of Dragonite believes that the investment in real estate market is strategically sound. Dragonite entered into a sale and purchase agreement on 4 May 2011 to acquire the entire issued share capital of Central Town Limited for its interests in the property situated at the Basement, China United Centre, 28 Marble Road, North Point, Hong Kong.

Dragonite’s research and development team recently achieved a major technical breakthrough advancing the vapor yield of the electronic cigarette. The new technology will be implemented in nine newly designed electronic cigarette models across three new product lines to be launched in the second half of 2011. In addition, Dragonite has greatly improved the taste and quality of its electronic cigarettes.

LETTER FROM THE BOARD

Dragonite held a trade conference in Beijing in early August 2011 for prospective new PRC distributors to introduce its new lines of electronic cigarettes. The conference was well-attended by distributors from all regions across the PRC. The responses from the distributors were very positive and various letters of intent were received.

Patents were granted in Canada, Japan, and Malaysia during the first half of 2011. Dragonite is expanding distribution of electronic cigarettes in many overseas markets. Dragonite has been approached by new prospective distributors and is also pursuing new innovative channels in certain markets. New orders have been received from several European countries for its new lines and product testing is underway in the United Kingdom, Greece, Netherlands, Malaysia and other markets.

From a technical perspective, the stock price of Dragonite has traded flat for a long period and it has traded in an upward trend recently, with continuing momentum.

Rising Development Holdings Limited (“Rising”)

Vanadium price is still low in the metals market despite precious metal such as gold and silver have enjoyed significant increases. Rising had prepared itself to look for low cost techniques and refining methods in order to reduce the cost of production and at the same time increase profit margin. In the coming year Rising will aim for the commencement of initial extraction, and refining work to be carried out at a later stage.

The fur industry has fared well since late 2009, the huge decreases in overseas sales including Russia, the U.S. and other traditional markets are offset by increases in demand in China domestic market. The China fur industry expects another prosperous year ahead due to the earlier arrival of winter and the strong economic growth in China. Pelt prices have reached the 2008 high which is spurred on by sales increases of end products, and is expected to increase even further at the end of the year. Rising will continue to develop its fur ski trading business in a cautious manner in view of the volatile fur market.

Technically, the stock price of Rising traded in a downward trend for the past year and hit support at HK\$0.90 with a view to a technical rebound in the near future.

Given that the application by 3D-Gold to resume trading has not been approved by the Stock Exchange, the Company has applied the unused portion of the proceeds from the rights issue for investment in securities investments as detailed above. As the investment in Dragonite on 12 September 2011 falls within the category of “further investment in listed securities” as stated in the prospectus of the Company dated 15 July 2011, the investment in Dragonite was not a change in the intended use of proceeds of the rights issue. Accordingly, the Directors consider that the intended use of proceeds disclosed in the prospectus was in compliance with Rule 2.13(2) of the Listing Rules and being accurate and not misleading.

Notwithstanding that Dragonite, Heritage and Rising were top-ten loss making investments made by the Company in the past three years, the Company considers that investments in these companies were in compliance with the Company’s investment policy, as the Company believed that these companies have growth potentials.

LETTER FROM THE BOARD

Save for the above, the Company has not carried out other capital raising activities in the past three years immediately preceding the date of this Prospectus.

Set out below is the key financial information of the investee companies invested by the proceeds from the fund raising activities in the 12 months preceding the date of this Prospectus:

	Bao Yuan Holdings Limited (stock code: 692) Year ended 31 Dec 2010 <i>HK\$'000</i>	Dragonite International Limited (stock code: 329) Year ended 31 Dec 2010 <i>HK\$'000</i>	Wo Kee Hong (Holdings) Limited (stock code: 720) Year ended 31 Dec 2010 <i>HK\$'000</i>	Rising Development Holdings Limited (stock code: 1004) Year ended 31 Mar 2011 <i>HK\$'000</i>	Tack Fiori International Group Limited (stock code: 928) Year ended 31 Mar 2011 <i>HK\$'000</i>	Heritage International Holdings Limited (stock code: 412) Year ended 31 Mar 2011 <i>HK\$'000</i>
Revenue	198,062	21,786	1,604,161	109,443	53,694	(171,624)
Profit/(Loss) before tax	(76,462)	(232,839)	38,519	(134,820)	(92,745)	(392,365)
Total assets	1,844,917	129,210	858,797	1,641,635	58,845	1,049,257
Total liabilities	(570,354)	(56,320)	(592,372)	(427,888)	(1,446,470)	(91,287)

The above financial information was extracted from the latest annual report of each investee company up to the Latest Practicable Date.

Reasons for the Rights Issue and intended use of proceeds

The Group is principally engaged in the business of investing in both listed and unlisted companies. The Underwriter is a company incorporated in Hong Kong with limited liability and is a subsidiary of Freeman. The Underwriter is principally engaged in the provision of securities brokerage services (including underwriting services).

The Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity which will not increase the Group's finance costs. As at 31 December 2010, the Company had audited accumulated losses of approximately HK\$359 million, and the Rights Issue will enable the Company to partially replenish its capital base which has been eroded by such accumulated losses. Furthermore, the Board considers that the Rights Issue will enable the Group to enhance its financial position for future strategic investments as and when such opportunities arise. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

As at 30 June 2011, the cash and bank balance of the Group was approximately HK\$101 million which comprised of drawdown of a short term unsecured loan in the sum of HK\$100 million on 29 June 2011. The Board was of the view that the stock market would perform better in the second half of 2011 when inflation begins to slow down, and the central bank of PRC would relax the money supply to improve the liquidity in the market. Hang Seng Index was traded at around 21,000 level at the end of June 2011. In anticipation of the relaxation of money supply by the central bank of PRC in the second half of 2011, the Board expected Hang Seng Index would rebound to the 25,000 level, which represents a growth of approximately 19%. If Hang Seng Index broke through the 25,000 level, it might further rebound to 32,000 level, which represents a growth of approximately 52%. Based on the expected growth in Hang Seng Index of approximately 19% to approximately 52%, the Company obtained a short term loan of HK\$100 million from the lender, Mr. Chuang Eugene Yue-chien, in order to grasp the investment opportunities in the market and the Board expected the return on investments, if materialised, would be more than 10% on an annualised basis and bring a positive return on investments to the Company after taking into account the borrowing costs on the short term loan at 10% per annum which is in the interest of shareholders of the Company as a whole. Please refer to the first paragraph on page 56 of this Prospectus for the performance of the Company in the past three years that the performance of the Company's existing investment portfolio was primarily due to the adverse change in the market conditions. As stated in the second paragraph on page 56 of the Prospectus "The global markets have experienced a significant downward correction close to approximately 20% in August and September this year. The main reason for the correction has been primarily due to the escalation of the sovereign debt crisis of the Eurozone countries which increased risk aversion amongst investors and fund managers who have downsized their respective investment portfolios" which explained the market's performance was not as good as expected by the Board.

The Company has considered other fund raising alternatives such as the rights issue in June 2011. The reason for obtaining the short term unsecured loan is because the Company was cautiously optimistic towards the performance of the stock market in the second half of 2011. Subject to the fulfillment of conditions precedent, the rights issue in June 2011 may or may not proceed. In any case, it takes time to complete the rights issue even if it proceeds. Therefore, the Company obtained the short term unsecured loan to provide financial flexibility to allow the Company to grasp investment opportunities with immediately available fund should they arise.

LETTER FROM THE BOARD

- (a) The use of the short term unsecured loan by the Company was as follows:–

The Company has used the short term unsecured loan to the extent of approximately HK\$65 million as follows:–

Name of securities bought	Investment	Profit/(Loss)	
	amount <i>HK\$m</i>	Realised <i>HK\$m</i>	Unrealised <i>HK\$m</i>
(a) Kingston Financial Group Ltd	21.67	–	(6.75)
(b) Mascotte Holdings Ltd	40.40	1.33	(2.58)
(c) Bao Yuan Holdings Ltd	2.93	0.05	–
	<u>65.00</u>		

The remaining unused amount of the short term unsecured loan in the sum of HK\$35 million was repaid to the lender. The Company had obtained another short term unsecured loan in the sum of HK\$75 million from Time Beyond Limited, a subsidiary of Mascotte Holdings Limited, to repay the balance of HK\$65 million together with the accrued interest in the sum of HK\$549,315.07 on 25 July 2011. The Company invested HK\$40.4 million of the short term unsecured loan from Mr. Chuang to subscribe for new shares issued by Mascotte Holdings Limited. Subsequently, the Company repaid HK\$65 million of the loan together with the accrued interest of HK\$549,315.07 on 25 July 2011 by the loan from Time Beyond Limited, a subsidiary of, Mascotte Holdings Limited for reason disclosed in Note 4 on page 48 of this Prospectus.

The investment in Kingston Financial Group Limited was made based on the following factors:–

- the group's turnover increased from HK\$414 million to HK\$541 million, representing a growth of 31% which comprised of the increase in revenue from hotel operation, including food and beverage sale and other rental income from HK\$131 million to HK\$159 million, representing a growth of 21%, and the increase in revenue from casino operation from HK\$283 million to HK\$382 million, representing a growth of 35%.

LETTER FROM THE BOARD

- the growing demand for newly renovated guest rooms has proved continuous room renovation a success, leading to improved room rates and occupancy rate.
- the group's casino consistently provided solid contributions to the group in line with the rapid development of the gaming industry in Macau. The group strengthened its membership programmes by providing a variety of incentives to members to increase their spending in the casinos. The group will also further strengthen its relationship with travel agencies and offer packages and joint promotions with business partners to broaden the scope of hotel customers.
- the global equity market had been stable throughout year 2010. Accordingly, the group's trading securities recorded a revaluation gain of approximately HK\$4.7 million.

The investment in Mascotte Holdings Limited was made based on the following factors:–

- following recovery of sales in the major markets to levels achieved prior to the financial tsunami, the group's manufacturing segment reported a contribution of approximately HK\$10.2 for the six months under review and turnover has increased from HK\$76.7 million to HK\$103.5 million, representing a growth of 35%.
- the company has entered into a preliminary agreement in relation to the possible acquisition of a 50.1% majority interest in Sun Materials Technology Co. Ltd., a company which has developed and patented a new and innovative technology to manufacture polycrystalline silicon, the primary raw material used in the solar energy value chain. The acquisition, if it materialises, will enable the company to enter into the clean technology market, diversify and broaden the group's long term sustainable income base.
- technically, the stock price traded above the uptrend and got strong support at the lower band at HK\$0.4651. The chart showed out the upward momentum of the stock price which should go up sooner or later.

LETTER FROM THE BOARD

Terms and conditions:

	Mr. Chuang Eugene Yue-chien (Loan#1)	Time Beyond Limited (Loan#2)
Loans advanced from		
Facility amount (<i>Note 1</i>)	HK\$100,000,000	HK\$75,000,000
Interest rate	10% per annum (<i>Note 2</i>)	1% flat for the loan period (approximately 17.3% on an annualised basis) (<i>Note 3</i>)
Repayment date	25 July 2011 (<i>Note 4</i>)	11 August 2011 (<i>Note 5</i>)

Note 1: The Company's borrowing power under Rules 21.08(6) is HK\$160,000,000. Both Loan#1 and Loan#2 were made in compliance with the Company's borrowing power.

Note 2: The interest rate for margin financing offered by securities broker to the Company was approximately 6% – 8%. The interest rate for unsecured loans advanced by banks was in general at least 8%. Taking into account the time to apply for such loans, and the chance of successfully obtaining such loans, and the availability of other funding alternatives, the interest rate on the short term unsecured loan at 10% p.a. is about the market rate.

Mr. Chung Yuk Lun ("Mr. Chung"), the Chairman and an executive Director of the Company, knows Mr. Chuang, Eugene Yue-chien ("Mr. Chuang") for over 20 years and approached Mr. Chuang for Loan#1.

The Directors are of the view that the terms and conditions of Loan#1 were fair and reasonable and in the interest of the shareholders as a whole because:–

- (a) Loan#1 was an unsecured loan which did not require the Company to put up collaterals;
- (b) the interest rate was about the market rate;
- (c) the size and availability of Loan#1 enabled the Company to consummate its cautiously optimistic view toward the performance of the stock market in the second half of 2011, which if materialised, would bring a positive return to the Company.

Note 3: (a) The interest rate of Loan#2 is 1% flat for the loan period, which is 3 weeks. On an annualised basis, the interest rate of Loan#2 is approximately 17.3% which is higher than the interest rate of Loan#1 at 10% per annum.

- (b) The Company had considered bank borrowings. However, the Company did not have collaterals acceptable to the banks as its securities investments had already been pledged to securities brokers. Besides, those securities investments were non-blue chip stocks which might not be accepted by banks as collaterals. Therefore, the Company did not apply for bank borrowings.

LETTER FROM THE BOARD

Note 4: The Company has repaid the loan as to HK\$35 million on 8 July 2011 by using the unused amount of the loan in the sum of HK\$35 million; and as to HK\$65 million together with the total interest paid for the advance of Loan#1 in the sum of HK\$549,315.07 on 25 July 2011 as requested by the lender pursuant to the repayment on demand clause of the loan agreement by using the loan advanced by Time Beyond Limited, a licensed money lender. The Company had considered bank borrowings to repay Loan #1 instead of borrowing Loan #2. However, the Company did not have collaterals acceptable to the banks as its securities investments had already been pledged to securities brokers. Besides, those securities investments were non-bluechip stocks which might not be accepted by banks as collaterals. Therefore, the Company did not apply for bank borrowings. Mr. Chung knows Mr. Lo Yuen Wa Peter (“Mr. Lo”), who is an executive director and managing director of Mascotte Holdings Limited, for several years and approached Mr. Lo for Loan #2.

Note 5: None of the loan of HK\$75 million loan from Time Beyond Limited on 22 July 2011 was used for investment purpose. Loan#2 had been repaid by the Company by using the sales proceeds from disposal of securities investment on 11 August 2011.

The Company did not have any other business relationship with Time Beyond Limited or its associates in the past three years. Time Beyond Limited is independent third party of the Company and its connected person under the Listing Rules. Mr. Chuang was the ultimate substantial shareholder of Hennabun Capital Group Limited (“Hennabun”) from 30 June 2008 to 30 September 2009 and deemed to be interested in the continuing connected transactions of investment management services provided by the Investment Manager and the financial services and margin financing facility provided by Chung Nam Securities Limited from 30 June 2008 up to 30 September 2009 as the Investment Manager and Chung Nam Securities Limited are subsidiaries of Hennabun. Next Method Limited, a subsidiary of the Company had invested in 255,000 shares of Hennabun since 8 December 2009, representing approximately 0.05% of the entire issued share capital of Hennabun as at the Latest Practicable Date. To the best knowledge of the Company, Time Beyond Limited is a third party independent of Mr. Chuang. Save as disclosed, the Company did not borrow from Mr. Chuang or Mascotte Holdings Limited in the past three years.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the cash and bank balance of the Group is approximately HK\$139,000, whereas the aggregate outstanding borrowings of the Group is HK\$15 million. The Directors are of the view that the Company has immediate funding need for its working capital and existing business as currently the Company does not want to further increase its borrowings. The net proceeds of the Rights Issue are approximately HK\$122.89 million and the net proceeds per Rights Share are approximately HK\$0.143. It is intended that the net proceeds from the Rights Issue, as well as the net proceeds from the exercise of the subscription rights attached to the Bonus Warrants (which amounts to approximately HK\$10.68 million) will be used as follows:

	<i>HK\$million</i> (approximately)
General working capital (<i>Note 1</i>)	12
Investment in listed securities including but not limited to CC Land Holdings Limited, Chong Hing Bank Limited, Renhe Commercial Holdings Company Limited, Freeman Financial Corporation Limited and the existing investment portfolio of the Company (<i>Note 2</i>)	<u>121.57</u>
Total	<u><u>133.57</u></u>

Note 1

Detailed expected breakdown of working capital requirement

	<i>HK\$('000)</i>
Audit fee	200
Investment Manager fee	1,200
Legal & professional fee	110
MPF Contribution expenses	195
Rent & Rates	1,815
Payment to Registrar	114
Payment to Stock Exchange	198
Printing & Stationery expenses	148
Staff Salaries	7,029
Others	<u>991</u>
Total:	<u><u>12,000</u></u>

LETTER FROM THE BOARD

The Company's general working capital need in the sum of approximately HK\$12 million is based on the cashflow forecast of the Company for the next twelve months. The increase when compared with the actual amount incurred up to 30 November 2011 in the sum of approximately HK\$11.13 million was mainly due to the increase in the number and the salary of directors and staff, the increase in the investment management fee and the increase in rent for the new office.

The increase in salary of directors in the sum of approximately HK\$2.80 million was mainly due to the increase in the number of directors from 7 at the beginning of 2011 to 10 at the end of June 2011 and to 7 at the Latest Practicable Date coupled with the increase in the salary of existing directors taking into account of the inflation factors and their years of service.

The increase in the investment manager fee from HK\$60,000 per month to HK\$100,000 per months was as a result of inflation and the higher costs for the Investment Manager to retain qualified staff.

The increase in the rent for the new office of the Company from HK\$72,000 per month to HK\$101,275 per month as the Company has relocated to a new office with bigger size and the rent per square foot increased from HK\$22 to HK\$25 to reflect the buoyant lease market condition.

The major components of the working capital of the Company are rent, staff salaries and the fee of the investment manager. The Company will initially use the cash and bank balances to meet the Company's working capital requirements. When such cash and bank balances are exhausted, the Company would at such time sell part of its investment portfolio and/or utilise its existing credit facilities and/or undertake further fund raisings from the capital markets to meet the Company's working capital requirements.

Note 2

Further details in relation to intended use of proceeds

Depending on and subject to there being willing sellers at a price acceptable to the Company, the Company intends to invest between HK\$18 to HK\$60 million in each of C C Land Holdings Limited, Chong Hing Bank Limited and Renhe Commercial Holdings Company Limited, and between HK\$5 to \$15 million in Freeman Financial Corporation Limited.

Given the Company is a Chapter 21 Investment Company, and owing to the nature of its business, the Company's investment plan may be adjusted as a result of various factors including changes in market conditions and availability of new investment opportunities. In the event that the Company changes the intended use of proceeds from the Rights Issue and the Bonus Warrant Issue, the Company will notify Shareholders promptly via a separate announcement.

LETTER FROM THE BOARD

The Company intends to invest between HK\$18 to HK\$60 million in its existing investment portfolio which includes Cross-Harbour (Holdings) Limited, Mascotte Holdings Limited, China Tycoon Beverage Holdings Limited, China Strategic Holdings Limited, Willie International Holdings Limited, Hanny Holdings Limited, Dragonite International Limited, Heritage International Holdings Limited, Enerchina Holdings Limited, Culture Landmark Investment Limited, Wo Kee Hong (Holdings) Limited, Forefront Group Limited, Unity Investments Holdings Limited, Tack Fiori International Group Limited, China Environmental Energy Investment Limited, Rising Development Holdings Limited, Kingston Financial Group Limited, Suncorp Technologies Limited, Beijing Yu Sheng Tang Pharmaceutical Group Limited, Sinolink Worldwide Holdings Limited, Longlife Group Holdings Limited, China Public Healthcare (Holding) Limited, Code Agriculture (Holdings) Limited, Inno-Tech Holdings Limited and China New Energy Power Group Limited, all of which are listed on the Stock Exchange.

The Company intends to invest in the following investee companies for the following reasons:-

(1) CC Land Holdings Limited (“CC Land”)

CC Land is engaged in the business of property development in the western region of the PRC, and the manufacturing of packaging and luggage. The performance and prospects of CC Land are as follows:-

PRC property development business

- (i) CC Land’s revenue reached a record high of HK\$1,360.4 million in the first half of 2011, an increase of 100% over the first half of 2010;
- (ii) The property development business of CC Land reported revenues of HK\$1,027.9 million, representing an increase of 144% compared with the corresponding period of 2010. The gross profit margin has improved from 13% in the first half of 2010 to 32% in the first half of 2011 as a result of the increase in the average selling price of its properties;
- (iii) CC Land’s total land bank is approximately 11 million square metres, of which about 39%, i.e. 4.3 million square metres, are expected to be under development by the end of 2011. CC Land is financially strong with a net cash position which enables it to acquire a land bank with great upside potentials and to diversify into key western cities in the PRC such as Xian. CC Land expects to increase its output by an average growth rate of at least 20% per annum in the coming years;
- (iv) CC Land has formed a strategic partnership with New World China Land Limited on a joint development project which comprises of a 5-star luxury hotel and service apartments with an aggregate gross floor area of approximately 96,000 square metres; and
- (v) CC Land intends to continue to build up its investment property portfolio in the next four years to obtain recurrent rental income and cash flow.

LETTER FROM THE BOARD

Manufacturing business

- (i) CC Land's revenue reached approximately HK\$302.3 million in the first half of 2011, compared with HK\$255 million in the last corresponding period, representing an increase of 18.5%;
- (ii) CC Land strived to lower production costs, improve production efficiency and enhance worker efficiency by imposing cost control over raw material purchases and promoting job function integration amongst workers;
- (iii) The manufacturing business recorded a profit of HK\$23.5 million in the first half of 2011 as compared to HK\$16.4 million in the last corresponding period, representing an increase of approximately 43.3%; and
- (iv) Driven by urbanisation and industrialisation, the PRC economy continues to grow at a high growth rate. US economic growth has been slower than expected but will build up in the second half of 2011 and beyond. Europe's market conditions remain favorable for the CC Land's packaging and luggage businesses. CC Land's management is optimistic that orders will remain at a high level in the foreseeable future

Treasury investment business

CC Land's treasury investment business reported a gain of HK\$116.3 million in the first half of 2011, compared with HK\$11.1 million in the last corresponding period, representing an increase of approximately 947.7%.

Summary

Technically the RSI of CC Land is at about 59.78 and increasing. There is still room for further increases before it reaches the overbought region of 70 level which indicates the share price of CC Land may go up with RSI going up. Daily turnover also increased. Strategically, investors should follow the up-trend and seize any upside potentials.

(2) Chong Hing Bank Limited ("Chong Hing")

- (i) Chong Hing is engaged in the provision of banking and related financial services. For the financial year of 2010, the audited net operating profit amounted to HK\$540 million, an increase of 62.8% over that of the last corresponding period. Recurrent operating expenses continued to be kept under control and rose by less than 1%;
- (ii) Chong Hing's core business lines and overall financial health are sound. Chong Hing's non-performing loan ratio is low and asset quality is good. Its capital adequacy and liquidity ratios are well above the relevant statutory requirements;

LETTER FROM THE BOARD

- (iii) Chong Hing continued to develop its mainland business. Its Shantou Branch recorded steady growth in both deposits and loans in 2010 and was admitted to participate in the development of the cross-border Renminbi business;
- (iv) Chong Hing's insurance business recorded steady improvement and its premium related income increased at double-digit rates, and is expected to further expand its market share in the SME and personal insurance sectors;
- (v) Supported by government policies, Hong Kong is expected to strengthen its financial cooperation with the Guangdong Province. As Hong Kong's economy steadily recovers, the PRC's economy thrives, and the internationalisation of Renminbi accelerates, Chong Hing will tap into the deepening financial interaction between the PRC and Hong Kong, thereby further consolidating its base for future growth; and
- (vi) Chong Hing's stock price has traded lower because of the European financial crisis. Chong Hing experienced a technical rebound and stayed above the 50 days moving average level. If market sentiments improve, it is envisaged that Chong Hing's stock price could climb above the 200 days moving average level.

(3) *Renhe Commercial Holdings Company Limited ("Renhe")*

- (i) Renhe is engaged in the development, lease and management of underground shopping malls in various cities in the PRC. At present, there are substantial spaces under development at prime commercial areas in the PRC for Renhe to take up. Renhe plans to strengthen its market leading position for future growth;
- (ii) For the six months ended 30 June 2011, Renhe recorded a consolidated revenue of RMB2,066.2 million, compared with RMB944.3 million in the last corresponding period, representing an increase of about 118.8%. Lease income increased by 152.3% to RMB166.3 million while revenue from transfer of operation rights rose by 116.3% to RMB1,899.9 million;
- (iii) Renhe's gross floor area under management substantially increased by 78% to approximately 1.3 million square metres. Renhe currently has 14 projects under construction across 11 cities in the PRC with a record cumulative gross floor area under construction of 1.76 million square metres. Moreover, Renhe has already achieved 80% of its construction target for 2011;
- (iv) The projects of the underground shopping centers, which are operated and developed by Renhe, are not targeted by measures advocated by the PRC government to curb the overheating real estate market; and
- (v) Technically, Renhe's RSI is increasing and there is still room for further increases. Daily turnover is low which indicates that the market is not particularly focused on Renhe. Its stock price continues to increase incrementally, which presents a buying opportunity.

LETTER FROM THE BOARD

(4) Freeman Financial Corporation Limited (“Freeman”)

- (i) Freeman is engaged in, inter alia, the trading of securities, provision of finance, securities brokerage and investment holding. With regard to the vast market potential in the fund management industry, Freeman is exploring the establishment of one or more growth/opportunity/other investment funds to capture investment opportunities in the financial services sector to generate potentially lucrative returns. Looking forward, Freeman is optimistic about the prospect of the financial market and will continue to explore new business opportunities or investments;
- (ii) The investment highlight of Freeman include:-
- the property market continued to boom during the year ended 31 March 2011. Freeman recorded a gain from increase in fair value for its investment properties of approximately HK\$5.4 million;
 - Freeman continued to provide finance to various borrowers which carried interest rates ranging from 5% per annum to 24% per annum and recorded a significant interest income from the provision of finance of approximately HK\$41.6 million for the year ended 31 March 2011, representing an increase of approximately 74% compare with HK\$23.9 million in 2010, as a result of increase in financing activities;
 - gross rental income increased to HK\$7.5 million, representing an increase of approximately 88% compare with to HK\$4.0 million in 2010, which was mainly attributable to the increased rental income as a result of the booming property market; and
- (iii) Technically, the market sentiment has improved. But the stock price was trading at lower levels and seemed to lack momentum. The RSI has been climbing higher leading to a higher daily turnover.
- (iv) The new development on repatriating RMB to the Mainland is likely to encourage more companies to consider raising RMB in Hong Kong and this will benefit the securities business in Hong Kong.
- (v) If European and US crisis worsens, China’s GDP growth would fall below 8%, triggering more stimulus and rebound to the listed companies. China’s policy making system means stimulus policies can be executed more effectively. There is room for more stimuli in China’s economy.
- (vi) Under Hong Kong Stock Exchange Strategic Plan for 2010-2012, they committed to attracting new listings from Greater China and other important markets. While they will continue to be a major listing centre for Mainland Chinese companies, they expect more and more international companies with an Asian nexus to consider listing in Hong Kong.

LETTER FROM THE BOARD

The historical financial performance of the Company has been affected by, amongst others, the decline in market conditions and sentiment. As a matter of fact, the historical financial results of certain large companies experienced declines as well. For instance, the Company noted that the profit attributable to shareholders of the following companies (all of which are constituents of the Hang Seng Index) for the six-month period ended 30 June 2011 all experienced declines as compared to the six-month period ended 30 June 2010: Li & Fung Limited (Stock code: 494, declined by approximately 15%), Cathay Pacific Airways Limited (Stock code: 293, declined by approximately 59%), Hengan International Group Company Limited (Stock code: 1044, declined by approximately 2%), China Unicom (Hong Kong) Limited (Stock code: 762, declined by approximately 9%), Aluminum Corporation of China Limited (Stock code: 2600, declined by approximately 13%) and China Life Insurance Company Limited (Stock code: 2628, declined by approximately 28%). The Company also noted that profit attributable to shareholders of Esprit Holdings Limited (Stock code: 330, also a constituent of the Hang Seng Index) for the year ended 30 June 2011 declined by approximately 98% as compared to year ended 30 June 2010. On the other hand, the current dampened market conditions and sentiment also provide the Company with the opportunity to use the Rights Issue proceeds to acquire investments and reap potential gains for the Company in any future recovery of the general economy and the stock market. Such potential gains would help to create shareholders value and improve the financial performance of the Company.

The main reason why the Company may still invest in those major investments is because of the Company's belief that the historical loss resulted from those investments does not mean that they will not have a turnaround in their earnings in future. Therefore, the Company will continue to make investments in accordance with its objectives, policy and procedures. The Company intends to further invest in the Company's existing investment portfolio in order to average down the investment costs of the existing stocks.

The Group will not in any event take effective management control or own or control more than 30% of the voting rights in any investee company.

It is noted that the Investment Manager primarily provides investment reports and advice to the Company from time to time. It is the Company and the Board who decide whether to proceed with a particular investment. The Company will review investment reports provided by the Investment Manager before making the investment decisions. The Company will also monitor and review the performance of its investments on an on-going basis so that the Board will take necessary actions based on the then surrounding circumstances.

LETTER FROM THE BOARD

The Company's top ten investments bought and the top ten loss making investments in the past three years were recommended by the Investment Manager and approved by the executive Directors. However, investment returns depend on many factors including market conditions and sentiment which are out of the control of the Company and the Investment Manager. Therefore, it is not the sole responsibility of the Investment Manager for causing the Company's poor financial performance in the past. Instead, as analysed by Grand Vinco Capital Limited, the independent financial adviser, in its letter of advice to the Independent Board Committee and the Independent Shareholders which is set out in the section headed "Reasons for the Rights Issue and proposed use of proceeds" of the Circular stated that (a) The NAV per Share has recorded a rate of change underperforming the performance of Hang Seng Index during the three years ended 31 December 2010; (b) there were 7 out of 21 investment companies which underperformed Hang Seng Index in 2008; (c) there were 17 out of 21 investment companies which underperformed Hang Seng Index in 2009; (d) there were 8 out of 21 investment companies which underperformed Hang Seng Index in 2010; (e) there were 2 out of 21 investment companies which recorded underperformance for the three years ended 31 December 2010; and (f) in view of the fact that Hang Seng Index had already been in a downtrend and undergone an unprecedented turbulence since the global financial crisis in 2008, the underperformance of the Company during the three years ended 31 December 2010 is not the only case among the investment companies in the market.

The global markets have experienced a significant downward correction close to approximately 20% in August 2011 and September 2011. The main reason for the correction has primarily been due to the escalation of the sovereign debt crisis of the Eurozone countries which increased risk aversion amongst investors and fund managers who have downsized their respective investment portfolios. The Board is of the view that notwithstanding the recent volatile market conditions, the leaders of the Eurozone countries will strive to work out a plan to contain the adverse impact likely to be caused by the Eurozone government debts especially if Greece eventually defaults on the repayment of its debts. When global capital markets stabilise, the Board is of the view that new funding for investments will flow to the PRC which has been currently outperforming its counterparts such as the US and Europe, such that its growth in Gross Domestic Product for 2011 and 2012 is expected to reach approximately 9% and 8% respectively. Inflation in the PRC has also already reached its peak and has started to slow down gradually. In addition, the central bank of the PRC may relax the supply of money shortly, which is a good indicator for the sustainability of the future economic growth of the PRC, and will certainly benefit Hong Kong. For instance, the central government of the PRC has officially announced that Hong Kong will become an offshore Renminbi market which will be important for the domestic economic growth of Hong Kong in the next decade as it is expected to bring further business and investment opportunities to Hong Kong. In order to capture such business and investment opportunities in both the PRC and Hong Kong on a timely basis, it is necessary for the Group to raise funds by way of the Rights Issue which is in the interest of the Shareholders and the Company as a whole.

LETTER FROM THE BOARD

All the fund raising activities in the past were approved by the Shareholders except the rights issue voted down by the Shareholders in June 2011 as certain Shareholders had their own vested interest and/or motive.

- (a) Each fund raising activity conducted by the Company was an independent event and was made based on the circumstances surrounding that particular fund raising activity. When deciding whether to approve and participate in the Rights Issue, Shareholders should have regard only to the merits of this particular Rights Issue.
- (b) The Company acknowledges that there is room for improving its financial performance. However, the share price performance of even big companies like HSBC (stock code: 5) and Esprit (stock code: 330) were not performing well when the Hang Seng Index fell from 24,000 in April 2011 to 16,000 in September 2011. Therefore the Company would like to raise funds in order to take advantage of the current market conditions to acquire investments and reap potential gains in any future recovery of the general economy and the stock market. The Company believes that this course of action would serve to improve the financial performance of the Company going forward, and would be supported by Shareholders.
- (c) For Shareholders not taking up the Rights Issue, please see the prior section headed “Terms of the Rights Issue and the Bonus Warrant Issue”.
- (d) The previous rights issue proposed in April 2011 did not have an attached Bonus Warrant Issue and is different from the Rights Issue currently being proposed. The Bonus Warrant Issue is designed to encourage Shareholders to take up their entitlements under the Rights Issue so as to participate in the future growth of the Company.

As mentioned in the prior section headed “Terms of the Rights Issue and the Bonus Warrant Issue”, the Directors believe that the Shareholders will be willing to participate in the Rights Issue because of (a) the discount of the Subscription Price to the current market price, theoretical ex-rights price (excluding the effect of the Bonus Warrants) and net asset value per Share, (b) the Bonus Warrants that will be issued to Shareholders taking up the Rights Shares, and (c) the Company is able to take advantage of current market conditions and use the Rights Issue proceeds to acquire investments and reap potential gains for the Company in any future recovery of the general economy and the stock market. Shareholders as a whole will benefit from such potential gains and from the potential growth of the Company.

LETTER FROM THE BOARD

The Company raised only approximately HK\$54 million in gross proceeds pursuant to the rights issue announced in June 2011. All of such proceeds have been utilised. Please refer to the section headed “Fund raising exercise of the Company during the past three years” for details of the use of proceeds. In addition, the factors highlighted under (b) and (c) in the paragraph above did not exist when that rights issue was conducted. Consequently, the Directors are of the view that the Rights Issue is fair and reasonable to Shareholders as a whole even though the Company successfully raised funding pursuant to the rights issue announced in June 2011.

Currently shares are trading at a price/earnings ratio of only around 11.50 times on average which represents a significant discount and below the historical average of 15 times. The room for potential gain may reach approximately 30% if such shares return to their historical price/earnings ratio. Though global markets are expected to be very volatile in the immediate short term, the Company believes that global markets will reflect the earning potential and future prospects of both the PRC and Hong Kong economies. Therefore, the Company is confident that new funds for investments will flow to the PRC and Hong Kong markets in 2012 when the markets become stable and such timing matches with the expected completion of the Company’s proposed Rights Issue in March 2012.

Changes in the shareholding structure of the Company

Set out below is the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date until such date falling immediately after completion of the Rights Issue.

	Before exercise of Bonus Warrants						After exercise of all Bonus Warrants					
	As at the Latest Practicable date		Shareholding after the Rights Issue (assuming all Shareholders take up their entitlements)		Shareholding after the Rights Issue (assuming no Shareholders take up their entitlements)		Shareholding after the Rights Issue and the Bonus Warrant Issue (assuming all Shareholders take up their entitlements)		Shareholding after the Rights Issue and the Bonus Warrant Issue (assuming no Shareholders take up their entitlements)			
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %		
Freeman (Note) Substantial Shareholder	9,911,000	4.62	49,555,000	4.62	9,911,000	0.92	59,466,000	4.62	9,911,000	0.77		
Chan Chak Kai Kenneth	25,000,000	11.65	125,000,000	11.65	25,000,000	2.33	150,000,000	11.65	25,000,000	1.94		
Public Shareholders	179,753,076	83.73	898,765,380	83.73	179,753,076	16.75	1,078,518,456	83.73	179,753,076	13.96		
Underwriter (Note)	-	-	-	-	858,656,304	80.00	-	-	1,073,320,380	83.33		
Total	214,664,076	100.00	1,073,320,380	100.00	1,073,320,380	100.00	1,287,984,456	100.00	1,287,984,456	100.00		

Note:

The Underwriter is a subsidiary of Freeman. Freeman is in turn an indirect substantial shareholder (as defined under the Listing Rules) of CU Investment Management Limited, the investment manager of the Company. The Underwriter is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Freeman (through a subsidiary) holds 9,911,000 Shares, representing approximately 4.62% of the issued share capital of the Company.

LETTER FROM THE BOARD

As set out above, in the event that the Underwriter is called upon to subscribe for all the Rights Shares pursuant to its obligations under the Underwriting Agreement, the interest of the Underwriter in the issued share capital of the Company immediately after completion of the Rights Issue would increase from nil to 80% before the Bonus Warrant Issue becoming effective or from nil to approximately 83.33% assuming full exercise of the subscription rights attached to the Bonus Warrants upon the Bonus Warrant Issue becoming effective. However, pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that:

- (a) the Underwriter shall, whether by itself or together with the parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with it (if any), be under no circumstances hold 30% or more of the issued share capital of the Company immediately after completion of the Rights Issue;
- (b) the Underwriter shall, in fulfillment of its underwriting obligations under the Underwriting Agreement subscribe for (or procure subscribers for) any Underwritten Shares not taken up, procure that the subscribers procured by it and/or its sub-underwriter(s) and/or the subscribers procured by such sub-underwriter(s), are not parties acting in concert with it, so that it, together with parties acting in concert with it (if any) will not become the controlling shareholders of the Company immediately after completion of the Rights Issue; and
- (c) the Underwriter shall, in fulfillment of its underwriting obligations under the Underwriting Agreement procure subscribers for any Underwritten Shares not taken up, ensure that the subscribers procured by it and/or its sub-underwriter(s) and/or the subscribers procured by such sub-underwriter(s) are independent of and not connected with the Directors, the chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates such that the Company will be able to comply with the minimum public float requirement set out in Rule 8.08 of the Listing Rules.

The Company has been informed by the Underwriter that the Underwriter has entered into sub-underwriting agreements only with independent third parties not connected with the Company, and has imposed the same conditions as described under (a) to (c) above on such sub-underwriters under sub-underwriting agreements entered into between the Underwriter and such sub-underwriters.

LETTER FROM THE BOARD

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As a result of the Rights Issue and the Bonus Warrant Issue, the exercise price and the number of Shares to be issued pursuant to the Share Options may be adjusted in accordance with the respective terms and conditions of the Share Option Scheme. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
CHUNG YUK LUN
Chairman

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010 are disclosed in the annual reports of the Company for the years ended 31 December 2008 (pages 26 to 79), 2009 (pages 26 to 99) and 2010 (pages 28 to 107) respectively, which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://radfordcap.etnet.com.hk>). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2008, 2009 and 2010.

2. INDEBTEDNESS

(a) Borrowings

At the close of business on 31 December 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Group had aggregate outstanding unsecured borrowings of HK\$50 million comprising of two loans in the sum of HK\$35 million and HK\$15 million respectively advanced by Heritage International Finance Limited (the "Lender"), a finance company and a subsidiary of Heritage International Holdings Limited of which, Mr. Chung Yuk Lun, an Executive Director of the Company, is an independent non-executive director.

The first loan in the sum of HK\$50 million was advanced by the Lender for 3 months at 5% interest rate per annum pursuant to an agreement dated 26 October 2011. A partial repayment of HK\$15 million has been made on 5 December 2011 and the repayment date was subsequently extended to 25 April 2012. The second loan in the sum of HK\$15 million was advanced by the Lender for 6 months at 5% interest rate per annum pursuant to an agreement dated 23 December 2011. The existence of these two loans in the aggregate outstanding amount of HK\$50 million has been confirmed by the Lender and their major terms and conditions are as follows:

	First Loan	Second Loan
Outstanding loan amount (<i>Note 1</i>)	HK\$35,000,000	HK\$15,000,000
Interest rate	5% per annum	5% per annum
Repayment date	26 April 2012	23 June 2012

Note 1: The Company's borrowing power under Rules 21.08(6) is HK\$160,000,000 and HK\$50 million loan was made in compliance with the Company's borrowing power.

After experiencing the downward correction in the global financial markets triggered by the Eurozone sovereign debt crisis, Hong Kong stocks were traded at a very low price/earning ratio and price/book ratio and market got support in the early October 2011. The Company borrowed the HK\$50 million with the aim to reap the potential gain from investing in listed securities recommended by the Investment Manager.

The use of HK\$50 million was to make investment in listed securities to the extent of HK\$40.8 million as follows:

Name of securities	Investment	Profit/(Loss)	
	amount	Realised	Unrealised
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
(a) Heritage International Holdings Limited	31.80	0	(15.57)
(b) Beijing Yu Sheng Tang Pharmaceutical Group Limited	9.00	0	(5.44)

The remaining balance was used as to approximately HK\$2 million for general working capital of the Company and approximately HK\$7.2 million to repay the securities margin loan.

The investment in Heritage International Holdings Limited (“Heritage”) was made based on the following factors:

- sufficient cash level and low gearing which enable Heritage to get through economic volatility
- revaluation gain arising from changes in fair value of the property held by Heritage amounted to approximately HK\$4.2 million as a result of increase in property prices
- considering diversifying its business into internet lottery business
- Heritage has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic
- Heritage has entered into a framework agreement with Guangxi Forestry Group, a state-owned enterprise, to establish a green energy fund with initial fund size of approximately US\$300 million for investing in green energy and environmental conservation projects primarily in Guangxi
- technically, the stock price of Heritage bounced at an attractive level and outperformed the Hang Seng Index stocks

The investment in Beijing Yu Sheng Tang Pharmaceutical Group Limited (“Yu Sheng Tang Group”) was made based on the following factors:

- the Yu Sheng Tang Group continued to develop its pharmaceutical business and its revenue grew significantly which was mainly represented by the sales volume from Chinese medicine;
- the Yu Sheng Tang Group reported strong growth in turnover (118%) and gross profit (131%) which were largely driven by the strong growth in the group’s trading of metal mineral due to the greater demand from customers in PRC;
- the financing division continued to contribute a stable source to the Yu Sheng Tang Group that interest income and operating profit generated by the financing division grew by 71% and 78% respectively due to higher average amount of loans advanced to customers.

(b) Debt securities

At the close of business on 31 December 2011, the Group had no outstanding debt securities issued or authorised or otherwise created but unissued.

(c) Pledge of assets

At the close of business on 31 December 2011, the Group did not pledge any asset to banks or other financial institutions.

(d) Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 December 2011, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdraft, loans, or other similar indebtedness, liabilities under acceptances or acceptances credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material liabilities.

Apart from the borrowings disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 June 2011, being the date to which the latest published unaudited consolidated financial statements of the Company were made up.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account of the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds, the available credit facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for at least the next twelve months from the date of this Prospectus.

4. MATERIAL ADVERSE CHANGE

The Company announced on 13 January 2012 that it is expected to record a greater loss for the year ended 31 December 2011 as compared to the loss for the year ended 31 December 2010 mainly due to realised and unrealised losses of financial assets at fair value through profit or loss.

Save for the above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2011

As at 30 June 2011, the Group's investment portfolio was well diversified and comprised of different sectors of businesses including property management and development; investment in securities; public transport operations; mining; energy; healthcare products; gold and metals mining; hotel business; provision of brokerage and financial services; textile and apparels business; telecom and network; banking; software & IT consulting; construction infrastructure; television system platform; manufacturing hard & stuffed toys; trading of laminates; etc.

The Group recorded a net loss attributable to Shareholders of approximately HK\$110,332,000 for the interim period ended 30 June 2011 as compared to approximately HK\$45,052,000 in the corresponding period of 2010. The loss was greater mainly due to the increase in the realised loss of the underlying securities investments of the Group.

As at 30 June 2011, the total assets of the Group were HK\$280,714,721, of which the non-current portion and the current portion were HK\$1,438,075 and HK\$279,276,646 respectively. The current liabilities of the Group increased from HK\$2,060,160 to HK\$105,024,056. The net assets of the Group as at 30 June 2011 were HK\$175,690,665.

6. TREND OF THE BUSINESS SINCE 31 DECEMBER 2010

There is no sign that the Federal Reserve Bank of the US (“Fed”) will stop its quantitative easing policy in the near future. The direct consequence is that the US dollar continues to devalue. With massive money supply and the weakening US dollar, speculators and investors drive up the prices of shares, property (excluding the US market), all kinds of commodities including oil and agricultural products. Nearly all countries are facing the inflationary pressure nowadays. In order to curb the soaring inflation, emerging markets like the PRC, India and Brazil continue their credit tightening policy by raising their interest rates. The possible effect is that the stock market may have a downward correction in the short term.

Though the US economy has been improving as unemployment rate falls below 9% and corporate earnings in the first quarter exceeds the market expectation, the Board remains cautious as any recovery may not be sustainable especially in view of the growing inflationary pressure since the cessation of QE2 in June, 2011, which may drive up interest rates and increase the interest burden of the US Government, municipal governments, corporate and individual borrowers. If that happens, domestic consumption, being the major component of the Gross Domestic Product of the US, may be seriously curtailed.

As the central bank of the PRC continues its credit tightening policy and efforts to cool down its property market in order to curb inflation which soared to over 5% recently, the stock market in Hong Kong has not performed well as the Hang Seng Index has fallen from about 24,000 in January, 2011 to below 23,000 in early June 2011. Coupled with the cessation of QE2 by the Fed in June, 2011 and the deterioration of the sovereign debt crisis of Eurozone countries especially Greece, the stock market in Hong Kong has become very volatile recently and continues to consolidate. Without exception, the investment portfolio of the Company has recorded losses. The Board expects the stock market correction will continue until there are signs showing that inflation in the PRC is under control and the central bank of the PRC relaxes its credit tightening policy. By then, it is expected that the stock market, and accordingly the investment performance of the Company, may perform better. With the margin facility available and the proceeds to be raised by the Rights Issue, the Company will continue to capture any good investment opportunities as they arise from time to time.

7. FINANCIAL AND TRADING PROSPECTS

The year 2010 saw world economies recovering from the unprecedented global financial crisis which surfaced in 2008 and continued into 2010. Remarkably strong growth was recorded in emerging economies with this trend being most pronounced in the Asian region. But the year of 2011 saw significant events that caused the lack of optimism in the global economy, brought about by events such as the Jasmine revolution in Middle East and North Africa, earthquake and tsunami and the consequent nuclear accident that hit Japan, Eurozone debt crisis, the uncertainty over the US economy and the threat of rising inflation.

Recently, the global financial and commodity markets slumped and the outlook for global equity markets changed to bearish by the lingering debt crisis in Europe and slowdown of the economies of the US and the PRC. In addition, economic recovery in the US is slow as its real Gross Domestic Product only grew at a low rate of 1.3% in the second quarter while the first quarter figure was revised downwards sharply from 1.9% to 0.4%. The PRC's PMI on manufacturing declined for four consecutive months to 50.7 in July 2011, the lowest in the past 29 months. The US, Europe and Japan, three of the world's four main economic pillars, are facing economic downturns which may drag the global economy into recession. The Group expect the bond markets will be the last bubble to burst. This expectation is turning into reality as witnessed by the volatile bond markets recently in Europe which caused interest rates to rise sharply. The financial positions, or to be precise, the net debt amounts of the US and Europe did not improve but worsened when compared to the outbreak of the financial tsunami in 2008. It is a consensus that quantitative easing policies in the US cannot create employment but drive up the inflation. No doubt, the rising unemployment rate creates great pressure on the financial budgets as, for example, the period of granting unemployment subsidy has been extended from the original 13 weeks to 99 weeks recently. The markets have lost their confidence in the economic recovery and the future of the US and Eurozone countries and how they can repay or reduce the government debts. Triggered by the downgrade of US government bonds, the uncertainties caused significant downward correction in the financial and commodity markets recently. The Group expect it will take a long time for these economies to recover.

However, the Group believe the PRC will become the biggest winner to emerge from the sovereign debt crisis. Central banks and treasurers now realise that even US government bonds are not risk free investments, not to mention that the US dollar is continuing to devalue in both the short and long term. In due course, they will diversify part of their surplus funds to other safer currencies of which the Renminbi is a good choice. As such, the Group expect the Renminbi to continue to rise. Indeed, the PRC's economy has outperformed its counterparts, and its Gross Domestic Product growth for 2011 is close to 9%; corporate earnings are strong and sustainable; domestic consumption continues to rise and motivated by government policy; inflation is tentatively under control which indicates monetary policy will not be tightened further; and flexible financial policies are in place to stimulate domestic economic growth by means such as building massive public housing estates. All these favorable factors make the valuation of PRC stocks attractive at the present level. While Hong Kong has positioned to become the offshore Renminbi market of the PRC, it will accordingly benefit from the PRC's growing economy and the inflow of money from the US and Europe.

With growing uncertainty in the global economy, the Group is taking a cautious approach in the near future.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1 UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the published unaudited consolidated net tangible assets of the Group as if the Rights Issue and the Bonus Warrant Issue had taken place on 30 June 2011.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the published unaudited consolidated net assets of the Group as at 30 June 2011, as extracted from the published interim report of the Group for the six months ended 30 June 2011 which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://radfordcap.etnet.com.hk>), after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to equity holders of the Group following completion of the Rights Issue and the Bonus Warrant Issue.

	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2011	Estimated net proceeds from the Rights Issue	Estimated net proceeds from the Bonus Warrant Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of the Rights Issue and Bonus Warrant Issue	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company after completion of the Rights Issue and Bonus Warrant Issue	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company after completion of the Rights Issue and Bonus Warrant Issue
	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$	HK\$
Rights Issue of 858,656,304 Rights						
Shares and Bonus Warrant Issue of 214,664,076 Bonus Warrants						
(Note 1)	175,691	122,890	10,680	309,261	1.23	0.24

Note:

1. The issue of 858,656,304 Rights Shares to the Qualifying Shareholders by way of the Rights Issue is based on the basis of four Rights Shares for every Share held on the Record Date. 214,664,076 Bonus Warrants will be issued to Shareholders who have taken up the Rights Shares on the basis of one Bonus Warrant for every four Rights Shares taken up. Details of the movement in the number of issued Shares from 30 June 2011 up to the Record Date is as follows:

	Number of issued Shares
As at 30 June 2011	143,109,384
Rights issue on 9 August 2011	<u>71,554,692</u>
As at the Record Date	<u><u>214,664,076</u></u>

2. The unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2011 is arrived at based on the published interim report of the Company for the six months ended 30 June 2011 which are published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://radfordcap.etnet.com.hk>).
3. The estimated net proceeds of the Rights Issue in the sum of approximately HK\$122,890,000, is calculated based on 858,656,304 Rights Shares to be issued at the Subscription Price of HK\$0.15 per Rights Share, and after deduction of the estimated related expenses of approximately HK\$5,900,000.
4. The estimated net proceeds of the Bonus Warrant Issue in the sum of approximately HK\$10,680,000, is calculated based on 214,664,076 Bonus Warrants to be issued at the adjusted exercise price of HK\$0.05 per Bonus Warrant, and after deduction of the estimated related expenses of approximately HK\$50,000.
5. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share as at 30 June 2011 is 143,109,384 Shares.
6. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Rights Issue is calculated based on 1,287,984,456 Shares in issue upon completion of the Rights Issue, which represents the 214,664,076 Shares in issue as at the Record Date and 858,656,304 Rights Shares expected to be issued on the completion of the Rights Issue and 214,664,076 Shares expected to be issued on exercise of the Bonus Warrants expected to be issued on the completion of the Bonus Warrant Issue.
7. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2011.

This unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the change in net tangible assets arising from the movement of number of issued shares of the Company from 30 June 2011 up to the Record Date, as specified in Note 1 above.

**2 LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE
ASSETS OF THE GROUP**

The following is the text of a report received from the auditors of the Company. HLM & Co., in respect of the unaudited pro forma information of the Group for the purpose of incorporation in this Prospectus.

恒健會計師行
HLM & Co.
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

The Board of Directors
Radford Capital Investment Limited
萊福資本投資有限公司

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of Radford Capital Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix II of the Prospectus dated 24 February 2012 (the "Prospectus"). The Unaudited Pro Forma Financial Information has been prepared by directors of the Company, for illustrative purpose only, to provide information about how the proposed rights issue on the basis of four rights shares for every Share (as defined in the Prospectus) held on the Record Date (as defined in the Prospectus) at the subscription price of HK\$0.15 per rights share, might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the introduction and notes to the Unaudited Pro Forma Financial Information as set out in Section 1 of this Appendix.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you for the purpose of incorporation in the Prospectus. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, which is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it may not give a true picture of the Group’s financial position or results, and it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of Listing Rules.

Yours faithfully,

HLM & Co.

Certified Public Accountants

Hong Kong, 24 February 2012

The Bonus Warrants will be issued subject to and with the benefit of the instrument by way of deed poll (the “Instrument”) to be executed by the Company. The Bonus Warrants will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

Any Adjusted Shares resulting from the exercise of Bonus Warrants in accordance with the Instrument shall rank *pari passu* with other listed securities of the Company of the same class. As the Bonus Warrants are a new class of listed securities of its kind, and no identical class of listed securities of the Company shall be allotted or issued immediately before the issue of the Bonus Warrants, no relevant comparison can be made between the Bonus Warrants and other identical class of listed securities of the Company as at the Latest Practicable Date. On this basis, the Company confirms the Bonus Warrants itself rank *pari passu* with each other.

The principal terms and conditions of the Bonus Warrants (the “Conditions”) will be set out in the certificates for the Bonus Warrants (the “Warrant Certificates”) and will include the provisions as summarised below. Holders of the Bonus Warrants (the “Warrantholders”) will be entitled to the benefit of, and will be bound by, and be deemed to have notice of the Conditions. They will also be entitled to the benefit of, and will be bound by, and be deemed to have notice of the provisions of the Instrument, copies of which will be available at the principal place of business for the time being of the Company in Hong Kong.

1. EXERCISE OF SUBSCRIPTION RIGHTS

- (a) In this Appendix, unless otherwise stipulated, the following terms shall have the following meanings:

“Exercise Moneys”	means, in relation to any warrant, the amount in cash payable in respect of the Share for which the holder of such warrant is entitled to subscribe upon the exercise of the Subscription Rights represented thereby;
“Registrars”	means Computershare Hong Kong Investor Services Limited or such other person, firm or company retained by the Company for the time being to maintain in Hong Kong (unless the Directors otherwise determine) the Register;
“Share(s)”	new Adjusted Share(s) of HK\$0.01 each in the share capital of the Company;

“Subscription Date”	means any day (other than a Saturday, Sunday or any other public holiday) on which banks in Hong Kong are generally open for clearing and settlement business falling within the Subscription Period on which any of the Subscription Rights are duly exercised;
“Subscription Period”	means the period of 24 months from the date of issue of the Bonus Warrants;
“Subscription Price”	means the sum payable in respect of each Share upon exercise of the Subscription Rights, initially being HK\$0.05 each (subject to adjustments);
“Subscription Rights”	in respect of each Bonus Warrant, means the subscription right attached to the Bonus Warrant to subscribe for one fully-paid Share at the Subscription Price; and
“Subscription Rights Reserve”	means a reserve establish and maintained by the Company, the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional Shares required to be issued and allotted credited as fully paid up pursuant to the Warrant Instrument on the exercise in full of all the Subscription Rights outstanding and shall apply the Subscription Rights Reserve in paying up in full such additional Shares as and when the same are allotted.

- (b) The Warrantholder for the time being of each Bonus Warrant will have the right, at any time during the Subscription Period on any day (other than a Saturday, Sunday or any other public holiday) on which banks in Hong Kong are generally open for clearing and settlement business, to subscribe for one fully-paid Share in cash at HK\$0.05 per Share (subject to adjustments). After 4:00 p.m. on the last day of the Subscription Period, any Subscription Rights which have not been exercised will lapse and the Bonus Warrants and the Warrant Certificates will cease to be valid for any purpose.

- (c) Each Warrant Certificate will contain a subscription form (the “Subscription Form”). In order to exercise in whole or in part the Subscription Rights represented by the Warrant Certificate, the Warranholders must complete and sign the Subscription Form (which, once signed and completed, shall be irrevocable) and deliver the Warrant Certificate (and, if the subscription form used shall not be the form endorsed thereon, the separate subscription form) duly completed to the Registrars together with a remittance for the Exercise Moneys (in the case of a partial exercise, the relevant portion of the Exercise Moneys). In each case, compliance must also be made by the exercising Warranholder with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (d) The number of Shares to be allotted on exercise of the Subscription Rights shall be the number of the Bonus Warrants subject to exercise as specified in the relevant Subscription Form and in respect of which the Exercise Moneys thereof have been duly remitted as aforesaid.
- (e) The Company has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than 21 calendar days after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to vote at general meetings of the Company and to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (f) As soon as reasonably practicable after the relevant allotment of Shares (and not later than 21 calendar days after the relevant Subscription Date), there will be issued free of charge to the Warranholder(s) to whom such allotment has been made:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warranholder(s); and
 - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warranholder(s) in respect of any Subscription Rights represented by the Warrant Certificate lodged but remaining unexercised.

- (g) The certificate(s) for Shares arising on the exercise of the Subscription Rights and the balancing Warrant Certificate (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantholders of the Company (which shall be deemed to be a sufficient dispatched to all of them). If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warrantholder(s).

2. ADJUSTMENT OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (a) The Subscription Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) be adjusted as provided in the Instrument in each of the following cases:
- (i) if and whenever the nominal amount of the Shares is altered by reason of any consolidation or subdivision;
 - (ii) if and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including to the extent permitted by law those in share premium account or contributed surplus account (if any));
 - (iii) if and whenever the Company shall make any Capital Distribution, whether on a reduction of capital or otherwise, except pursuant to a purchase by the Company of shares to holders of Shares (in their capacity as such);
 - (iv) if and whenever the Company shall grant to the holders of Shares (in their capacity as such) rights to acquire for cash assets of the Company or any of its subsidiaries;
 - (v) if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights or shall grant to holders of Shares any options or warrants to subscribe for new Shares, in each case at a price which is less than 90% of the market price (calculation as provided in the Instrument);

- (vi) if and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration initially receivable per Share is less than 90% of the market price (calculation as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of such market price;
- (vii) if and whenever the Company shall issue wholly for cash of any Shares (other than Shares issued pursuant to a Share Option Scheme) a price per Share which is less than 90% of the market price (calculation as provided in the Instrument); and
- (viii) if and whenever the Company repurchase any Shares (or securities convertible into, or any rights to subscribe for, Shares) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

For the purpose of (a)(i) to (viii), “**market price**” means the average of the closing prices of one Share on the Stock Exchange in respect of dealing in board lots for the five consecutive dealing days on each of which there is a closing price ending on the last such dealing day immediately preceding the day on which the announcement in relation to the events depicted in (a)(i) to (viii) is made.

- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:
 - (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares);

- (iv) an issue of Shares in lieu of a cash dividend or schemes of a similar nature where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash; or
 - (v) an issue by the Company of Shares or by the Company or any subsidiary of securities convertible into, or exchangeable for, or carrying rights of subscription for, Shares pursuant to a Share Option Scheme.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint the auditors of the Company or an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the auditors of the Company or such approved merchant bank (as the case may be) shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by the auditors of the Company or such approved merchant bank (as the case may be) to be in its opinion appropriate.
- (d) Any adjustment to the Subscription Price shall be made to the nearest one-tenth of a cent so that any amount under half of one-tenth of a cent shall be rounded down and any amount of half of one-tenth of a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one-tenth of a cent and any adjustment that would otherwise be required then to be made shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into shares of a larger nominal amount or upon a repurchase of Shares) which would increase the Subscription Price.

- (e) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the auditors of the Company or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the Warrantheolders. In giving any certificate or making any adjustment, the auditors of the Company or the approved merchant bank (as the case may be) shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Company and the Warrantheolders and all persons claiming through or under them respectively. Any such certificate of the auditors of the Company or the approved merchant bank (as the case may be) will be available for inspection at the principal place of business of the Company for so long as any of the Subscription Rights remains exercisable.

The Instrument also contains provisions for the adjustment to the Subscription Rights attaching to the Bonus Warrants so that if and whenever there shall be an alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision, the Subscription Rights attaching to the Bonus Warrants shall be varied so that the number of Shares which may be subscribed upon exercise of each Bonus Warrant shall be multiplied by a fraction representing the nominal amount of one Share immediately before such alteration bears in relation to the nominal amount of one Share immediately after such alteration.

3. REGISTERED WARRANTS

The Bonus Warrants will be issued in registered form. The Company will be entitled to treat the registered holder of any Bonus Warrant as the absolute owner thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

- (a) The Bonus Warrants will be transferrable, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. Where the transferor or transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose), the instrument of transfer may be executed under the hand of an authorised person(s) or by machine imprinted signature(s).

- (b) The Company will maintain a register of Warranholders accordingly. The register may be closed from time to time. Any transfer or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of Warranholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Bonus Warrants or, as the case may be, as between the Company and the Warranholder who has so exercised the Subscription Rights attached to his Bonus Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warranholders. Transfers of Bonus Warrants must be executed by both the transferor and the transferee. The provisions of the Articles relating to, inter alia, the registration, transmission and transfer of Shares and the register of members shall, mutatis mutandis, apply to the registration, transmission and transfer of the Bonus Warrants and the register of Warranholders.
- (c) Persons who hold Bonus Warrants and have not registered the Bonus Warrants in their own names and wish to exercise the Bonus Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of Bonus Warrants prior to the transfer or exercise of the Subscription Rights attached to the Bonus Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period.
- (d) Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities and the terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Bonus Warrants to be a date at least three trading days before the last day of the Subscription Period.

The registration of transfers may be suspended and the register of Warranholders may be closed at such times and for such periods as the Directors may from time to time direct, provided that the same shall not be closed for a period in aggregate of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of Warranholders is so closed shall, as between the Company and the person claiming under the relevant transfer of the Bonus Warrants or, as the case may be, as between the Company and the Warranholders who have so exercised their respective Subscription Rights attached to their Bonus Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warranholders.

5. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time, subject to the relevant Hong Kong legislations on share repurchases, the Listing Rules, and all other applicable laws, rules and regulations, purchase the Bonus Warrants:

- (a) in the open market or by tender (available to all Warrantheolders alike) at any price; or
- (b) by private treaty at a price per Bonus Warrant, exclusive of expenses, not exceeding 110% of the closing price on the Stock Exchange per Bonus Warrant for one or more board lots of Bonus Warrants on the last day on which the Bonus Warrants were traded on the Stock Exchange prior to the date of purchase of the Bonus Warrants, but not otherwise.

All Bonus Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of the Warrantheolders to consider any matter affecting the interests of the Warrantheolders, including the modification by a special resolution of the provisions of the Instrument and/or the Conditions. A resolution duly passed at any such meeting shall be binding on the Warrantheolders, whether present or not.
- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a special resolution of the Warrantheolders shall be necessary to effect such alteration or abrogation.
- (c) At any meeting of Warrantheolders, two or more Warrantheolders (or their proxies) shall form a quorum.

- (d) Where a Warrantholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or its proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person(s) so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person(s) were an individual Warrantholder.

7. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Registrars on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding the maximum fee as may from time to time be permitted by the Stock Exchange as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, sub-sections (2), (3), (4), (6), (7) and (8) of section 71A of the Companies Ordinance shall apply as if "shares" referred to therein included Bonus Warrants.

8. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

9. CALL

If at any time, the aggregate number of Bonus Warrants outstanding is equal to or less than 10% of the total number of Bonus Warrants issued under the Instrument, the Company may, on giving not less than three months' notice, require the Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Bonus Warrants will be automatically cancelled without compensation to the Warrantholders.

10. FURTHER ISSUES

The Company shall be at liberty to issue further subscription warrants.

11. NOTICES

- (a) The Instrument contains provisions relating to notices to be given to Warrantholders.
- (b) Every Warrantholder shall register with the Company, an address either in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder shall fail to do so, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three business days at the principal place of business for the time being of the Company.
- (c) A notice may be given by way of an announcement in accordance with the Listing Rules or by delivery, prepaid letter (airmail in the case of an overseas address) or facsimile.
- (d) All notices with respect to the Bonus Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the register of Warrantholders and notice so given shall be sufficient notice to all the joint holders of such Bonus Warrants.

12. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

- (a) The Instrument provides that:
 - (i) in the event a notice is given by the Company to its Shareholders (and the Warrantholders) to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind-up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the relevant Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not later than two business days prior to the proposed shareholders' meeting), to exercise the Subscription Rights represented by such Warrant Certificate(s) and the Company shall cause to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, such number of Shares which fall to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Warrantholders of the passing of such resolution within seven (7) days after the passing thereof; and

- (ii) if an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person(s) designated by them for such purpose by a special resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by a special resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders.

- (b) In all other circumstances in which the Company may be wound up, the Instrument provides that all Subscription Rights which have not been exercised at the commencement of the winding-up will lapse and each Warrant Certificate will cease to be valid for any purpose.

13. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory other than Hong Kong where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company will as soon as practicable after exercise by such Warrantholder of any Subscription Rights either (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company, or (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company will pay to such Warrantholder an amount equal to the consideration, after deduction of expenses, received by it by posting the remittance to him at his own risks.

14. GOVERNING LAW

The Instrument and the Bonus Warrants are governed by and will be construed in accordance with the laws of Hong Kong. The Company irrevocably submits to the non-exclusive jurisdiction of the courts of Hong Kong in respect of the Instrument and the Bonus Warrants and all matters and disputes arising in connection with them.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of the Listing Rules in connection with the listing document of investment company. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors and the directors of the Investment Manager collectively and individually accept full responsibility for the accuracy of the information contained in this appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

INVESTMENT MANAGEMENT INFORMATION**Investment Manager**

CU Investment Management Limited
26/F, China United Centre
28 Marble Road
North Point
Hong Kong

Directors of the Investment Manager

Wong Foelan
26/F, China United Centre
28 Marble Road
North Point
Hong Kong

Pak William Eui Won
26/F, China United Centre
28 Marble Road
North Point
Hong Kong

Au Yeung Kam Kay
26/F, China United Centre
28 Marble Road
North Point
Hong Kong

Chan Wing Yan, Carman
26/F, China United Centre
28 Marble Road,
North Point,
Hong Kong

Custodian

Standard Chartered Bank Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

THE INVESTMENT MANAGER

The Investment Manager of the Company is CU Investment Management Limited, a company incorporated in Hong Kong on 27 August 2001 with limited liability and is a licensed corporation to carry out business in type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. The Investment Manager is responsible for seeking out, identifying, reviewing and evaluating suitable investment and divestment opportunities and providing investment research reports to, effecting investment and divestment decisions made by the Board at the request of the Board, and monitoring investments of the Company in accordance with the Investment Management Agreements, the Articles and the investment policies of the Company. The Board is responsible for the final decision on whether or not to make an investment and once a decision is made, the investment will be entered into by the Company directly as principal and the Investment Manager does not execute any trades on or for behalf of the Company.

The following are the qualification and details of the directors of the Investment Manager based on information provided by the Investment Manager:

Dr. Wong Foelan (“**Dr. Wong**”) has more than 10 years of professional experiences in the financial services industry. Dr. Wong has worked for regional financial institutions. Dr. Wong has been engaged in proprietary trading in equity, futures and options, fund management, research analyst, equity capital market and private equity investment. Dr. Wong possesses over 10 years of experience in professional management of investments on behalf of third party investors and/or in providing investment advisory services to professional/institutional investors.

From 1996 to 1997, Dr. Wong was a dealer in a securities firm listed in Hong Kong serving several in-house private funds with size around HK\$1,000 million, the investment objective of which was for medium and long term investment appreciation and their performance were correlated with Hang Seng Index. During this period, he focused on trading for in-house and institutional client funds.

From 1998 to 1999, Dr. Wong worked in a PRC securities firm serving an in-house fund of a size of around HK\$50 million with focus on Hong Kong indexes arbitrary trading, the investment objective of which was for short to medium term investment appreciation and its performance was correlated with Hang Seng Index. During this period, he conducted proprietary trading for in-house and institutional client funds and wrote investment reports.

From 1999 to 2000, Dr. Wong worked in a securities firm in Hong Kong serving an in-house fund in the size of around HK\$50 million, the investment objective of which was for short to medium term investment appreciation and its performance was correlated with Hang Seng Index. During this period, he focused on proprietary trading for in-house and institutional client funds and wrote investment reports.

From 2000 to 2001, Dr. Wong worked in a securities firm in Hong Kong serving an in-house fund of a size of around HK\$10 million, the investment objective of which was for long term investment appreciation and its performance was correlated with Hang Seng Index. During this period, he focused on proprietary trading for in-house and institutional client funds and wrote investment reports.

In 2003, Dr. Wong worked in a Taiwanese company serving a private fund in the size of around HK\$10 million with a focus on Hong Kong indexes arbitrary trading, the investment objective of which was for short to medium term capital appreciation and its performance was correlated with Hang Seng Index. During this period, he focused on proprietary trading for the private fund.

From 2004 to 2007, Dr. Wong worked as a manager serving a Tokyo public trust of a size of around HK\$550 million with a focus investment in Hong Kong listed Chinese firms, the investment objective of which was for long term investment appreciation and its performance was correlated with Hang Seng Index. During these periods, his duty was to provide strategic investment advisory reports and followed up the fund's investment activities. The trust performance was occasionally traded out-performed to the said indexes.

From 2007 to 2008, Dr. Wong worked for the Investment Manager and provided investment advisory reports to two Chapter 21 investment companies, Unity Investments Holding Limited and the Company, of a fund size of around HK\$100 million to HK\$200 million. The investment objectives were for capital growth.

From 2008 to 2009, Dr. Wong worked for a China capital based private fund with a size of around HK\$100 million, the investment objective of which was for short to long term capital appreciation. Its performance was correlated with Hang Seng Index. During this period, he was responsible for setting up and supervising the fund's investment activities.

In 2009, Dr. Wong worked for an Indian capital based fund with a size of around HK\$70 million, the investment objective of which was for short to medium term capital appreciation. Its performance was correlated with Hang Seng Index. During this period, he was responsible for setting up and supervised the fund's investment activities.

Since 2010, Dr. Wong works for the Investment Manager and provides investment advisory reports to Unity Investments Holding Limited, National Investments Fund Limited and the Company, a fund size of around HK\$100 million to HK\$200 million. The investment objectives were for capital growth. All of the funds mentioned above were private funds (except for the Chapter 21 investment companies and the Tokyo public trust fund). They don't have any relevant benchmark for comparison.

Dr. Wong is licensed to conduct dealing in securities, dealing in futures contracts, advising on securities and asset management regulated activities by the Securities and Futures Commission of Hong Kong. Dr. Wong graduated in Australia in 2003 with a Master of Management Information Systems degree and is also the holder of a doctorate degree in Business Administration from the United States (U.S.) in 2010. Dr. Wong is also a director of Hennabun Capital Group Limited. Dr. Wong was appointed as the managing director of the Investment Manager on 4 March 2010. Dr. Wong has not been involved in any breaches of laws, rules and regulations in the securities industry which has bearing on his integrity and competence.

Mr. Pak William Eui Won (“**Mr. Pak**”) holds a Master of Laws degree in U.S. taxation from the University of Washington School of Law since 2005, a Juris Doctor's degree from the University of British Columbia Faculty of Law since 2004 and an Economics and Commerce degree from the University of British Columbia Faculty of Arts since 2001. Mr. Pak is an attorney licensed by the New York State Bar and is a member of the New York State Bar Association and the American Bar Association since 2007. He was a lawyer in the investment funds practice at White & Case's New York and Hong Kong offices. He has substantive experience in the establishment and representation of numerous U.S. and international private investment funds including private equity funds, hedge funds, real estate funds, distressed funds and hybrid funds for over four years, ranging in sizes from US\$50 million to US\$3 billion. Investors in such funds have included U.S. tax exempt and ERISA investors, U.S. taxable investors and various other non-U.S. investors. Mr. Pak has acted for fund sponsors, fund managers, placement agents and investors from the United States, Europe, the Middle East and Asia. Prior to joining White & Case, Mr. Pak worked in the mergers & acquisitions department in the San Francisco office of Ernst & Young where he provided transactional tax advisory services for mergers and acquisitions, reorganisations, and spin-offs involving private equity funds, U.S. corporations, partnerships, LLCs and foreign entities. Mr. Pak has also gained experience in handling transactions involving mergers and acquisitions, reorganisations, spin-offs and other corporation transactions activities on behalf of US private equity funds. Mr. Pak is currently the independent non-executive director of Forefront Group Limited (stock code: 885), which is a company listed on the Main Board of the Stock Exchange. Mr. Pak was appointed as the director of the Investment Manager on 10 May 2010. Mr. Pak does not have any experience in the professional management of investments on behalf of third party investors. Mr. Pak has not been involved in any breaches of laws, rules and regulations in the securities industry which has bearing on his integrity and competence.

Mr. Au Yeung Kam Kay (“**Mr. Au Yeung**”) has devoted himself in the financial services sector since 1981. Between 1981 to 1989, Mr. Au Yeung was engaged in numerous insurance (reinsurance, general insurance and insurance broking) companies. Thereafter, Mr. Au Yeung has been engaged in numerous investment companies (securities dealing, investment advisory and asset management) since 1989. Mr. Au Yeung is well experienced in the financial service management field since 1993. He held the positions of General Manager, Chief Executive Officer and Managing Director, with responsibility for overseeing the functions of securities dealing, investment advisory and asset management of stated-owned, private and public financial institutions, in different periods in the past.

Mr. Au Yeung was once involved in the setting up, and direct management, of two SFC-licensed asset management firms in Hong Kong from 2006 to 2008 and from 2008 to 2010 respectively. Mr. Au Yeung oversaw and supervised the fund management function of the respective companies which included making decision and granting approval on the listed securities to be invested and sold by the asset management companies. These private funds were not collective funds but were individual funds with a minimum investment of US\$1 million that the company managed for third parties. Similar to the Company, these funds invested in listed securities in Hong Kong. The objectives of such funds depended on the risk tolerance level of the investors who had separate accounts in such funds. For example, the funds would focus on blue-clip utility stocks if the investors’ acceptable risk level was low. On the contrary, the funds would invest in small-caps stocks if the investors’ acceptable risk level is high. During that period, Mr. Au Yeung was responsible for managing the individual investment portfolios of the investors which involved frequent review and adjustment to the investment allocations of the relevant fund. The funds have an aggregate size of approximately HK\$20 million and HK\$30 million, respectively.

From 1998 to 2001, Mr. Au Yeung was the CEO of the Hantec Asset Management Fund (“HAMF”) and was responsible for its management, which included making decision and granting approval on its investments. From 2002 to 2004, Mr. Au Yeung provided investment management services, primarily in the form of providing investment reports, to the China Investment Fund (“CIF”) under China Investment Fund Limited (stock code: 612) a Chapter 21 investment company. Similar to the Company, such funds invested in Hong Kong stocks. The sizes of HAMF and CIF were approximately US\$3 million and HK\$30 million respectively. The objectives of such funds, similar to that of the Company, were to achieve long-term capital appreciation. During the period HAMF and CIF were under Mr. Au Yeung’s management, their performance corresponded to that of the Hang Seng Index.

As far as roles and responsibilities are concerned, in addition to providing investment management services to third party investors, Mr. Au Yeung was also responsible for overseeing the overall operation of the respective companies. As such, Mr. Au Yeung is well qualified to take up his present role and responsibilities of giving investment advice in the form of advisory reports.

Mr. Au Yeung acquired the ACII professional qualification granted by the Chartered Insurance Institute, United Kingdom in 1985. Mr. Au Yeung was a dealer and an investment adviser registered under the Commodities Trading Ordinance (Cap. 250 of the Laws of Hong Kong) respectively before the new licensing regime under the SFO commenced in 2003. Mr. Au Yeung is currently licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities, advising on securities and asset management regulated activities. Mr. Au Yeung was appointed as a director of Investment Manager on 3 August 2010.

Mr. Au Yeung has not been involved in any breaches of laws, rules and regulations in the securities industry which has bearing on his integrity and competence.

Miss Chan Wing Yan, Carman (“**Miss Chan**”) has over 7 years of high level global banking and finance experience. Miss Chan has previous working experience in Hong Kong, Canada and Europe and is familiar with the Frankfurt Stock Exchange. Miss Chan has over 7 years in providing investment advice and managing funds on behalf of third party investors.

Miss Chan was involved in the management of two publicly-listed Canadian funds (the “Canadian Funds”) during her employment within a top five Canadian bank from 2004 to 2007. Her responsibilities cover (i) assist the chief investment officers in the management of the two funds, with a particular focus on the natural resources sector, (ii) provide investment advisory services in the form of advisory reports to institutional and professional clients, and (iii) act as private banker and provide investment advises to clients and also managed their portfolios. The fund sizes were approximately HK\$1 billion each. The investment objectives were to provide long-term growth through capital appreciation by investing primarily in small to medium-sized listed companies judged to be undervalued or that had above-average growth potential, which is similar to the Company. To achieve its investment objectives, the Canadian Funds identified stocks with attractive value characteristics from among a broad universe of stocks and small to medium capitalisation stocks that traded at reasonable valuation. The Canadian Funds also invested in some well-known established companies and aimed to add value through prudent security selection, based on fundamental, bottom-up analysis. During that period, the performances of the Canadian Funds out perform by approximately 20% on average to that of the S&P/TSX Composite Index.

From 2007 to 2008, Miss Chan was an associate director of a regional financial institution which managed a mix-fund both for itself and for investments of third parties. The aggregated fund size of approximately HK\$100 million was made up by approximately 20% of in-house fund and 80% of third party investments. The investment objective of such fund was to achieve short to medium term capital appreciation by investing in small to medium listed and unlisted companies mainly in Hong Kong and the PRC, which is similar to the investment objectives of the Company. During this period, Miss Chan was responsible for managing the institutional clients and in-house funds portfolio investment activities. During the period of her employment with this regional financial institution, the performance of the fund corresponded closely to that of the Hang Seng Index.

In 2008, Miss Chan held the position of Vice President in a Swiss bank during which time she was involved in the management of a fund in a size of approximately HK\$1 billion, as well as assisted the chief investment officer in the management of a US\$220 million public fund. Miss Chan was solely responsible for the investment management of the HK\$1 billion private fund. Her role includes providing investment advisory services in the form of advisory reports to institutional and professional clients and review and manage their portfolios. The investment objective was to achieve a performance as high as possible in the context of the general trend on the Asian equities market, while limiting the risk, which is similar to the investment objectives of the Company. The fund invested at least two thirds of its assets, in accordance with the principle of risk spreading, in quoted shares of leading companies having a good quality and headquartered or operating mainly in Asia (excluding Japan). The remaining portion, which could not exceed one third its assets, was to be invested in liquid assets or in fixed income or floating rate securities with a residual maturity of less than 12 months. During the period of her employment with this Swiss bank, the performance of the fund was approximately 50% on average below that of the Hang Seng Index.

From October 2008 to August 2010, Miss Chan served a Hong Kong listed issuer in an in-house capacity and managed a fund of approximately HK\$200 million. The focus of the fund was to invest in small to medium listed and unlisted companies and the investment objective of which was to achieve capital growth, which is similar to the Company. During this period, Miss Chan was responsible for maintaining relationships with and to provide investment reports to public and professional investors.

From August 2010 to June 2011, Miss Chan served a Frankfurt financial advisory firm with a fund size of approximately US\$30 million with a focus on assisting private companies to go public in Europe. The investment objective of which was to achieve listing status, which is different from the investments made by the Company and the investment objectives of the Company. During this period, Miss Chan obtained diverse experience in her participation over the listing process of such fund.

Since October 2011, Miss Chan worked for Investment Manager and provided investment advisory reports to National Investments Fund Limited (“National Fund”), of a fund size of around HK\$100 million. The investment objective is to achieve short to medium term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the PRC. National Fund also tends to invest in unlisted companies with potential to seek a listing on the Stock Exchange or any overseas stock exchange.

Miss Chan's roles and responsibilities in the present and the past included giving investment advice. She studied and graduated in British Columbia, Canada with an Associate of Arts degree in 2004. Miss Chan is licensed to carry out advising on securities and asset management regulated activities by the Securities and Futures Commission in Hong Kong. Miss Chan was appointed as a director of Investment Manager on 8 July 2011. Miss Chan has not been involved in any breaches of laws, rules and regulations in the securities industry which has bearing on her integrity and competence.

The Investment Manager has and continues to comply with all requirements under the SFO, including the SFO Guideline titled SFO's "Intermediaries Supervision -Analyst conflicts of interest" (the "Guidelines").

The Investment Manager observes the following guidelines:

- Investment research produced by the Investment Manager is solely for the firm's or its group companies' internal use and is not distributed to retail clients.
- All analysts publishing investment research or advice on specific securities are subject to the Guidelines other than in the circumstances of giving personal (one-to-one) investment advice to clients.
- The Investment Manager has established appropriate procedures to require and enable their analysts to report/disclose the relevant disclosures. The management of the Investment Manager is responsible for ensuring that these procedures are enforced.
- Analysts may not participate in business activities designed to solicit investment banking business. Therefore, employees of the Investment Manager do not participate as members of the teams that conduct sales pitches or road shows.
- The Investment Manager complies with all applicable laws, rules and codes. The Investment Manager routinely reviews, and assesses its systems and controls to promptly identify issues and matters that may be detrimental to a client's interest.
- The Investment Manager recruits staff that are fit and proper persons and have an adequate level of knowledge and skills to provide advice to clients. The Investment Manager also provides regular and appropriate training to its employees and ensure that they keep abreast of developments in the industry.
- On an ongoing basis, the Investment Manager ensures that its client files are reviewed by qualified and competent personnel.
- Client complaints are promptly investigated in accordance with a properly documented procedure.

The Investment Manager is also currently acting as the investment manager of other Chapter 21 listed investment companies namely Unity Investments Holdings Limited (“Unity”) and National Fund. Apart from the Company, Unity and National Fund, the Investment Manager is not currently providing management or advisory services to any other Chapter 21 listed investment companies. According to the Investment Manager, the investment objectives and policies of the Company, Unity and National Fund, although not the same, are quite similar in nature, with both companies’ primary objective of achieving medium-term to long-term capital appreciation by investing in listed and unlisted companies in Hong Kong and the PRC. The investment objective of National Fund also includes the intention to invest in unlisted companies with the potential to seek a listing on the Stock Exchange or any overseas stock exchange. The investment policies of both Unity and National Fund are to make investments in the form of equity related securities and debt instruments in listed and unlisted companies engaged in different industries, with National Fund including in its scope investments in the pharmaceutical, life and environmental sectors. Investments should normally be made in enterprises which are established in their respective fields and in which the board of the relevant company believes that there are prospects of long-term growth. Where possible, the board of the relevant company and the investment manager would seek to identify investments where there is a certain degree of synergy with other investee companies and where cooperation between such companies would be of mutual benefit to each other. Investment restrictions between Unity and National Fund are largely the same, with National Fund having the added restriction of not to invest more than 50% of its assets outside Hong Kong and the PRC and not to engage in transactions in options and futures except for hedging purposes.

The Investment Manager’s duties towards the Company involve, inter alia, the provision of investment advice in the form of investment reports to the Company. All investment advice provided by the Investment Manager is subject to approval by the Board before the relevant investment can proceed, any investment (once approved) can only be entered into by the Company directly and as principal, and the Investment Manager does not have the authority to bind the Company to any investment. The Investment Manager has a similar involvement with Unity and National Fund whereby, the Investment Manager provides investment reports to Unity and National Fund in accordance with their respective investment objectives, and investments are executed by Unity and National Fund directly as principal, and the Investment Manager does not have the authority to enter into investments on behalf of Unity and National Fund.

Pursuant to the Investment Management Agreements, the Investment Manager must disclose to the Company any transaction involving investments in which the Company has invested or may reasonable be expected to invest before the Investment Manager enters into such transaction on its own account or on behalf of any third party, provided that the Investment Manager shall not be required to disclose to the Company information in relation to its other clients (which is subject to client confidentiality).

The Investment Manager has separate investment teams to handle exclusively the investment related matters for each listed company which are independent from each other. The separate and independent team serving the Company exclusively would ensure the Company is properly given investment advice on suitable investments identified that fall within the Company's investment objectives. The separate and independent team exclusively handling investment related matters for the Company are under a duty to use their best efforts to facilitate the Company's participation in suitable investments approved by the Board (especially where the available investment size is limited compared to potential demand). In addition, the Investment Manager has established proper Chinese walls in accordance with rules and regulations set forth by The Securities and Futures Commission in Hong Kong to restrict the flow of information and prevent leakage of the Company's confidential information to the separate and independent teams handling investment related matters for the Investment Manager's other clients. The investment team serving the Company is headed by Dr. Wong Foelan together with the supporting staff. Please refer to pages 85 to 87 of this Prospectus for the qualification and experience of Dr. Wong Foelan. Dr. Wong Foelan's investment team only serves the Company and not other Chapter 21 companies.

The Company does not believe conflict of interests would arise in practice in the area of allocation (and so far, no conflict issues have arisen) even though the Investment Manager is acting as the investment manager to two other listed companies. Firstly, each of the separate and independent investment teams are required to make an independent assessment as to whether an investment opportunity the team has identified should be recommended to the client that it is serving exclusively. In the case where the same investment opportunity is identified by more than one separate and independent team as suitable for their respective clients, the Company still believes conflict of interests would not arise in practice as it is the clients themselves who are ultimately responsible for executing their own trades. For instance, in relation to securities offerings (such as initial public offerings) and in relation to shares or other securities which are already listed, should the respective client decide to proceed with the investment, it is the client itself who would directly execute their orders through their respective stock brokers. Consequently, in practice, the Investment Manager does not have a role in the allocation of such investments. In the case of unlisted investment opportunities, even though the Investment Manager would assist with the negotiation of investment terms at the request of its client, it is the responsibility of the client to determine and drive the negotiation strategy, terms of investment as well as the negotiation process and timing. Again, the Investment Manager would not make the investment for or on behalf of its clients. It is the clients themselves who directly make the investment, and whether the clients are successful in making the investments would ultimately be determined by such clients and the counterparties in the unlisted investment opportunity (and not the Investment Manager) on the basis of investment terms and other factors that such clients and their counterparties consider relevant.

In any event, even though the issue of allocation does not arise (and has not arisen) in practice, the Investment Management Agreements contains safe-guards by providing that the Investment Manager should devote such time and effort to the Company's business as is necessary to promote the interests of the Company. If conflicts in relation to investment opportunities do arise between the Company and other funds managed or advised by and/or clients of the Investment Manager, the Investment Manager would allocate such investment opportunities on a reasonable basis, taking into account factors such as the total amount available for investment by the Company and by such other funds and/or clients as well as whether such other funds and/or clients have any existing interest in the proposed investment in determining what the reasonable basis should be.

The Investment Management Agreements also contains provisions in addition to those mentioned above that help to safe guard against and/or resolve potential conflict situations, namely:-

- (a) Subject to restrictions and requirements in the Listing Rules, the Company may acquire or dispose of investments from or to the Investment Manager's associated companies and/or their directors and chief executive with the prior written approval of the Board (other than Directors who are interested in such acquisition/disposal) or, where the acquisition or disposal exceeds the higher of either HK\$10,000,000 or 3% of the book value of the net tangible assets of the Company, with the prior approval of the Shareholders (other than Shareholders who are interested in such acquisition/disposal).
- (b) The terms of any co-investment by the Investment Manager (for itself or for other funds managed by it and/or its clients) with the Company must be no better than those in which the Company is investing.
- (c) The Investment Manager undertakes, so long as it remains the investment manager of the Company, to disclose to the Company any potential conflict of interests involving the Company which it is aware of or which has been brought to its attention, prior to entering into any transaction.
- (d) All soft commissions received by the Investment Manager from brokers, dealers, agents, investment advisers or other persons must be of demonstrable benefit to the Company, transaction execution must be consistent with the best execution standards, and the amounts of brokerage or service fees payable to such persons must not be in excess of customary rates.

The Company believes that the measures and mechanisms set out above as well as the provisions in the Investment Management Agreements are sufficient to safe guard against and/or resolve any potential conflict of interests that may arise.

The Custodian

Pursuant to the Custodian Agreement, Standard Chartered Bank Limited acts as the custodian (the “Custodian”) in relation to the investments which the Company may from time to time deposit with the Custodian.

The Directors confirm that to the best of their knowledge none of the Directors or directors of the Investment Manager, any investment adviser, or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.

RISKS RELATING TO THE COMPANY

The Company is an investment company with the principal investment objective of achieving earnings in the form of short to medium term (i.e. less than one year to five years) capital appreciation through investing in a diversified portfolio of investments in listed or unlisted enterprises established and/or conducting business in Hong Kong and/or the PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Shareholders should also be aware that the Company’s income and its Net Asset Value are liable to be adversely affected by external factors beyond the control of the Company. As a result, income of the Company and its Net Asset Value may therefore go down as well as go up, subject to the prevailing market conditions.

PROCEDURES IN IDENTIFYING INVESTMENT OPPORTUNITIES

The Investment Manager has several separate and independent teams to provide investment reports. The separate and independent team which serves the Company exclusively selects appropriate investment reports from the investment reports prepared by the teams of the Investment Manager according to the investment guidelines and strategies formulated by the Board from time to time, and provides the Board with a preliminary investment report for consideration together with its preliminary recommendation in respect of the investments in question. If the Board agrees to the preliminary recommendation of the Investment Manager to proceed with an investment, it will instruct the Investment Manager to proceed to organise any appropriate due diligence exercise or investigation and to commence negotiation of the investment terms if the investment is an unlisted investment. A detailed investment report containing the recommendation of the Investment Manager as to whether or not to proceed with the relevant investment will then be submitted to the Board for approval for which a decision by a majority resolution of the Board is required. Investment opportunities which are recommended by the Investment Manager and approved by a resolution of the Board will be made. If the Board shall resolve to proceed with the investment, the Investment Manager will be responsible for supervising the completion of the Company's investment. The Investment Manager shall not at any time make any investment decision or enter into any transactions on behalf of the Company. Any investment or divestment (once approved) can only be entered into by the Company (or its subsidiaries) directly. The separate and independent teams of the Investment Manager which serves the Company exclusively would not communicate to other clients of the Investment Manager any information concerning investments that the Company has made or can reasonably be expected to make. If the Board shall resolve to proceed with the investment, the Investment Manager will be responsible for supervising the completion of the Company's investment. The Investment Manager is not authorised to make investment decision or enter into any transactions on behalf of the Company. Any investment or divestment (once approved) can only be entered into by the Company (or its subsidiaries) directly.

The Company would consider the investment reports on an individual case basis and would take into account the nature of business and principal activities of the target investee company, the financial position of the target investee company, in particular its liquidity ratio, asset backing ratio, and analysis of the performance of its share prices, and the recommendations made by the Investment Manager and the factors thereon in making the investment decision.

INVESTMENT OBJECTIVES AND POLICIES

The Company is an investment company with the principal investment objective of achieving earnings in the form of short to medium term (i.e. less than one year to five years) capital appreciation through investing in a diversified portfolio of investments in listed and unlisted companies in Hong Kong and overseas markets.

The Company has adopted the following investment policies:

- (a) at least 70% of the Company's investments will be made in the forms of equity securities, equity-related securities, debt instruments issued by listed or unlisted enterprises established and/or conducting business in Hong Kong and/or the PRC, or such other types of investments in accordance with the investment objective and policies adopted by the Company from time to time and the requirements of the Memorandum, the Articles, the Listing Rules and the Investment Management Agreements. The Articles contain no restriction on the geographical location of enterprises which the Company is permitted to invest. However, the Company will invest primarily in enterprises with operations based in Hong Kong and/or the PRC or with offices in these two jurisdictions. Not more than 30% of the investments of the Company may be made outside Hong Kong and the PRC where the Directors consider that such investments would provide attractive returns;
- (b) the Company's investments will normally be made in the forms of equity securities or equity-related securities or debt instruments in listed and unlisted companies engaged in different industries including, but not limited to, information technology, telecommunications, biological technology, manufacturing, service, property, internet-related business, financial services, entertainment business and hotel catering so as to maintain a balance in the Company's exposure to different industry sectors and to minimise the impact on the Company in respect of any downturn in any particular sector in which the Company has investments;
- (c) the Company's investments will normally be made in enterprises which are established in their respective fields and in which the Board believes there are prospects for substantial growth. In particular, the Company will seek to identify enterprises with competitive products and concepts, strong management, high level of technical expertise and research and development capabilities, large potential markets, as well as management commitment to the long-term growth;

- (d) the Company may also invest in companies or other entities which are considered by the Board as being special or in recovery situations on a case-by-case basis, such as companies in the course of recovery situations or the shares of which are trading below their net asset value per share, which may have extensive growth in a shorter period and provide attractive returns;
- (e) where possible, the Company would seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other;
- (f) the investments are intended to be held for short to medium term (i.e. less than one year to five years) capital appreciation. The actual holding period will be dependent on the return from investment and the potential of being listed on the Stock Exchange or other internationally recognised stock exchanges. The Company will, however, realise investments where the Board believes that such realisation would be in the best interests of the Company or where the terms on which such realisation can be made are considered by the Board to be particularly favourable to the Company;
- (g) the Company's investments may be in forms of interests in FIEs or participation in unincorporated investments. In the event that the entity in which an investment is made is an unlimited company established or formed under the laws of Hong Kong or the PRC, the Company will invest either through a subsidiary or an intermediate holding company with limited liability. The Company will seek to ensure that it is not unnecessarily exposed to unlimited liability;
- (h) in the event there are financial resources available and are not immediately required for other purposes, the Company may trade in equity securities, equity-related securities or debt instruments issued by listed or unlisted companies on short term basis which are considered appropriate by the Board and/or the Investment Manager; and
- (i) before suitable investment projects are identified, the Company may seek to protect the capital value of the Company's assets by placing on deposits in Hong Kong Dollars or other currency with financial institutions in Hong Kong or investing in debt securities, money market instruments and other instruments issued by Hong Kong, the US and Eurozone governments and their respective subdivision.

In accordance with the investment objectives, policies and restrictions of the Company, the Company is able to invest in unlisted securities not exceeding 20% of the NAV of the Company and the investments in options, warrants, commodities and future contracts shall not be greater than 30% of the Company's total investments. The Company has no intention to invest in precious metals as at the Latest Practicable Date.

INVESTMENT RESTRICTIONS

The Articles and the Listing Rules impose certain restrictions on investments to be made by the Company. To this end, the Board has resolved that the Company will not:

- (a) either by itself or through its wholly-owned subsidiaries or in conjunction with any connected person, as defined in the Listing Rules, take legal, or effective, management control of underlying investments and in no event, will the Company itself or through its wholly-owned subsidiaries own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code or other laws, regulations, rules, codes, order or policies of other relevant jurisdiction as being the level of interest for triggering a mandatory general offer for all the interest of the investee companies or any other similar action or consequence) of the voting rights in any one company or body, except in relation to wholly-owned subsidiaries of the Company established for the sole purpose of holding the investments of the Company;
- (b) invest in any company or entity, other than wholly-owned subsidiaries of the Company, if such investment or the aggregate amount put into the same investment will result in more than 20% of the Net Asset Value being invested in such company or entity as at the date of the investment is made; and
- (c) invest more than 30% of its assets outside Hong Kong and the PRC to the extent of contravening its primary investment objective of achieving short to medium term capital appreciation by investing in listed or unlisted enterprises in Hong Kong and/or the PRC.

The Company has to comply with investment restrictions (a) and (b) above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules and these restrictions are contained in the Articles. Investment restriction (c) can be changed subject to the approval of the Shareholders by way of an ordinary resolution at a general meeting. The Board has no present intention to change any of the above-mentioned investment restrictions.

BORROWING POWER

The Board intends to exercise its borrowing power to borrow up to an aggregate principal amount of HK\$160 million. In the event that the borrowing should exceed HK\$160 million, the Board must obtain prior approval of the Shareholders at a general meeting. Subject to the provisions of the Memorandum, the Articles and the Investment Management Agreement, the Board may from time to time borrow for the purposes of providing liquidity or taking advantage of investment opportunities. The Investment Manager shall not have power to enter into any arrangement pursuant to the exercise of the borrowing power on behalf of the Company.

DISTRIBUTION POLICY

Interest income, dividend income and any other income of the Company will be used first to meet expenses. The Board, in consultation with the Investment Manager will then assess whether it is reasonable to make provisions for future expenses and/or any possible impairment of investments, and will consider the amount of cash which should be retained by the Company for further investments. It is the Board's intention, at the sole discretion of the Directors, to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Articles. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distributions (if any) will be made annually after the annual accounts of the Company are approved by the Shareholders but interim distributions may be made from time to time to the Shareholders as appeared to the Board to be justified by the then financial position of the Company. Distributions will be made in HK Dollars.

FOREIGN EXCHANGE POLICY AND EXCHANGE CONTROL

As a result of overseas investments denominated in United States Dollars ("US\$") and Singapore Dollars ("SG\$"), the Group is exposed to the movement in the HK\$/US\$ and HK\$/SG\$ exchange rates. The Group's exposure to foreign exchange risk was not significant, therefore, no financial instruments was made to hedge such exposures.

TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Shareholders should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

FEES AND EXPENSES

The Company will pay to the Investment Manager and the Custodian, the fees as described below. In addition, the Company will pay certain other costs and expenses incurred in its operation, including taxes (other than Hong Kong profits tax), expenses for legal, auditing and consultancy services, promotional expenses, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest, brokerage costs and the cost of publishing the Net Asset Value.

Investment management fee

The Company will pay to the Investment Manager a monthly investment management fee of HK\$100,000. The investment management fee is payable on or about the fifth day of each calendar month.

Custodian fee

Pursuant to the Custodian Agreement, the Custodian will be paid for the provision of securities services at the following rates subject to revision annually by the Custodian with the approval of the Company in accordance with the terms set out in the Custodian Agreement:

- (a) custody fee of 0.04% – 0.08% per annum depending on the trading market payable monthly based on month-end portfolio balance with the Custodian, with a minimum charge of US\$25 per month;
- (b) US\$35 – US\$80 depending on the trading market for each receipt of securities against payments; and
- (c) US\$35 – US\$80 depending on the trading market for each delivery of securities against payments.

Save for the investment management fee and the custodian fee, the Investment Manager and the Custodian are not entitled to receive any other fees from the Company.

INVESTMENT PORTFOLIO

(A) Ten largest investment held as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date

The followings are the details of the ten largest investments of the Group as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date. Save to the investments disclosed herein, there are no other listed investments and all other investments with a value of more than 5% of the Company's gross assets as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date.

(i) As at 31 December 2008

Name of investee companies	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost HK\$	Market value HK\$	Unrealised loss arising on revaluation HK\$	Dividend received/receivable during the year HK\$	% of the Company's net assets as at year end attributable to the investments (Note)
a) Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	62,144,000	4.99%	15,099,536	5,592,960	(9,506,576)	-	7.82%
b) Unity Investments Holdings Limited (Stock code: 913)	16,442,356	4.38%	14,985,600	2,499,238	(12,486,362)	-	3.50%
c) Mascotte Holdings Limited (Stock code: 136)	140,295,000	4.91%	34,859,268	13,328,025	(21,531,243)	-	18.64%
d) Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	2.98%	12,701,251	3,375,000	(9,326,251)	-	4.72%
e) Heritage International Holdings Limited (Stock code: 412)	12,271,130	4.80%	32,908,849	6,135,565	(26,773,284)	-	8.58%
f) Forefront Group Limited (Stock code: 885)	41,695,750	4.45%	42,214,153	8,297,454	(33,916,699)	-	11.61%
g) CST Mining Group Limited (Stock code: 985)	430,504,000	3.25%	25,636,647	17,220,160	(8,416,487)	-	24.09%
h) Willie International Holdings Limited (Stock code: 273)	20,343,014	5.22%	50,778,721	10,781,797	(39,996,923)	-	15.08%
i) Y.T. Realty Group Limited (Stock code: 75)	3,436,000	0.43%	6,665,840	4,191,920	(2,473,920)	1,063,080	5.86%
j) China Yunnan Tin Minerals Group Co. Limited (Stock code: 263)	3,232,000	0.09%	2,738,251	413,696	(2,324,555)	-	0.58%

Note: For each investment, it was less than 20% of the NAV of the Company at the relevant time when the investment was made. It is the time and changes in the Company's NAV that such investment became more than 20% of the NAV of the Company at the year end date.

Based on the listed investees' annual reports, a brief description of their business and financial information, which represents a significant proportion of the Group's assets are as follows:

- (a) Beijing Yu Sheng Tang Pharmaceutical Group Limited ("Yu Sheng Tang Group") was incorporated in Bermuda and is principally engaged in the supply and procurement of business operations and securities investment.

For the year ended 31 March 2008, the audited consolidated loss from ordinary activities attributable to shareholders of Yu Sheng Tang Group was HK\$12,854,000 and the basic loss per share was HK1.6 cents. As at 31 March 2008, its audited consolidated net asset value was HK\$177,171,000.

- (b) Unity Investments Holdings Limited ("Unity") was incorporated in the Cayman Islands and is principally engaged in investment in listed and unlisted companies in Hong Kong and the PRC.

For the year ended 31 December 2008, the audited consolidated loss from ordinary activities attributable to shareholders of Unity was HK\$458,429,088 and the loss per share was HK1.76 cents. As at 31 December 2008, its audited consolidated net asset value was HK\$153,450,852.

- (c) Mascotte Holdings Limited ("Mascotte") was incorporated in Bermuda and is principally engaged in investment holding, the manufacturing of solar grade polysilicon, the manufacturing of and sale of photographic accessories, electrical and multimedia products, and property investment.

For the year ended 31 March 2008, the audited consolidated loss from ordinary activities attributable to shareholders of Mascotte was HK\$232,807,416 and the basic loss per share was HK19.2 cents. As at 31 March 2008, its audited consolidated net asset value was HK\$609,521,233.

- (d) Code Agriculture (Holdings) Limited ("Code Agriculture") was incorporated in Bermuda and is principally engaged in the provision of pre-mastering and other media services, the provision of audiovisual playout services, the development of digital TV system platforms and program databases, the sale and rental of set-top boxes, and the design and manufacturing of digital TV equipment and facilities.

For the year ended 31 March 2008, the audited consolidated loss from ordinary activities attributable to shareholders of Code Agriculture was HK\$25,687,000 and the basic loss per share was HK\$6.57 cents. As at 31 March 2008, its audited consolidated net asset value was HK\$112,020,000.

- (e) Heritage International Holdings Limited ("Heritage") was incorporated in Bermuda and is principally engaged in property investment, investment in securities, money lending, and investment holding.

For the year ended 31 March 2008, the audited consolidated net loss from ordinary activities attributable to shareholders of Heritage was HK\$367,751,000 and the basic loss per share was HK54.47 cents. As at 31 March 2008, its audited consolidated net asset value was HK\$1,260,964,000.

- (f) Forefront Group Limited (“Forefront”) was incorporated in the Cayman Islands and is principally engaged in the trading of motor trucks, coaches and vehicle accessories, the provision of motor vehicle repair and maintenance services; and the provision of other motor vehicle related business.

For the year ended 31 December 2007, the audited consolidated net loss from ordinary activities attributable to shareholders of Forefront was HK\$333,187,000 and the basic loss per share was HK25.54 cents. As at 31 December 2007, its audited consolidated net asset value was HK\$246,884,000.

- (g) CST Mining Group Limited (“CST Mining”) was incorporated in the Cayman Islands and is principally engaged in investment holding, the provision of secretarial services, securities investment, and property investment.

For the year ended 31 March 2008, the audited consolidated net loss from ordinary activities attributable to shareholders of CST Mining was HK\$305,526,000 and the basic loss per share was HK4.33 cents. As at 31 March 2008, its audited consolidated net asset value was HK\$2,453,434,000.

- (h) Willie International Holdings Limited (“Willie”) was incorporated in Hong Kong and is principally engaged in property related investments, investment in securities, the provision of brokerage and financial services, and automobile sales and repairing in the PRC.

For the year ended 31 December 2007, the audited consolidated loss from ordinary activities attributable to shareholders of Willie was HK\$197,582,000 and the basic loss per share was HK17.6 cents. As at 31 December 2007, its audited consolidated net asset value was HK\$1,486,465,000.

- (i) Y.T. Realty Group Limited (“Y.T. Realty”) was incorporated in Bermuda and is principally engaged in property investment, the provision business management services, property management, and property trading and investment holding.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of Y.T. Realty was HK\$328,563,000 and the earnings per share was HK41.1 cents. As at 31 December 2007, its audited consolidated net asset value was HK\$2,987,422,000. A dividend of approximately HK\$1,063,080 was received that year.

- (j) China Yunnan Tin Minerals Group Co. Limited (“China Yunnan Tin”) was incorporated in Hong Kong and is principally engaged in power generation, trading of goods, the provision of finance, property investment and management, and brokerage and securities investment.

For the year ended 31 December 2007, the audited consolidated profit from ordinary activities attributable to shareholders of China Yunnan Tin was HK\$75,319,000 and the basic earnings per share was HK\$5.17 cents. As at 31 December 2007, its audited consolidated net asset value was HK\$975,422,000.

(ii) *As at 31 December 2009*

Name of investee companies	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost HK\$	Market value HK\$	Unrealised gain (loss) arising on revaluation HK\$	Dividend received/receivable during the year HK\$	% of the Company's net assets as at year ended attributable to the investments (Note)
a) China Strategic Holdings Limited (Stock code: 235)	81,666,666	2.21%	49,098,017	45,733,333	(3,364,684)	-	21.54%
b) Hanny Holdings Limited (Stock code: 275)	10,000,000	1.78%	7,800,000	5,900,000	(1,900,000)	-	2.78%
c) Freeman Financial Corporation Limited (Stock code: 279)	10,000,000	4.27%	5,519,855	6,100,000	580,145	-	2.87%
d) CST Mining Group Limited (Stock code: 985)	103,320,960	3.24%	30,151,445	25,313,635	(4,837,810)	-	11.92%
e) China Environmental Energy Investment Limited (Stock code: 986)	10,000,000	2.39%	6,158,817	6,900,000	741,183	-	3.25%
f) G-Resources Group Limited (Stock code: 1051)	37,760,882	0.27%	57,409,613	18,502,832	(38,906,781)	-	8.72%
g) Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	44,800,000	2.26%	12,196,800	34,496,000	22,299,200	-	16.25%
h) China Public Healthcare (Holding) Limited (Stock code: 8116)	145,000,000	1.35%	32,820,635	30,740,000	(2,080,635)	-	14.48%
i) Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.50%	3,375,000	14,906,250	11,531,250	-	7.02%
j) Rising Development Holdings Limited (Unlisted convertible notes)	N/A	N/A	4,800,000	5,196,211	396,211	-	2.45%

Note: For each investment, it was less than 20% of the NAV of the Company at the relevant time when the investment was made. It is the time and changes in the Company's NAV that such investment became more than 20% of the NAV of the Company at the year end date.

Based on the listed investees' annual reports, a brief description of their business and financial information, which represents a significant proportion of the Group's assets are as follows:

- (a) China Strategic Holdings Limited ("China Strategic") was incorporated in Hong Kong and is principally engaged in the manufacturing and trading of batteries products and relate accessories and investment in securities.

For the year ended 31 December 2008, the audited consolidated loss from ordinary activities attributable to shareholders of China Strategic was HK\$452,365,000 and the basic loss per share was HK\$0.23. At 31 December 2008, the audited consolidated net asset value was HK\$348,837,000.

- (b) Hanny Holdings Limited (“Hanny”) was incorporated in Bermuda and is principally engaged in the trading of securities, holding of vessels for sand mining, industrial water supply business, and other strategic investment.

For the year ended 31 March 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of Hanny was approximately HK\$1,145,222,000 and the basic loss per share was HK\$7.56. As at 31 March 2009, the audited consolidated net asset value was approximately HK\$2,004,535,000.

- (c) Freeman Financial Corporation Limited (“Freeman”) was incorporated in the Cayman Islands and is principally engaged in the trading of securities, the provision of finance, trading of goods, property holding and investment, insurance agency and brokerage business, and investment holding.

For the year ended 31 March 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of Freeman was approximately HK\$430,348,000 and the basic loss per share was HK45.81 cents. As at 31 March 2009, the audited consolidated net asset value was approximately HK\$1,080,860,000.

- (d) CST Mining Group Limited (“CST Mining”) was incorporated in the Cayman Islands and is principally engaged in investment holding, the provision of secretarial services, securities investment, and property investment.

For the year ended 31 March 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of CST Mining was HK\$366,522,000 and the basic loss per share was HK69.07 cents. As at 31 March 2009, the audited consolidated net asset value was HK\$2,123,730,000.

- (e) China Environmental Energy Investment Limited (“China Environment Energy”) was incorporated in Bermuda and is principally engaged in investment holding, the trading and manufacture of laminates, printed circuit boards, and copper foils.

For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of China Environmental Energy was approximately HK\$82,405,000 and the basic loss per share was HK19.99 cents. As at 31 March 2009, the audited consolidated net asset value was HK\$30,363,000.

- (f) G-Resources Group Limited (“G-Resources”) was incorporated in Bermuda and is principally engaged in gold and related metals mining business.

For the year ended 30 June 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of G-Resources was approximately HK\$164,284,000 and the basic loss per share was HK38.4 cents. As at 30 June 2009, the audited consolidated net asset value was approximately HK\$497,117,000.

- (g) Beijing Yu Sheng Tang Pharmaceutical Group Limited (“Yu Sheng Tang Group”) was incorporated in Bermuda and is principally engaged in the supply and procurement of business operations and securities investment.

For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of Yu Sheng Tang Group was HK\$4,907,000 and the basic loss per share was HK0.4 cents. As at 31 March 2009, the audited consolidated net asset value was HK\$228,022,000.

- (h) China Public Healthcare (Holding) Limited (“China Public Healthcare”) was incorporated in the Cayman Islands and is principally engaged in the development and sale of radio trunking system related software, the trading of products relating to telemedia system and the provision of related technical services, the exploration and development of mineral resource, and the development and maintenance of healthcare information technology services.

For the year ended 31 December 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of China Public Healthcare was approximately HK\$354,285,000 and the basic loss per share was HK6.99 cents. As at 31 December 2009, the audited consolidated net asset value was approximately HK\$722,928,000.

- (i) Code Agriculture (Holdings) Limited (“Code Agriculture”) was incorporated in Bermuda and is principally engaged in the provision of per-mastering and other media services, the provision of audiovisual playout services, the development of digital TV system platform and program database, the sale and rental of set-top boxes and the design and manufacturing of digital TV equipment and facilities.

For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of Code Agriculture was approximately HK\$283,421,000 and the basic loss per share was HK33.65 cents. As at 31 March 2009, the audited consolidated net asset value was HK\$269,183,000.

- (j) Rising Development Holdings Limited (“Rising”) was incorporated in Bermuda and is principally engaged in investment holding, the trading in securities, the manufacture and sale of fur garments and skins and the mining of natural resources.

For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of Rising was approximately HK\$66,679,000 and the loss per share was HK1.83 cents. As at 31 March 2009, the audited consolidated net asset value was approximately HK\$447,480,000.

(iii) As at 31 December 2010

Name of investee companies	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost HK\$	Market value HK\$	Unrealised gain (loss) arising on revaluation HK\$	Dividend received/receivable during the year HK\$	% of the Company's net assets as at year end attributable to the investments
a) Rising Development Holdings Limited (Stock code: 1004)	30,000,000	2.16%	45,166,200	53,400,000	8,233,800	–	18.64%
Rising Development Holdings Limited (Unlisted convertible notes)	N/A	N/A	5,196,211	5,780,785	584,574	–	2.02%
b) Freeman Financial Corporation Limited (Stock code: 279)	138,181,818	5.46%	38,000,000	47,672,727	9,672,727	–	16.64%
c) Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	77,752,000	2.49%	22,216,713	26,046,920	3,830,207	–	9.09%
d) G-Resources Group Limited (Stock code: 1051)	37,760,882	0.27%	18,502,832	23,034,138	4,531,306	–	8.04%
e) China Tycoon Beverage Holdings Limited (Stock code: 209)	20,000,000	1.30%	20,071,800	19,600,000	(471,800)	–	6.84%
f) Willie International Holdings Limited (Stock code: 273)	71,700,000	4.84%	19,961,215	15,415,500	(4,545,715)	–	5.38%
g) China Public Healthcare (Holding) Limited (Stock code: 8116)	121,000,000	1.07%	25,652,002	11,011,000	(14,641,002)	–	3.84%
h) China New Energy Power Group Limited (Unlisted convertible notes)	N/A	N/A	5,000,000	10,000,000	5,000,000	–	3.49%
i) China Strategic Holdings Limited (Stock code: 235)	34,593,332	0.94%	19,372,266	9,167,233	(10,205,033)	–	3.20%
j) Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.04%	14,906,250	8,437,500	(6,468,750)	–	2.94%

Based on the listed investees' annual reports, a brief description of their business and financial information, which represents a significant proportion of the Group's assets are as follows:

- (a) Rising Development Holdings Limited (“Rising”) was incorporated in Bermuda and is principally engaged in investment holding, the trading in securities, the manufacture and sale of fur garments and skins and the mining of natural resources.

For the year ended 31 March 2010, the audited consolidated net loss from ordinary activities attributable to shareholders of Rising was approximately HK\$142,901,000 and the basic loss per share was HK\$21.77 cents. As at 31 March 2010, the audited consolidated net asset value was approximately HK\$1,289,520,000.

- (b) Freeman Corporation Limited (“Freeman”) was incorporated in the Cayman Islands and is principally engaged in the trading of securities, the provision of finance, trading of goods, property holding and investment, insurance agency and brokerage business, and investment holding.

For the year ended 31 March 2010, the audited consolidated net profit from ordinary activities attributable to shareholders of Freeman was approximately HK\$297,486,000 and the basic earnings per share was HK\$1.16. As at 31 March 2010, the audited consolidated net asset value was approximately HK\$2,041,010,000.

- (c) Beijing Yu Sheng Tang Pharmaceutical Group Limited (“Yu Sheng Tang Group”) was incorporated in Bermuda and is principally engaged in the supply, procurement, production and sale of Chinese medicines and health care products, the provision of finance, securities investment and intellectual property and investment holding.

For the year ended 31 March 2010, the audited consolidated net loss from ordinary activities attributable to shareholders of Yu Sheng Tang Group was approximately HK\$16,762,000 and the basic loss per share was HK0.92 cents. As at 31 March 2010, the audited consolidated net asset value was approximately HK\$946,726,000.

- (d) G-Resources Group Limited (“G-Resources”) was incorporated in Bermuda and is principally engaged in the business of metals mining, the provision of financial information and management services, the trading of electronic goods and accessories, securities investment and investment holding.

For the year ended 30 June 2010, the audited consolidated net loss from ordinary activities attributable to shareholders of G-Resources was approximately HK\$351,973,000 and the basic loss per share was HK2.5 cents. As at 30 June 2010, the audited consolidated net asset value was approximately HK\$4,687,063,000.

- (e) China Tycoon Beverage Holdings Limited (“China Tycoon”) was incorporated in Bermuda and is principally engaged in manufacturing and trading of hard and stuffed toys.

For the year ended 31 December 2010, the audited consolidated loss from ordinary activities attributable to shareholders of China Tycoon was approximately HK\$14,791,000 and the basic loss per share was HK1.21 cents. As at 31 December 2010, the audited consolidated net asset value was approximately HK\$808,648,000.

- (f) Willie International Holdings Limited (“Willie”) was incorporated in Hong Kong and is principally engaged in property holding and investment, investment in securities trading, money lending, investment holding and acquiring, exploring and developing natural resources.

For the year ended 31 December 2009, the audited consolidated net profit from ordinary activities attributable to shareholders of Willie was approximately HK\$129,345,000 and the basic earnings per share was HK\$0.28. As at 31 December 2009, the audited consolidated net asset value was approximately HK\$2,530,020,000.

- (g) China Public Healthcare (Holding) Limited (“China Public Healthcare”) was incorporated in the Cayman Islands and is principally engaged in hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in China, radio trucking systems integration and the provision of telemedia-related and other value-added telecommunication-related technical services.

For the year ended 31 December 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of China Public Healthcare was approximately HK\$354,285,000 and the basic loss per share was HK6.99 cents. As at 31 December 2009, the audited consolidated net asset value was approximately HK\$727,437,000.

- (h) China New Energy Power Group Limited (“China New Energy Power”) was incorporated in Bermuda and is principally engaged in the manufacturing and trading of wooden products (include blockboard and particle board, door skin and other wooden products).

For the year ended 31 December 2009, the audited consolidated net loss from ordinary activities attributable to shareholders of China New Energy Power was approximately US\$53,877,000 and the basic loss per share was US0.41 cents. As at 31 December 2009, the audited consolidated net liability value was approximately US\$59,511,000.

- (i) China Strategic Holdings Limited (“China Strategic”) was incorporated in Hong Kong and is principally engaged in the manufacturing and trading of battery products and related accessories, investments in securities and investment holding.

For the year ended 31 December 2010, the audited consolidated loss from ordinary activities attributable to shareholders of China Strategic was approximately HK\$58,641,000 and the basic loss per share was HK1.59 cents. As at 31 December 2010, the audited consolidated net asset value was approximately HK\$788,392,000.

- (j) Code Agriculture (Holdings) Limited (“Code Agriculture”) was incorporated in Bermuda and is principally engaged in research and development, the manufacture, sales and marketing of agricultural machinery and fertilizer, technical servicing of modern agricultural technology and products in China, development of digital television system platform, cordyceps related business and investment holding.

For the year ended 31 March 2010, the audited consolidated net loss from ordinary activities attributable to shareholders of Code Agriculture was approximately HK\$269,331,000 and the basic loss per share was HK14.20 cents. As at 31 March 2010, the audited consolidated net asset value was approximately HK\$910,179,000.

(iv) As at the Latest Practicable Date

Name of investee company	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost <i>HK\$</i>	Market Value <i>HK\$</i>	Unrealised gain/(loss) arising on revaluation <i>HK\$</i>	Dividend received/receivable up to the Latest Practicable Date <i>HK\$</i>	Description of business	% of the Company's net assets attributable to the investments
Rising Development Holdings Limited (Stock code: 1004)	29,918,000	2.16%	53,254,040	29,918,000	(23,336,040)	–	Investment holding and trading in securities, manufacture and sale of fur garments, trading of fur skins and business of mining natural resources	23.62%
Rising Development Holdings Limited (unlisted convertible notes)	N/A	N/A	10,000,000	10,000,000	–	–		7.89%
Heritage International Holdings Limited (Stock: 412)	168,760,000	2.33%	37,030,331	23,288,880	(13,741,451)	–	Property investment, investments in securities, money lending, and investment holding	18.39%
Forefront Group Limited (Stock code: 885)	182,435,552	4.54%	22,681,004	20,797,653	(1,883,351)	–	Selling and distribution of motor vehicles, provision of heavy motor vehicle repair and maintenance services; provision of logistic services; investment in forest interest, properties investments; securities trading and money lending	16.42%
Kingston Financial Group Limited (Stock code: 1031)	20,527,000	0.17%	22,618,783	16,421,600	(6,197,183)	81,594	Operation of restaurants; casino in hotels and provision of hotel management services and trading of listed securities	12.96%
China Strategic Holdings Limited (Stock code: 235)	34,593,332	0.94%	9,167,233	6,503,546	(2,663,687)	–	Manufacture and trading of battery products and related accessories, and investment in securities	5.13%

APPENDIX IV

ADDITIONAL DISCLOSURES

Name of investee company	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost HK\$	Market Value HK\$	Unrealised gain/(loss) arising on revaluation HK\$	Dividend received/receivable up to the Latest Date HK\$	Description of business	% of the Company's net assets attributable to the investments
China New Energy Power Group Limited (Unlisted convertible notes)	N/A	N/A	10,000,000	5,000,000	(5,000,000)	–	Manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products; trading of securities; development of properties	3.95%
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	17,537,600	3.55%	15,985,073	3,104,155	(12,880,918)	–	Supply & procurement of pharmaceutical products, provision of finance and securities investment	2.45%
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 2986 – nil-paid rights shares)	87,688,000 (nil-paid rights shares)	N/A	–	1,315,300	1,315,300	–	–	1.04%
Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.04%	8,437,500	3,909,375	(4,528,125)	–	Research and development, manufacture, sales, and marketing, and technical servicing of modern agricultural technology and products in China. Other include development of digital television system platform and codyceps related business	3.09%
C C Land Holdings Limited (Stock code: 1224)	1,657,000	0.07%	2,857,523	3,214,580	357,057	–	Property development and investment, manufacture and trading of watch boxes, gift boxes, spectacle cases, bags and pouches and display units, soft luggage, travel bags, backpacks and brief cases and treasury investments	2.54%
Wo Kee Hong (Holdings) Limited (Stock code: 720)	9,800,000	0.40%	1,989,400	2,401,000	411,600	–	Import, marketing and distribution of cars, electrical appliances and fashion apparels and accessories	1.90%

(B) Ten largest investments bought during 2008, 2009, 2010, the six months ended 30 June 2011 and the period from 1 July 2011 to the Latest Practicable Date

Set out below are the top-ten securities bought by the Company for the years ended 31 December 2008, 2009, 2010, the six months ended 30 June 2011 and the period from 1 July 2011 to the Latest Practicable Date, respectively:

Name of Securities	2008	2009	2010	For the six months ended 30 June 2011	For the period from 1 July 2011 to the Latest Practicable Date
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Mascotte Holdings Limited (Stock code: 136)	30.49	16.38	32.70	26.87	40.40
China Tycoon Beverage Holdings Limited (Stock code: 209)	–	–	40.14	–	–
China Strategic Holdings Limited (Stock code: 235)	33.14	–	–	–	–
China Yunnan Tin Minerals Group Company Limited (Stock code: 263)	–	–	–	26.19	–
Willie International Holdings Limited (Stock code: 273)	61.29	8.66	32.04	8.12	16.58
Freeman Financial Corporation Limited (Stock code: 279)	34.27	24.08	83.50	–	–
Heritage International Holdings Limited (Stock code: 412)	27.53	11.03	26.76	10.41	39.43
Hao Tian Resources Group Limited (Stock code: 474)	–	–	32.24	–	–
eSun Holdings Limited (Stock code: 571)	29.70	–	–	–	–
China Power New Energy Development Company Limited (Stock code: 735)	18.13	–	–	–	–
Forefront Group Limited (Stock code: 885)	16.72	44.06	44.25	12.79	11.20
Unity Investments Holdings Limited (Stock code: 913)	18.07	–	15.73	–	–
CST Mining Group Limited (Stock code: 985)	28.85	12.93	–	–	–
Oriental Ginza Holdings Limited (Stock code: 996)	–	–	–	37.94	19.00
Rising Development Holdings Limited (Stock code: 1004)	–	–	45.17	–	–
(unlisted convertible notes)	–	–	–	–	10.00
G-Resources Group Limited (Stock code: 1051)	–	44.32	–	–	–
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	–	12.71	53.97	48.94	15.99

Name of Securities	2008	2009	2010	For the six months ended 30 June 2011	For the period from 1 July 2011 to the Latest Practicable Date
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Dragonite International Limited (Stock code: 329)	-	-	-	10.84	10.66
Tack Fiori International Group Limited (Stock code: 928)	-	-	-	-	21.07
Kingston Financial Group Limited (Stock code: 1031)	-	-	-	-	21.67
Renhe Commercial Holdings Company Limited (Stock code: 1387)	-	26.17	-	-	-
China Public Healthcare (Holding) Limited (Stock code: 8116)	-	32.82	-	-	-
Inno-Tech Holdings Limited (Stock code: 8202)	-	-	-	10.37	-
Hong Kong Life Group Holdings Limited (unlisted convertible notes)	-	-	-	40.00	-

(C) Top-ten loss investments in 2008, 2009, 2010, the six months ended 30 June 2011 and the period from 1 July 2011 to the Latest Practicable Date

The top-ten loss investments of the Company for the years ended 31 December 2008, 2009, 2010 and the six months ended 30 June 2011 are set out below:

Year 2008 Stock code	Company	In HK\$ million		Total loss
		Realised loss	Unrealised loss	
263	China Yunnan Tin Mineral Group Limited	(67.3)	(2.3)	(69.6)
273	Willie International Holdings Limited	(24.1)	(40.0)	(64.1)
136	Mascotte Holdings Limited	(30.4)	(21.5)	(51.9)
412	Heritage International Holdings Limited	(22.3)	(26.8)	(49.1)
885	Forefront Group Limited	-	(33.9)	(33.9)
279	Freeman Financial Corporation Limited	(29.1)	(1.6)	(30.7)
75	Y.T. Realty Group Limited	(20.2)	(2.5)	(22.7)
913	Unity Investments Holdings Limited	(7.6)	(12.5)	(20.1)
985	China Sci-Tech Holdings Limited	(11.7)	(8.4)	(20.1)
1141	Poly Development Holdings Limited	-	(9.5)	(9.5)

APPENDIX IV
ADDITIONAL DISCLOSURES

Year 2009		In HK\$ million		Total loss
Stock code	Company	Realised loss	Unrealised loss	
885	Forefront Group Limited	(7.7)	(0.4)	(8.1)
136	Mascotte Holdings Limited	(7.0)	(0.4)	(7.4)
985	China Sci-Tech Holdings Limited	–	(4.8)	(4.8)
279	Freeman Corporation Limited	(4.3)	0.6	(3.7)
8116	China Public Healthcare (Holding) Limited	–	(2.1)	(2.1)
275	Hanny Holdings Limited	–	(1.9)	(1.9)
674	Culture Landmark Investment Limited	–	(1.7)	(1.7)
1041	China New Energy Power Group Limited	(1.3)	(0.0)	(1.3)
913	Unity Investments Holdings Limited	(1.1)	–	(1.1)
75	Y.T. Realty Group Limited	(0.8)	–	(0.8)

Year 2010		In HK\$ million		Total loss
Stock code	Company	Realised loss	Unrealised loss	
885	Forefront Group Limited	(13.3)	(3.1)	(16.4)
8116	China Public Healthcare (Holding) Limited	(0.7)	(14.6)	(15.4)
235	China Strategic Holdings Limited	(0.6)	(10.2)	(10.8)
412	Heritage International Holdings Limited	(1.9)	(5.2)	(7.1)
8153	Code Agriculture (Holdings) Limited	–	(6.5)	(6.5)
913	Unity Investments Holdings Limited	(4.7)	(0.6)	(5.3)
273	Willie International Holdings Limited	(0.4)	(4.5)	(5.0)
263	China Yunnan Tin Minerals Group Company Limited	–	(4.9)	(4.9)
136	Mascotte Holdings Limited	(4.8)	0.1	(4.7)
985	CST Mining Group Limited	(1.6)	(1.2)	(2.8)

Jan – June 2011		In HK\$ million		Total loss
Stock code	Company	Realised loss	Unrealised loss	
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	(22.8)	–	(22.8)
273	Willie International Holdings Limited	(14.5)	–	(14.5)
209	China Tycoon Beverage Holdings Ltd	–	(13.2)	(13.2)
996	Oriental Ginza Holdings Limited	(11.6)	–	(11.6)
1004	Rising Development Holdings Limited	–	(8.7)	(8.7)
263	China Yunnan Tin Minerals Group Company Limited	(7.4)	–	(7.4)
8202	Inno-Tech Holdings Limited	(5.1)	(2.0)	(7.2)
329	Dragonite International Limited	(0.8)	(4.7)	(5.5)
1063	Suncorp Technologies Ltd	–	(3.3)	(3.3)
235	China Strategic Holdings Limited	–	(3.2)	(3.2)

APPENDIX IV

ADDITIONAL DISCLOSURES

The top-ten loss investments of the Company for the period from 1 July 2011 to the Latest Practicable Date are set out below:

Stock code	Company	Realised gain/(loss)	Unrealised gain/(loss)	Total loss
1004	Rising Development Holdings Limited	(0.1)	(14.6)	(14.70)
	Rising Development Holdings Limited (Unlisted convertible notes)	(1.0)	1.0	-
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	-	(12.9)	(12.9)
412	Heritage International Holdings Limited (<i>Note 1</i>)	1.4	(14.0)	(12.60)
1041	China New Energy Power Group Limited (Unlisted convertible notes)	-	(11.5)	(11.5)
329	Dragonite International Limited	(10.3)	0.3	(10.0)
273	Willie International Holdings Limited	(6.9)	(2.8)	(9.7)
928	Tack Fiori International Group Limited	(8.8)	-	(8.8)
1031	Kingston Financial Group Limited	-	(6.2)	(6.2)
209	China Tycoon Beverage Holdings Limited	-	(4.4)	(4.4)
8153	Code Agriculture (Holdings) Limited	-	(3.4)	(3.4)

Note 1: The total loss included a realised profit of approximately HK\$3 million from the disposal of the nil-paid rights shares of Heritage International Holdings Limited on 7 October 2011.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of the financial assets at fair value through profit or loss of the Group as at 31 December 2010 are as follows:

	<i>HK\$</i>
(A) Equity investment listed in Hong Kong	248,096,366
listed overseas	3,767,273
Unlisted equity investment (<i>Note 1</i>)	28,200,000
Impairment loss	(26,700,000)
	<u>1,500,000</u>
	<u>253,363,639</u>
(B) Unlisted debt investment (<i>Note 2</i>)	15,500,000
Unrealised gain, net	4,540,785
	<u>20,040,785</u>

Notes:

- (1) Investment cost of HK\$28,200,000 in Hennabun Capital Group Limited (“Hennabun”), against which impairment loss of HK\$26,700,000 had been provided based on the estimated recoverable amount of the investments. Such estimated recoverable amount has been assessed by the Directors with reference to the decline in fair value below cost. Judgement is required when determining whether there is a decline in fair value. In making this judgement, the financial information of Hennabun was taken into account. Hennabun is a private company and is principally engaged in investment holding and its subsidiaries are engaged in securities trading, investment holding and provision for brokerage and financial services.

- (2) Unlisted debt investment includes three convertible notes: (a) Rising Development Holdings Limited (“Rising”); (b) Fulbond Holdings Limited (“Fulbond”); and (c) ABC Communication (Holdings) Limited (“ABC Communication”) and the details are as follows:
 - (a) The Group acquired unlisted zero coupon convertible notes issued by Rising amounting to HK\$4,800,000. The Directors assessed the fair value of the convertible notes based on the number of equity shares which can be derived by conversion with reference to the market value per share of Rising as at 31 December 2010. An unrealised gain of HK\$980,785 was made.

 - (b) The Group acquired unlisted zero coupon convertible notes issued by Fulbond amounting to HK\$5,000,000. The Directors assessed the fair value of the convertible notes based on the number of equity shares which can be derived by conversion with reference to the market value per share of Fulbond as at 31 December 2010. An unrealised gain of HK\$5,000,000 was made.

 - (c) The Group acquired unlisted 4% convertible notes issued by ABC Communication amounting to HK\$5,700,000. The Directors assessed the fair value of the convertible notes based on the number of equity shares which can be derived by conversion with reference to the market value per share of ABC Communication as at 31 December 2010. An unrealised loss of HK\$1,440,000 was made.

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue and full exercise of the subscription rights attached to the Bonus Warrants was and will be as follows (assuming there shall be no further issue of new Shares or repurchase of Shares before the Capital Reorganisation becoming effective):

As at the Latest Practicable Date:

Number of Shares		Nominal Value
<i>Authorised</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares of HK\$0.10 each	<u>1,000,000,000.00</u>
<i>Issued and fully-paid:</i>		
214,664,076	Shares in issue as at the Latest Practicable Date	21,466,407.60
<u>858,656,304</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>85,865,630.40</u>
<u>1,073,320,380</u>	Shares in issue immediately after completion of the Rights Issue	<u>107,332,038.00</u>

Upon the Capital Reorganisation becoming effective:

Number of Shares		Nominal Value
<i>Authorised</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>1,000,000,000.00</u>
<i>Issued and fully-paid:</i>		
	Adjusted Shares of HK\$0.01 each (after completion of the Rights Issue)	
1,073,320,380		10,733,203.80
	Bonus Warrant Shares to be issued upon full exercise of the subscription rights attached to the Bonus Warrants	
<u>214,664,076</u>		<u>2,146,640.76</u>
	Shares in issue immediately after completion of the Rights Issue and full exercise of the subscription rights attached to the Bonus Warrants	
<u>1,287,984,456</u>		<u>12,879,844.56</u>

The Rights Shares and the Bonus Warrant Shares will be allotted and issued free from all claims, charges, liens and encumbrances and equities whatsoever and, when fully paid, will rank pari passu in all respects with the Shares or Adjusted Shares in issue as at the date of allotment.

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

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Save pursuant to the Share Options Scheme, as at the Latest Practicable Date, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

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

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests and short positions of the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of Shares (long position)	Capacity	Percentage of total issued share capital as at the Latest Practicable Date
Chan Chak Kai Kenneth	25,000,000	Beneficial Owner	11.65%
Mascotte Holdings Limited	10,840,000	Beneficial Owner	5.05%

Note: Mascotte Holdings Limited is a company listed on the Main Board of the Stock Exchange

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of its subsidiaries, respectively, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.
- (b) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.
- (c) As at the Latest Practicable Date, none of the Director nor their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules.

6. RELATIONSHIPS BETWEEN THE COMPANY AND ITS MAJOR INVESTMENTS, ITS SUBSTANTIAL SHAREHOLDERS AND THE DIRECTORS

Set out below are the current Directors' shareholdings, during their period of appointment, in its major (top-ten bought) investments as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date:

Mr. Chung Yuk Lun, an executive Director, was interested in 3,200,000 shares in capital of Mascotte Holdings Limited as at the Latest Practicable Date, representing approximately 0.07% of the issued share capital of Mascotte Holdings Limited.

Mr. Shimazaki Koji, an executive Director, was interested in 24,000 shares in the capital of Willie International Holdings Limited as at 31 December 2008, 2009 and 2010, representing approximately 0.03%, 0.02% and 0.008% of the issued share capital of Willie International Holdings Limited respectively. As at the Latest Practicable Date, Mr. Koji was interested in 4,800 shares in the capital of Willie International Holdings Limited, representing approximately 0.0007% of the issued share capital of Willie International Holdings Limited. Mr. Koji was also interested in 2,000,000 shares in the capital of Mascotte Holdings Limited as at 31 December 2010, representing approximately 0.11% of the issued share capital of Mascotte Holdings Limited; 557,272 shares in the capital of Freeman Financial Corporation Limited as at 31 December 2010, representing approximately 0.02% of the issued share capital of Freeman Financial Corporation Limited; 19,150,000 shares in the capital of Forefront Group Limited as at the Latest Practicable Date, representing approximately 0.48% of the issued share capital of Forefront Group Limited and 4,344,000 shares in the capital of Tack Fiori International Group Limited as at the Latest Practicable Date, representing approximately 0.14% of the issued share capital of Tack Fiori International Group Limited.

Mr. Cheung Wing Ping, an executive Director who was appointed on 30 June 2011, was interested in 9,430,000 shares in capital of Forefront Group Limited as at the Latest Practicable Date, representing approximately 0.23% of the issued share capital of Forefront Group Limited.

Ms. Ng Yin Ling, Elaine, an independent executive Director who was appointed on 20 October 2011, was interested in 800,000 shares in capital of Mascotte Holdings Limited as at the Latest Practicable Date, representing approximately 0.018% of the issued share capital of Mascotte Holdings Limited.

Set out below are the former Directors' shareholding, during their period of appointment, in its major (top-ten bought) investments as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date:

Ms. Choi Ka Nam, a former executive Director who was appointed on 7 January 2011 and resigned on 30 June 2011, was interested in 5,146,000 shares in the capital of Mascotte Holdings Limited as at 30 June 2011 (date of resignation), representing approximately 0.22% of the issued share capital of Mascotte Holdings Limited; 10,240,000 shares in the capital of Forefront Group Limited as at 30 June 2011, representing approximately 0.28% of the issued share capital of Forefront Group Limited; and 18,000,000 shares in the capital of Hong Kong Life Group Holdings Limited as at 30 June 2011, representing approximately 0.84% of the issued share capital of Hong Kong Life Group Holdings Limited.

Mr. Miu H. Frank, a former executive director from 3 March 2009 to 28 December 2009 and from 30 June 2011 to 31 July 2011, was interested in 520,000 shares in the capital of Willie International Holdings Limited as at 28 December 2009 (date of resignation), representing approximately 0.09% of the issued share capital of Willie International Holdings Limited; and the convertible note of Forefront Group Limited in the principle amount of HK\$5.5 million as at 28 December 2009.

Mr. Gary Drew Douglas, a former independent non-executive Director who was appointed on 30 June 2011 and resigned on 20 October 2011, was interested in 3,920,000 shares in the capital of Beijing Yu Sheng Tang Pharmaceutical Group Limited as at 20 October 2011 (date of resignation), representing approximately 0.10% of the issued share capital of Beijing Yu Sheng Tang Pharmaceutical Group Limited; and 36,089,218 shares in the capital of Forefront Group Limited as at 20 October 2011, representing approximately 0.99% of the issued share capital of Forefront Group Limited.

Mr. Lam Suk Ping, a former independent non-executive Director who was appointed on 30 June 2011 and resigned on 20 October 2011, was interested in 3,250,000 shares in the capital of Mascotte Holdings Limited as at 20 October 2011 (date of resignation), representing approximately 0.07% of the issued share capital of Mascotte Holdings Limited.

Mr. Yau Chung Hong, a former independent non-executive Director who was appointed on 30 June 2011 and resigned on 16 December 2011, was interested in 100,000 shares in the capital of Longlife Group Holdings Limited as at 16 December 2011 (date of resignation), representing approximately 0.01% of the issued share capital of Longlife Group Holdings Limited.

The securities of Forefront Group Limited, Mascotte Holdings Limited, Bao Yuan Holdings Limited, Willie International Holdings Limited, Longlife Group Holdings Limited, Freeman Financial Corporation Limited, Hong Kong Life Group Holdings, Tack Fiori International Group Limited and Beijing Yu Sheng Tang Pharmaceutical Group Limited were among the top-ten bought investments by the Company for the three years ended 31 December 2010 and up to the Latest Practicable Date. Save as disclosed herein, to the best of knowledge of the Directors, there was no common shareholdings between the Company and its current and former Directors as at 31 December 2008, 2009, 2010 and as at the Latest Practicable Date.

Further, Mr. Chung Yuk Lun, an executive Director, is and has been an independent non-executive director of both Heritage International Holdings Limited and Forefront Group Limited for the three years ended 31 December 2010 and up to the Latest Practicable Date. He is also and has been an independent non-executive director of Dragonite International Limited since 14 April 2010 and up to the Latest Practicable Date. Mr. Cheung Wing Ping, an executive Director, is an independent non-executive director of Willie International Holdings Limited. Ms. Lam Yan Fong, Flora, an independent non-executive Director, is an independent non-executive director of Forefront Group Limited and Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited). Mr. Miu H. Frank, a former executive director, is an independent non-executive director of Mascotte Holdings Limited since 28 December 2009 to the Latest Practicable Date, Willie International Holdings Limited since 1 June 2011 to the Latest Practicable Date, Tack Fiori International Group Limited since 15 August 2011 to the Latest Practicable Date and Freeman Financial Corporation Limited since 15 December 2011 to the Latest Practicable Date, and was a former executive director of Dragonite International Limited from April 2010 to May 2010 and a former non-executive director of Dragonite International Limited from May 2010 to July 2011.

Mr. Liu On Bong, Peter, a former executive director, is an executive director of Tack Fiori International Group Limited since 11 August 2011 and up to the Latest Practicable Date.

Mr. Gary Drew Douglas, a former independent non-executive director, is an independent non-executive director of Freeman Financial Corporation Limited since 10 February 2006 to the Latest Practicable Date and Willie International Holdings Limited since 1 June 2011 to the Latest Practicable Date respectively. Mr. Douglas was appointed an executive director of Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited) on 24 June 2008 and resigned on 12 September 2008. He is also an executive director of Dragonite International Limited since 24 October 2011 to the Latest Practicable Date.

Mr. Lam Suk Ping, a former independent non-executive director, is an executive director of Dragonite International Limited since 1 June 2011 and up to the Latest Practicable Date, and was a former executive director of Mascotte Holdings Limited from 7 April 2008 to 27 April 2011.

Each of Heritage International Holdings Limited, Forefront Group Limited, Willie International Holdings Limited, Freeman Financial Corporation Limited, Dragonite International Limited and Tack Fiori International Group Limited were among the top-ten bought securities invested by the Company for the three years ended 31 December 2010 and up to the Latest Practicable Date. Save as disclosed in this section of this Prospectus, none of the Directors is or has been a director of any company, the securities of which were one of the top-ten securities bought by the Company for the three years ended 31 December 2010 and up to the Latest Practicable Date. Save as disclosed herein, to the best of knowledge of the Directors, there was no cross-shareholdings between the Company and its major (top-ten bought) investments as at ended 31 December 2008, 2009, 2010 and as at the Latest Practicable Date.

7. RELATIONSHIP BETWEEN THE COMPANY AND ITS INVESTMENT MANAGER

To the best knowledge of the Directors, there was no common investments made by the Company and the Investment Manager, nor any common directorships between the Company and the Investment Manager; and between the Investment Manager and the Company's major (top-ten bought) investments for the three years ended 31 December 2010 and up to the Latest Practicable Date except that Mr. Pak William Eui Won, a director of the Investment Manager, is an independent non-executive director of Forefront Group Limited.

8. EXPERT

The following are the qualifications of the expert who have given opinions or advice, which are contained in this Prospectus:

Name	Qualification
HLM & Co. ("HLM")	Certified Public Accountants

As at the Latest Practicable Date, HLM did not have any direct or indirect shareholdings in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of its subsidiaries, respectively, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

HLM has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its reports and references to its name in the form and context in which they appear.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

10. LITIGATION

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

11. MATERIAL CONTRACTS

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

- (i) the underwriting agreement dated 9 June 2010 entered into between the Company and the underwriter, Get Nice Securities Limited, regarding the rights issue of the Company on the basis of four rights shares for every share held on the record date;
- (ii) a subscription agreement dated 16 August 2010 entered into between the Company and Au Wai June, regarding the subscription of 50,234,378 new Shares of HK\$0.10 per Share by Au Wai June;

- (iii) the underwriting agreement dated 8 April 2011 between the Company and the underwriters, Kingston Securities Limited and Emperor Securities Limited, regarding the rights issue of the Company on the basis of four rights shares for every share held on the record date;
- (iv) the underwriting agreement dated 28 June 2011 between the Company and the underwriter, Get Nice Securities Limited, regarding the rights issue of the Company on the basis of one rights share for every two shares held on the record date; and
- (v) the Underwriting Agreement.

12. CORPORATE INFORMATION**Registered office of the Company**

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

**Head office and Principal place of
business in Hong Kong**

Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong Kong

**Hong Kong branch share registrar
and transfer office of the Company
in Hong Kong**

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Authorised representatives

Chung Yuk Lun, Tong So Yuet
Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong Kong

Company secretary	Tong So Yuet, <i>HKICPA, FCCA, ACIS, ACS</i> Room 2201, 22/F China United Centre 28 Marble Road North Point, Hong Kong
Legal advisers to the Company in relation to the Rights Issue and Capital Reorganisation	<i>(As to Hong Kong Law)</i> Shum & Co. Solicitors Rooms 2801-03, 28th Floor China United Centre 28 Marble Road North Point, Hong Kong <i>(As to Cayman Islands Law)</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Auditors	HLM & Co. Certified Public Accountants Room 305 Arion Commercial Centre 2-12 Queen's Road West Hong Kong
Principal banker	Standard Chartered Bank 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Particulars of directors**Name****Address***Executive Directors*Mr. Chung Yuk Lun (*Chairman*)Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong KongMr. Shimazaki Koji
(*Chief Executive Officer*)Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong Kong

Mr. Sam Nickolas David Hing Cheong

Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong Kong

Mr. Cheung Wing Ping

Room 2201, 22/F
China United Centre
28 Marble Road
North Point, Hong Kong*Independent Non-executive Directors*

Mr. Lum Pak Sum

2605, Universal Trade Centre
3 Arbuthnot Road, Central
Hong Kong

Ms. Lam Yan Fong, Flora

Room A, 19/F
Harbour Commercial Building,
122-124 Connaught Road
Central
Hong Kong

Ms. Ng Yin Ling, Elaine

Flat A, 2/F
Hatton Place
1A Po Shan Road, Mid-Levels
Hong Kong

Executive Directors

Mr. CHUNG Yuk Lun, aged 51, has been an executive Director and Chairman of the Company since 25 April 2002 and 16 October 2002 respectively. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales). Mr. Chung has over 20 years' experience in finance and project investment. He is currently an executive director of Ming Fung Jewellery Group Limited and an independent non-executive director of Heritage International Holdings Limited, Forefront Group Limited and Dragonite International Limited, all of which are companies listed on the Stock Exchange.

Mr. SHIMAZAKI Koji, aged 42, was appointed as an independent non-executive Director of the Company on 24 February 2004. Mr. Koji was re-designated as an executive Director and the Chief Executive Officer of the Company on 9 May 2005 and 30 April 2008 respectively. He holds a Bachelor of Science degree in Engineering and a Master degree in Electronic Engineering from Kanagawa University in Yokohama, Japan. He has over 10 years of experience in web developing and programming, production and quality control engineering.

Mr. SAM Nickolas David Hing Cheong, aged 30, has been an executive Director of the Company since 30 June 2011. Mr. Sam holds a Bachelor of Laws with Honours and a Bachelor of Arts from the University of Waikato, New Zealand. Mr. Sam is admitted as a Barrister and Solicitor of the High Court of New Zealand and is a member of the Law Society of New Zealand. Mr. Sam was previously a lawyer at Ogier, a leading international offshore law firm, where he specialised in corporate advisory matters, mergers and acquisitions, and the formation and representation of investment funds, including hedge funds and private equity funds. Prior to joining Ogier, Mr. Sam practiced commercial law in New Zealand, and before that worked as an Advisor within the Regulatory Group of Land Information New Zealand, a government department in New Zealand.

Mr. CHEUNG Wing Ping, aged 45, has been an executive Director of the Company since 30 June 2011. Mr. Cheung has over 20 years of experience in auditing and accounting fields. He holds a bachelor's degree in accountancy with honours from the City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. From July 2006 to December 2008, Mr. Cheung was an independent non-executive director of Grand T G Gold Holdings Limited, a company listed on GEM board of the Stock Exchange. Mr. Cheung is currently an independent non-executive director of Willie International Holdings Limited, a company listed on the Stock Exchange.

Mr. LUM Pak Sum, aged 50, has been an independent non-executive Director of the Company since 27 May 2010. Mr. Lum holds a master degree in business administration from the University of Warwick, United Kingdom and a LLB (Honours) degree from the University of Wolverhampton, United Kingdom. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom. Mr. Lum has over 20 years' experience in the financial field, currency markets and capital markets. Mr. Lum was an independent non-executive director of the following companies listed on the Stock Exchange, namely, Grand Field Group Holdings Limited from July 2004 to May 2008, China Star Film Group Limited from September 2005 to December 2008, Heng Xin China Holdings Limited for the period from June 2007 to November 2008 and Energy International Investments Holdings Limited from September 2005 to June 2011. Currently, he is an independent non-executive director of the following companies listed on the Stock Exchange, namely, Waytung Global Group Limited, Bestway International Holdings Limited, Karce International Holdings Company Limited and Asia Resources Holdings Limited. He is also an independent director of Asia Green Agriculture Corporation, a company trading on the Over-the-Counter Bulletin Board in the US.

Ms. LAM Yan Fong, Flora, aged 36, has been an independent non-executive Director of the Company since 30 October 2011. Ms. Lam is a practicing lawyer in Hong Kong. Ms. Lam obtained a Bachelor degree in Laws from the University of Hong Kong and further obtained a Postgraduate Certificate in Laws in 2001. Ms. Lam joined Messrs. Lam & Co. in 2007 and is a partner of that firm. Ms. Lam is currently also an independent non-executive director of Forefront Group Limited (stock code: 885) and Tack Fat Group International Limited (stock code: 928), both companies are listed on the Stock Exchange.

Ms. NG Yin Ling, Elaine, aged 37, has been an independent non-executive Director of the Company since 30 October 2011. Ms. Ng received her Bachelor of Arts degree in Business Administration from the University of Ottawa in 2002, and obtained a Master of Law (International Business Law) from the City University of Hong Kong in 2003. Ms. Ng is currently completing a Juris Doctor degree at the City University of Hong Kong. Ms. Ng's work experience includes a teaching post at the City University of Hong Kong for the Diploma in Facility Management of Business Management from 2005 to 2007. From 2004 to 2005 she was a senior manager at the Hong Kong Productivity Council where she was in charge of business collaboration and partnership development. From 2002 to 2004, she held a position as an executive officer and external relations officer at the City University of Hong Kong where she was also in charge of business collaboration and partnership development. Previously, she held senior managerial sales roles at GE ECXpress (HK) Limited, Parametric Technology Corporation (HK) Limited, Unigraphics Solutions (HK) Limited and System-Pro Computers Limited during the period from 1992 to 2002.

13. MISCELLANEOUS

The English texts of this Prospectus shall prevail over their Chinese texts in case of inconsistencies.

14. EXPENSES

The expenses in connection with the Rights Issue, including the Commission Payment, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$5.96 million on the basis of 858,656,304 Rights Shares to be issued and will be payable by the Company.

15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents, having attached thereto, among others, the written consent referred to in the paragraph headed “Expert” in this appendix, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance.

16. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Section 44A and 44B of the Companies Ordinance, so far as applicable.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 2201, 22/F, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this Prospectus up to and including 3 May 2012:

- (a) the Memorandum and the Articles;
- (b) the annual reports of the Company for the three years ended 31 December 2008, 31 December 2009 and 31 December 2010;

- (c) the interim report of the Company for the six months ended 30 June 2011;
- (d) the letter on the unaudited pro forma financial information of the Group issued by HLM & Co. which is set out in appendix II to this Prospectus;
- (e) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this appendix; and
- (f) the written consent referred to in the paragraph under the heading “Expert” in this appendix;
- (g) the circular of the Company dated 18 January 2012 in relation to (i) continuing connected transactions; (ii) proposed general mandate to issue and repurchase shares; (iii) refreshment of scheme mandate limit; (iv) amendments to the articles of association and (v) re-election of directors;
- (h) the Circular; and
- (i) this Prospectus.