
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Radford Capital Investment Limited** 萊福資本投資有限公司, you should at once hand this circular, together with the enclosed form of proxy, 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 transferee.

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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)

- (1) CONTINUING CONNECTED TRANSACTIONS**
(2) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES
(3) REFRESHMENT OF SCHEME MANDATE LIMIT
(4) AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(5) RE-ELECTION OF DIRECTORS

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

VINCO  **城高**

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 5 to 98 of this circular and a letter from the Independent Board Committee is set out on pages 99 to 100 of this circular. A letter of advice from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 101 to 138 of this circular.

A notice of the EGM to be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 9 February 2012 at 9:00 a.m. is set out on pages 147 to 158 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM in person, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

18 January 2012

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DEFINITIONS

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

“2009 Agreement”	the financial services agreement between the Company and Hennabun dated 11 September 2009 in relation to the provision of financial services by Hennabun and its subsidiaries which has expired on 31 December 2011;
“Annual General Meeting”	the annual general meeting of the Company held on 30 June 2011;
“Articles”	the articles of association of the Company as may be amended from time to time;
“associates”	has the meaning as defined in the Listing Rules;
“Board”	the board of Directors;
“CNSL”	Chung Nam Securities Limited, a company incorporated in Hong Kong and a company licensed under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry out type 1 regulated activities (dealing in securities). It is an indirect wholly-owned subsidiary of Hennabun;
“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;
“Continuing Connected Transactions”	the transactions contemplated under the Financial Services Agreement;
“CUIM” or “Investment Manager”	CU Investment Management Limited, a company incorporated in Hong Kong and the investment manager of the Company. It is an indirect wholly-owned subsidiary of Hennabun;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 9 February 2012 at 9:00 a.m., to consider and approve, among others, the Financial Services Agreement and the respective annual caps for financial services and margin financing;
“Financial Services Agreement”	the master financial services agreement entered into between the Company and Hennabun on 21 September 2011 and as subsequently amended;
“Group”	the Company and its subsidiaries;
“Hennabun”	Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands and is the ultimate holding company of CUIM and CNSL;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board established by the Board to advise the Independent Shareholders in relation to the Financial Services Agreement, the Continuing Connected Transactions and the Issue Mandate;
“Independent Shareholders”	Shareholders other than Hennabun and its associates;
“Investment Management Agreements”	the agreement dated 3 November 2003 and the Supplemental agreement dated 29 June 2011 entered into between the Company and the Investment Manager;
“Issue Mandate”	a general mandate to allot and issue Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the issued share capital of the Company as at the date of passing of the ordinary resolution in relation thereto;
“Latest Practicable Date”	13 January 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Memorandum”	the memorandum of association of the Company;
“NAV”	net assets value;
“PRC”	the People’s Republic of China;
“Proposed Refreshment”	the 10% limit under the Share Option Scheme proposed to be refreshed by the Shareholders at the EGM pursuant to which the Board may grant share options to eligible participants to subscribe up to 10% of the Shares in issue as at the date of the EGM;
“Repurchase Mandate”	the general and unconditional mandate to repurchase fully paid up Shares of up to 10% of the nominal amount of the issued share capital of the Company as at the date of passing of the Repurchase Resolution;
“Repurchase Resolution”	the resolution proposed at the EGM to approve the Repurchase Mandate;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon the exercise of all the share options to be granted under the Share Option Scheme and such other schemes of the Company which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme by the Shareholders and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company;

DEFINITIONS

“Share Option Scheme”	the share option scheme adopted by the Company on 7 February 2005;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock code: 8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Financial Services Agreement and the respective annual caps thereunder, and the proposed grant to the Directors of a general mandate to issue Shares; and
“%”	per cent.

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:

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

Independent Non-executive Directors:

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

Registered Office:

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

Principal office in Hong Kong:

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

18 January 2012

To: the Shareholders

Dear Sir or Madam,

(1) CONTINUING CONNECTED TRANSACTIONS
(2) PROPOSED GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES
(3) REFRESHMENT OF SCHEME MANDATE LIMIT
(4) AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(5) RE-ELECTION OF DIRECTORS

INTRODUCTION

The Board announced that on 21 September 2011, the Company and Hennabun entered into the Financial Services Agreement to renew the 2009 Agreement in relation to the Continuing Connected Transactions. The Board also proposed to grant to the Directors general mandates to issue and repurchase Shares and to refresh the scheme mandate limit of the Share Option Scheme, as well as to amend the Articles to reflect the changes to the Listing Rules and to re-elect those Directors who were appointed to fill casual vacancies. The purpose of this circular is:

- (i) to provide Shareholders with further information on the Financial Services Agreement, the proposed grant of the general mandates to the Directors to issue and repurchase Shares, the proposed refreshment of the Scheme Mandate Limit, the proposed amendments to the Articles and the proposed re-election of Directors;

LETTER FROM THE BOARD

- (ii) to set out the opinion of the Vinco Capital to the Independent Board Committee of the Company and the Independent Shareholders on the terms of the Financial Services Agreement and the respective annual caps thereunder, and the proposed grant to the Directors of a general mandate to issue Shares;
- (iii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Financial Services Agreement and the respective annual caps thereunder and the proposed grant to the Directors of a general mandate to issue Shares; and
- (iv) to give you notice of the EGM to consider and, if thought fit, to approve the resolutions to be proposed at the EGM.

(1) THE FINANCIAL SERVICES AGREEMENT

Date: 21 September 2011 and as subsequently amended on 13 January 2012

Parties: The Company and Hennabun

Hennabun is principally engaged in the provision of financial services. Hennabun is the holding company of CUIM, the investment manager of the Company, and is therefore a connected person of the Company pursuant to Rule 21.13 of the Listing Rules.

Subject: Pursuant to the Financial Services Agreement, Hennabun and its subsidiaries will provide financial services, including brokerage, margin financing, corporate finance, investment management (including the investment management services to be provided by CUIM), custodian and investment advisory services to the Group, for a term of three financial years, commencing on 1 January 2012 and ending on 31 December 2014. In addition to brokerage, custodian and settlement services, which are essential for securities trading by the Company, and CUIM acting as the investment manager of the Company, Hennabun and its subsidiaries will also provide the Company with corporate finance and financial advisory services in relation to the Company's fund raising and acquisition activities.

LETTER FROM THE BOARD

A margin financing facility will be extended to the Company by Hennabun under the Financial Services Agreement which will be a revolving amount that will not exceed the annual cap, and will be repayable on demand where the investment securities of the Company will be used as collateral for such facility. The amount of margin financing to be provided by Hennabun to the Company will be assessed by Hennabun in accordance with the market value of the investment securities of the Company in the custody of Hennabun. The Company will utilise the margin financing facility in accordance with its investment strategy, taking into consideration the then market conditions and the cash flow requirements of the Company. The Company will firstly utilise the cash balance available when making investment and it is only after the cash balance is exhausted will the Company consider using the margin financing facility. The margin financing facility will bear interest at the prevailing market rate, which as at the Latest Practicable Date is between 5% and 8% per annum. The Company will only start to incur margin financing interest if it fails to settle the trade within the required settlement period in the Hong Kong securities market of T+2 days. Should the Company default with its payment of any outstanding amounts under the margin financing facility, Hennabun would be entitled to claim against the Company for losses and damages incurred.

The Company will comply with the relevant requirements of the Listing Rules in relation to connected transactions if the Company utilises Hennabun for placing and underwriting services.

LETTER FROM THE BOARD

Service Fees:

The basis of determining the service fees for the Continuing Connected Transactions will be in accordance with (1) comparable market prices; or (2) by agreement between the parties based on prices that Hennabun supplied its services to independent third parties. The investment management fee is based on a fixed fee and is not tied to the performance of the investments of the Company. The fixed investment management fee was determined with reference to the duties and responsibilities of the Investment Manager, the scope of work to be carried by it, the relevant academic qualification and working experience of its staff, the inflation factor especially the increasing remuneration packages payable to hire and/or retain high calibre staff to prepare the investment reports for the Company. The increase in investment management fee was the result of inflation and the higher costs for the Investment Manager to retain qualified staff.

Given that the fixed investment management fee of HK\$100,000 per month payable to CUIM represents approximately 0.061% of the total NAV of the Company and falls within the range of approximately 0.012% to 0.252% of the NAV payable by other Chapter 21 companies to their investment managers (please refer to the letter from Vinco Capital for details), the Company considers that the arrangement with CUIM is fair and reasonable. The Company further considers that the fixed fee arrangement without any performance target is fair and reasonable as it would enable the Company to pre-determine its expenses and budget with the fee remaining the same and unaffected by changes in the market. It would also arrest any potential increases in fees in the event of a market turnaround. Indeed, for the period immediately upon the listing of the Shares on the Stock Exchange in 2002 and until late 2003 when other investment managers were engaged to provide services, the Company used to pay investment management fee at between 1.25% and 2.5% per annum of the NAV of the Company and from late 2003 to late 2005, the Company used to pay CUIM a variable investment management fee at 1% per annum of the NAV of the Company, calculated on a monthly basis, which far exceeded HK\$1.2 million per annum.

The fee was determined after arm's length negotiations with reference to, inter alia, duties and responsibilities assumed by the Investment Manager, the inflation factor and comparable market prices, the Company thus considers that the fee was fair and reasonable.

LETTER FROM THE BOARD

Pursuant to the terms of the Financial Services Agreement (as subsequently amended), the cap amounts of the Continuing Connected Transactions for the three financial years ending 31 December 2014 will not exceed the following amounts:

	For the year ending 31 December 2012 <i>HK\$'000</i>	For the year ending 31 December 2013 <i>HK\$'000</i>	For the year ending 31 December 2014 <i>HK\$'000</i>
Investment management services	1,200	1,300	1,400
Financial services (excluding investment management services to be provided by CUIM and margin financing facility)	3,300	3,600	4,000
Margin financing facility (including margin financing interests)	50,000	55,000	60,000

The cap amounts for the Continuing Connected Transactions are determined with reference to the historical transacted amounts for the financial services provided by Hennabun pursuant to the 2009 Agreement, taking into account the anticipated investment levels of the Group and brokerage, margin financing and other financial services fees payable by the Group for the period to be covered by the Continuing Connected Transactions. Although the historical amounts for the two years ended 31 December 2010 and the nine months ended 30 September 2011 were significantly lower than the annual cap proposed under the Financial Services Agreement, the Directors consider that it was due to the stagnant market as a result of the financial crisis in 2009 and the slow recovery in the global capital market and the recent market downturn. With the period to be covered by the Financial Services Agreement, the Directors consider that it is prudent to set the annual caps at a higher level in anticipation of recovery in the capital market.

LETTER FROM THE BOARD

The Group has been transacting with Hennabun and its subsidiaries since 2002. CUIM is the investment manager of the Company. The historical transacted amounts of the Group with Hennabun and its subsidiaries, respectively, were as follows:

	For the year ended 31 December 2009 HK\$'000	For the year ended 31 December 2010 HK\$'000	For the nine months ended 30 September 2011 HK\$'000
Financial services (excluding investment management services, margin financing facility) provided by Hennabun and its subsidiaries	1,244	1,757*	1,686
Margin financing facility (including margin financing interest)	28,542	40,033	40,506
Investment management services provided by CUIM	480	480	540

* *HK\$448,000 was refunded to the Company as commission rebate on the basis of about 75% of the annual commission paid by the Company to CNSL. The net amount was approximately HK\$1,309,000. The commission rebate was provided by the securities broker to the Company as an incentive and promotion to the continuation of the mutual business relationship. The rebate was a one-off refund and does not operate on a recurrent basis. The Company only received the commission rebate in 2010.*

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The increases in the amount of fees for financial services in 2010 over that of 2009 was primarily due to the increased investment activities of the Group as a result of the recovery of the market.

CUIM

CUIM is 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. CUIM 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 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 CUIM does not execute any trades on or for behalf of the Company.

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

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 a size of 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.

LETTER FROM THE BOARD

From 1999 to 2000, Dr. Wong worked in a securities firm in Hong Kong serving an in-house fund of a 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 of a 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 China Enterprise Index and 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 CUIM 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.

LETTER FROM THE BOARD

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 supervising the fund's investment activities.

Since 2010, Dr. Wong works for CUIM 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) and do not 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. Dr. Wong was appointed as the managing director of CUIM 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

LETTER FROM THE BOARD

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 CUIM 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. From 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 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 adjustments to the investment allocations of the relevant fund. The funds have an aggregate size of approximately HK\$20 million and HK\$30 million, respectively.

LETTER FROM THE BOARD

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 CUIM 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.

LETTER FROM THE BOARD

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 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

LETTER FROM THE BOARD

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 private fund was within 5% of the performance of the Hang Seng Index, whereas the performance of the public fund was on average approximately 50% 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 CUIM 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 CUIM 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.

CUIM has and continues to comply with all requirements under the SFO, including the SFO Guideline entitled SFO’s “Intermediaries Supervision Analyst conflicts of interest” (the “Guidelines”).

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CUIM observes the following guidelines:

- Investment research produced by CUIM 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.
- CUIM has established appropriate procedures to require and enable their analysts to report/disclose the relevant disclosures. The management of CUIM is responsible for ensuring that these procedures are enforced.
- CUIM's analysts may not participate in business activities designed to solicit investment banking business. Therefore, CUIM staff do not participate as members of any teams that conduct sales pitches or deal road shows.
- CUIM complies with all applicable laws, rules and codes. CUIM routinely reviews and assesses its systems and controls to promptly identify issues and matters that may be detrimental to a client's interest.
- CUIM's senior management recruits staff that are fit and proper and have an adequate level of knowledge and skills to provide advice to clients. CUIM also provides regular and appropriate training to their staff and ensure that they keep abreast of developments in the industry.
- On an ongoing basis, CUIM's senior management ensures that its client files are reviewed by qualified and competent personnel.
- Client complaints are promptly investigated in accordance with a properly documented procedure.

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CUIM 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, CUIM is not currently providing management or advisory services to any other Chapter 21 listed investment companies. According to CUIM, 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.

CUIM’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 CUIM 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 CUIM does not have the authority to bind the Company to any investment. CUIM has a similar involvement with Unity and National Fund whereby CUIM 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 CUIM does not have the authority to enter into investments on behalf of Unity and National Fund.

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

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CUIM 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 is 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, CUIM 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 CUIM's other clients. The investment team serving the Company is headed by Dr. Foelan Wong together with the supporting staff. Please refer to page 11 of this circular for the qualification and experience of Dr. Foelan Wong. Dr. Foelan Wong'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 CUIM is acting as investment manager to two other companies. Firstly, each of the separate and independent investment teams is 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 of the separate and independent teams 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, CUIM does not have a role in the allocation of such investments. In the case of unlisted investment opportunities, even though CUIM 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, CUIM 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 CUIM) on the basis of investment terms and other factors that such clients and their counterparties consider relevant.

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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 CUIM 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 CUIM, CUIM 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 contain provisions in addition to those mentioned above that help to safeguard against and/or resolve potential conflict situations, namely:–

1. Subject to restrictions and requirements in the Listing Rules, the Company may acquire or dispose of investments from or to CUIM'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).
2. The terms of any co-investment by CUIM (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.
3. CUIM 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.
4. All soft commissions received by CUIM 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.

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

Reasons for the Continuing Connected Transactions

The Group is principally engaged in the business of investing in both listed and unlisted companies. The Group would need to utilise the services of stock brokers, financial advisers and custodian in the normal course of business of the Group.

The Group has been utilising the services of CNSL and other subsidiaries of Hennabun since 2002. Given that the 2009 Agreement has expired on 31 December 2011, the Company considers that it would be in the interest of the Company and its shareholders as a whole to continue the existing relationship with Hennabun and renew the financial services currently being provided by Hennabun.

CUIM, a subsidiary of Hennabun, was appointed as the investment manager of the Company on 3 November 2003. CUIM is a licensed corporation registered under the SFO and has obtained all necessary approvals, licenses and authorisation to act as the investment manager of the Company. CUIM was involved in all of the Company's investments in the three financial years immediately preceding the date of this circular, including but not limited to the top-ten investments bought by the Group during the period as well as the top-ten loss investments of the Company. All investments recommended by CUIM and made by the Company have all been approved by the Directors. Given CUIM's history of providing services to the Company and other investors and that the Company is able to obtain investment recommendations and responses from CUIM in a timely manner, and that CUIM is not responsible for executing trade and hence the results of the Company, the Directors are generally satisfied with the services provided by CUIM in its role as the investment manager of the Company. The Company's investments and returns during the period under management by CUIM was subject to fluctuation, which by way of illustration were losses of approximately HK\$29.7 million and HK\$388.6 million for the two years ended 31 December 2007 and 2008 respectively, a strong recovery of profit in the amount of approximately HK\$58.7 million for the year ended 31 December 2009 and loss of approximately HK\$48 million for the year ended 31 December 2010. The Directors consider the fluctuating results were due to the global financial crisis and the ensuing volatile market conditions.

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Set out below is a summary of the changes in the Company's adjusted NAV per Share during the period (based on the Company's announcement of its unaudited NAV per share on the Stock Exchange's website on a monthly basis) under the management of CUIM:

	Issued Shares	NAV (HK\$'000)	Changes in NAV (HK\$'000)	Adjusted NAV per share (HK\$) <i>Note 1</i>	Change in Adjusted NAV per share (HK\$)	% of Change in Adjusted NAV per share	Hang Seng Index Price	Changes in Hang Seng Index price	% of change in Hang Seng Index	Comparison
Dec-03	1,011,560,000	140,771	-	0.139162	-	-	12,576	-	-	-
Jun-04	1,509,860,000	168,221	27,450	0.111415	(0.027747)	(19.94%)	12,286	(290)	(2.31%)	(17.63%)
Dec-04	2,264,790,000	205,183	36,962	0.090597	(0.020818)	(18.69%)	14,230	1,944	15.83%	(34.51%)
Jun-05	3,444,227,000	181,993	(23,190)	0.052840	(0.037757)	(41.68%)	14,201	(29)	(0.20%)	(41.47%)
Dec-05	792,045,400	150,175	(31,818)	0.018960	(0.033880)	(64.12%)	14,876	675	4.76%	(68.87%)
Jun-06	625,022,700	171,383	21,208	0.013710	(0.005250)	(27.69%)	16,268	1,391	9.35%	(37.04%)
Dec-06	789,622,700	164,158	(7,225)	0.010395	(0.003315)	(24.18%)	19,965	3,697	22.73%	(46.91%)
Jun-07	2,304,472,860	374,113	209,955	0.008117	(0.002278)	(21.91%)	21,773	1,808	9.06%	(30.97%)
Dec-07	1,817,236,430	420,782	46,669	0.002316	(0.005802)	(71.47%)	27,813	6,040	27.74%	(99.21%)
Jun-08	516,507,286	202,016	(218,766)	0.000782	(0.001533)	(66.22%)	22,102	(5,711)	(20.53%)	(45.68%)
Dec-08	516,507,286	70,691	(131,325)	0.000274	(0.000509)	(65.01%)	14,388	(7,715)	(34.90%)	(30.10%)
Jun-09	978,507,286	163,844	93,153	0.000335	0.000061	22.34%	18,379	3,991	27.74%	(5.40%)
Dec-09	1,174,208,743	212,278	48,434	0.000362	0.000027	7.97%	21,873	3,494	19.01%	(11.04%)
Jun-10	251,171,893	172,585	(39,693)	0.000275	(0.000087)	(23.98%)	20,129	(1,744)	(7.97%)	(16.01%)
Dec-10	1,431,093,843	286,509	113,924	0.000080	(0.000195)	(70.86%)	23,035	2,906	14.44%	(85.30%)
Jun-11	143,109,384	175,691	(110,818)	0.000049	(0.000031)	(38.68%)	22,398	(637)	(2.77%)	(35.91%)
	Total changes:	34,920					Total changes:	9,822		
	% of total changes:	24.81%	(Note 2)				% of total changes:	78.10%	(Note 2)	

Note 1: Adjusted NAV per share taking into account the effect of consolidation of shares of the Company as follows:

<i>Aug 05</i>	<i>10 shares consolidated into 1 share</i>
<i>Jan 06</i>	<i>2 shares consolidated into 1 share</i>
<i>Jul 07</i>	<i>5 shares consolidated into 1 share</i>
<i>Feb 08</i>	<i>5 shares consolidated into 1 share</i>
<i>Feb 10</i>	<i>5 shares consolidated into 1 share</i>
<i>Jan 11</i>	<i>10 shares consolidated into 1 share</i>

Note 2: The total changes in the NAV per share and change in Hang Seng Index price between December 2003 and June 2011 were 24.81% and 78.10% respectively.

Based on the comparison table showing the changes in the NAV of the Company (which included the effect of fund raising by the Company utilised for investment purpose and the share consolidation of the Company) and the changes in the Hang Seng Index on a semi-annual basis, the changes in the adjusted NAV per Share of the Company range from an increase of 22.34% to a decrease of 71.47% whereas the changes in the Hang Seng Index range from an increase of 27.74% to a decrease of 34.9%. The volatility of the changes in the NAV of the Company is greater than that of the Hang Seng Index as the latter comprises of the share price performance of blue-chip stocks which is relatively stable, whereas the portfolio of the Company are in non-Hang Seng Index stocks which are more volatile. The Company considers the comparison with the Hang Seng Index is appropriate, as the Company's investments are in Hong Kong listed securities and the Hang Seng Index is an internationally recognised benchmark for the performance of Hong Kong stocks.

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The Investment Manager is primarily responsible for providing investment reports to assist the Company in making its investment decisions, with all investment decisions being made by the Company. Thus, any reactive action taken by the Company in respond to market changes was primarily made by the Company. Given that the reactive action in respond to market changes is not necessarily limit to investments or divestments and therefore the Company would not necessarily seek the advice of the Investment Manager (except when the Company needs to make investment and/or divestment decisions). The Company's top-ten investment bought and the top-ten loss investments in the past three years were all recommended by the Investment Manager and approved by the executive Directors.

Most of the Company's investment portfolio recorded losses for the last three financial years ended 31 December 2010, which included a loss of approximately HK\$388.62 million for the year ended 31 December 2008, a strong recovery of profit in the amount of approximately HK\$58.77 million for the year ended 31 December 2009 and a loss of approximately HK\$48.05 million for the year ended 31 December 2010.

The Directors consider that investment returns depend on many factors, including market conditions and sentiments which are beyond the control of the Company and the Investment Manager. Therefore, the Directors do not consider that it is the sole responsibility of CUIM for causing the Company's poor financial performance in the past. In order to assess the performance of the Company, the Company has made reference to the sub-section headed "investment management services" of the Letter from Vinco Capital and noted that Vinco Capital has examined the changes in NAV per Share as compared to the performance of Hang Seng Index on an annual basis during the years of 2008 to 2010. The NAV per Share was adjusted by the two consolidations of Shares conducted by the Company during the period. Instead of using the total NAV, the adjusted NAV per Share was used because the effect of share consolidations has been taken into account and the incremental effect of any fund raising activities on the NAV of the Company is most likely diluted by a corresponding increase in the number of Shares in issue. The new adjusted NAV per Share would then represent the impact on the share consolidations and the proceeds raised from those fund raising activities. In order to substantiate the performance comparison made by Vinco Capital is in line with the Company's comparison as set out on page 23 of the circular, the Company attempted to evaluate its annual performance during the years of 2008 to 2010. The results have been disclosed in the table below, of which the percentages of change in both adjusted NAV per Share and Hang Seng Index are extracted from the said summary.

Period	% of change in adjusted NAV per share	% of change in Hang Seng Index	Accumulated % of change in adjusted NAV per share <i>(approximately)</i>	Accumulated % of change in Hang Seng Index	Percentage of outperformed/ (Underperformed) Hang Seng Index <i>(approximately)</i>	Comparison
Jun-08	(66.22%)	(20.53%)				
Dec-08	(65.01%)	(34.90%)	(88.18%)	(48.27%)	(39.91%)	Underperformed
Jun-09	22.34%	27.74%				
Dec-09	7.97%	19.01%	32.09%	52.02%	(19.92%)	Underperformed
Jun-10	(23.98%)	(7.97%)				
Dec-10	(70.86%)	14.44%	(77.85%)	5.32%	(83.22%)	Underperformed

Note: The percentage figures shown in the above table have been rounded to two decimal places. Any discrepancies in figures are due to rounding.

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The Hang Seng Index recorded a downtrend in 2008 as compared to 2007 and then rebound during 2009. As noted from the above table, the adjusted NAV per Share recorded a rate of changes underperforming the performance of the Hang Seng Index during the period, which results are the same as the analysis of Vinco Capital.

In order to further assess the performance of the Company among other Chapter 21 investment companies, the Company has also reviewed the same sub-section of the Letter from Vinco Capital, Vinco Capital has further compared the changes in NAV per share of other investment companies under Chapter 21 of the Listing Rules and noted that there were (i) 7 out of 21 investment companies which underperformed Hang Seng Index in 2008; (ii) 17 out of 21 investment companies which underperformed Hang Seng Index in 2009 and (iii) 8 out of 21 investment companies which underperformed Hang Seng Index in 2010, in which there were 2 out of 21 investment companies which recorded underperformance for the three years ended 31 December 2010 as well. In view of the bear market as a result of the unprecedented global financial crisis in 2008, the underperformance of the Company was not an exceptional underperformed investment company. The poor performance of Company's existing investment portfolio was primarily due to the adverse market conditions. Given that the Company is able to obtain timely investment recommendations and responses from the Investment Manager and that the performance of the Company in the last three years was largely affected by factors other than the recommendations and services of the Investment Manager, the Company is generally satisfied with the services provided by the Investment Manager.

Set out below is a table summarising the changes in NAV of other investment companies:

		Percentage change in NAV per share			Percentage of outperformed/ (underperformed) Hang Seng Index		
		2010	2009	2008	2010	2009	2008
		%	%	%	%	%	%
Benchmark: Hang Seng Index		5.32%	52.02%	(48.27%)			
Stock code	Company name	2010	2009	2008	2010	2009	2008
		%	%	%	%	%	%
133	China Merchants China Direct Investments Limited	(18.61%)	76.54%	(64.70%)	(23.93%)	24.52%	(16.43%)
170	China Assets (Holdings) Limited	8.81%	15.06%	(26.12%)	3.49%	(36.96%)	22.15%
204	Temujin International Investments Limited	(127.88%)	(65.90%)	(61.65%)	(133.20%)	(117.92%)	(13.38%)
310	Prosperity Investment Holdings Limited (Note 1)	(75.26%)	(41.54%)	(50.76%)	(80.58%)	(93.56%)	(2.49%)
339	Earnest Investments Holdings Limited	31.32%	62.73%	(80.43%)	26.00%	10.71%	(32.16%)
428	Harmony Asset Limited	14.11%	8.75%	(17.44%)	8.79%	(43.27%)	30.83%

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Stock code	Company name	2010 %	2009 %	2008 %	2010 %	2009 %	2008 %
612	China Investment Fund Company Limited	8.33%	50.00%	(42.86%)	3.01%	(2.02%)	5.41%
666	SHK Hong Kong Industries Limited	0.00%	(6.25%)	(38.46%)	(5.32%)	(58.27%)	9.81%
721	China Financial International Investments Limited	0.00%	87.50%	(27.27%)	(5.32%)	35.48%	21.00%
768	UBA Investments Limited	29.81%	20.93%	(48.81%)	24.49%	(31.09%)	(0.54%)
770	Shanghai International Shanghai Growth Investment Limited	32.34%	(3.29%)	(19.80%)	27.02%	(55.31%)	28.47%
810	Opes Asia Development Limited	3.48%	57.35%	(51.26%)	(1.84%)	5.32%	(2.99%)
905	Mastermind Capital Limited	152.63%	0.00%	90.00%	147.31%	(52.02%)	138.27%
1062	New Capital International Investment Limited	14.53%	3.69%	(7.81%)	9.21%	(48.33%)	40.46%
1140	OP Financial Investments Limited	5.49%	36.67%	9.09%	0.17%	(15.35%)	57.36%
1160	Grand Investment International Limited	(11.43%)	2.94%	(26.09%)	(16.75%)	(49.08%)	22.18%
1217	China Innovation Investment Limited	20.00%	0.00%	3.73%	14.68%	(52.02%)	52.00%
1226	China Investment and Finance Group Limited	66.67%	(101.85%)	378.48%	61.35%	(153.87%)	426.75%
1227	National Investments Fund Limited (Note 2)	(18.75%)	23.08%	(48.00%)	(24.07%)	(28.94%)	0.27%
2312	China Financial Leasing Group Limited (Note 3)	190.00%	(71.43%)	(82.28%)	184.68%	(123.45%)	(34.01%)
2324	Capital VC Limited (Note 4)	10.28%	(30.62%)	(31.82%)	4.96%	(82.64%)	16.45%
	Average	15.99%	5.92%	(11.63%)			
	Maximum	190.00%	87.50%	378.48%			
	Minimum	(127.88%)	(101.85%)	(82.28%)			
	Total number of comparables which outperformed Hang Seng Index				13	4	14
	Total number of comparables which underperformed Hang Seng Index				8	17	7
901	The Company (Note 5)	(77.90%)	32.12%	(88.19%)			

Source: The Stock Exchange and Yahoo Finance

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Notes:

1. As refer to the announcement of Prosperity Investment Holdings Limited (“Prosperity Investment”) dated 17 January 2008, it has consolidated its shares on the basis of every ten issued and unissued shares into one new ordinary share, which was effective from 27 February 2008. As such, the percentage change in NAV per share of Prosperity Investment has taken into consideration of such consolidation of shares.
2. As refer to the announcement of National Investments Fund Limited (“National Investments”) dated 6 August 2010, it has consolidated its shares on the basis of every five issued and unissued shares into one new ordinary share, which was effective from 14 September 2010. As such, the percentage change in NAV per share of National Investments has taken into consideration of such consolidation of shares.
3. As refer to the announcement of China Financial Leasing Group Limited (“CFL”) dated 4 November 2008, it has consolidated its shares on the basis of every five issued and unissued shares into one new ordinary share, which was effective from 19 December 2008. As such, the percentage change in NAV per share of CFL has taken into consideration of such consolidation of shares.
4. As refer to the announcements of Capital VC Limited (“Capital VC”) dated 3 June 2008 and 15 January 2009, it has conducted two consolidations of shares, of which it has consolidated its shares on the basis of every two issued and unissued shares into one new ordinary share, which was effective from 18 August 2008. Also, it has consolidated its shares of every five issued and unissued shares into one new ordinary share, which was effective from 16 February 2009. As such, the percentage change in NAV per share of Capital VC has taken into the consideration of such consolidations of shares.
5. The Company has conducted two consolidations of shares during the year of 2008 to 2010. As such, the adjusted NAV per Share has taken into consideration of the effect of consolidation of shares. As refer to its announcements dated 3 January 2008, the Company has consolidated its Shares on the basis of every five issued and unissued Shares into one new ordinary Share, which was effective from 26 February 2008. Also, the Company has announced on 3 August 2009, the Company has consolidated its Shares of every five issued and unissued Shares into one new ordinary Share, which was effective from 23 February 2010.

The Company’s changes in adjusted NAV per share as at 31 December 2008, 2009 and 2010 were minus 77.90%, 32.12% and minus 88.19% respectively which were below the mean of other Chapter 21 companies for 2008 and 2010 and above the mean of other Chapter 21 companies for 2009.

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To keep the Shareholders apprised of the performance of the Company, the Company publishes its unaudited NAV per share on the Stock Exchange's website on a monthly basis. In addition, the Company publishes its half-year and annual results in accordance with the requirements of the Listing Rules. The Company would also issue profit alert/profit warning announcement (as the case may be) to inform the Shareholders and the investing public on the status of the Company.

The Company monitors the performance of the investee companies by tracking their stock prices on a daily basis on every trading day. The summary of the Company's investment portfolio will then be passed to the executive Directors for review and follow-up actions, if necessary, depending on the then market conditions and other circumstances, with the most important factors to be considered being whether there are any changes in the fundamental business and financial factors of the investee company that may cause it to fail. The Company also monitors any announcements and press reports on the investee companies. To improve the performance of the Company, the Investment Manager will participate in more investment seminars and forums with an aim of identifying investee companies that have the potential to offer a good return on investment to the Company.

The Financial Services Agreement has been entered into after arm's length negotiation and was under normal commercial terms. The Directors (including the independent non-executive Directors) thus consider that the terms of the Financial Services Agreement are fair and reasonable and are in the interest of the Group as a whole. None of the Directors are interested in the Financial Services Agreement and no Director was required to abstain from voting for the Board resolution to approve the Financial Services Agreement.

Listing Rules Implications

Hennabun is the holding company of CUIM and is a connected person of the Company pursuant to Rule 21.13 of the Listing Rules. The entering into of the Financial Services Agreement constitutes a continuing connected transaction for the Company.

As the aggregate annual amount of the Continuing Connected Transactions is expected to exceed 5% of the applicable ratios, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. An EGM will be convened by the Company to approve the Financial Services Agreement and the respective annual caps for the financial services and margin financing. In the event that the Independent Shareholders would only approve one of the annual caps, the relevant financial services in relation to the annual cap that has not been approved by the Independent Shareholders will not proceed. In such an event, it is

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the intention of the parties to continue with the Financial Services Agreement to the extent of the services and annual cap approved by the Independent Shareholders. As at the Latest Practicable Date, Hennabun and its associates were not interested in any Shares. If Hennabun and its associates have acquired any Shares prior to the date of the EGM, Hennabun and its associates will abstain from voting for the resolution to approve the Financial Services Agreement at the EGM.

(2) GENERAL MANDATE TO REPURCHASE AND ISSUE SHARES

At the annual general meeting held on 30 June 2011, the Shareholders have voted against the resolutions proposed to refresh the mandate to issue and repurchase shares and the Company currently does not have a general mandate from the Shareholders to repurchase or issue Shares. As further disclosed in page 75 of this circular, the Company believes that a small number of shareholders which hold the Relevant Shares (as defined below) have voted against the resolutions proposed at the annual general meeting to refresh the general mandate to issue and repurchase shares and the Scheme Mandate Limit for their own vested interest with no consideration of the long term development of the Company.

Thus, in order to enable the Company to maintain flexibility, the Directors proposed to seek from the Shareholders a general mandate to exercise the powers of the Company to repurchase Shares not exceeding 10% of the issued ordinary share capital of the Company, as at the date of the passing of such resolution. The repurchase mandate to be proposed at the EGM will lapse on the earlier of (a) the conclusion of the next annual general meeting to be held in 2012, (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, and (c) the date on which the authority given to the Board set out in the resolution for the mandate to repurchase Shares is revoked or varied by the passing of an ordinary resolution of the Shareholders in a general meeting. A resolution in relation to the Repurchase Mandate will be proposed at the EGM. In accordance with the Listing Rules, an explanatory statement is set out in Appendix I to this circular to provide you with the information reasonably necessary for your consideration of the Repurchase Mandate.

In addition, to enable the Company to further develop, the Directors also proposed to seek from the Shareholders a general mandate to issue new shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution in relation thereto. The Issue Mandate will lapse on the earlier of (a) the conclusion of the next annual general meeting, (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held, and (c) the date on which the authority given to the Board is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

LETTER FROM THE BOARD

General mandates to issue Shares were primarily used by the Company in the past to raise funds for general working capital and investment in listed and unlisted securities pursuant to the investment objectives of the Company. The Company is an investment company under Chapter 21 of the Listing Rules and its sole business is in the investment in listed and unlisted securities and thus would require capital to invest and develop. The Company had raised funds in six previous occasions in the three financial years ended 31 December 2010, and has conducted two rights issue (one unsuccessfully) this year. The Company is also currently in the progress of conducting a rights issue to raise approximately HK\$122.89 million. Certain of the Company's investments have reported losses due to the depreciation in their stock price as a result of the downturn in the securities market. Notwithstanding the frequent fund raising activities of the Company, the persistent loss records of the Company and half of the executive directors of the Company did not have satisfactory experience in the management experience on behalf of third party investors and the volatility of the securities market as a result of the lingering concerns over the European sovereign debt, the US monetary policy and austerity measures in the PRC, the Directors still consider that it is important for the Company to raise funds quickly to seize any potential investment opportunities that may arise in the future. Thus, the Directors believe that granting of the general mandate to issue new shares will provide the Group with flexibility to issue securities for cash or as consideration for acquisition of assets as and when the Directors think fit and appropriate. The Board is of the view that the proposed granting of the general mandate to issue new shares is in the interests of the Company and the Shareholders as a whole. Notwithstanding that the Company is currently conducting a rights issue to raise funds, the net proceeds from the proposed rights issue have already been planned to be utilized on certain investments identified by the Company and thus the Directors consider that it is important to refresh the general mandate to provide the Company with the flexibility of being able to raise funds quickly by the issue of shares. As attractive investment opportunities normally attract a number of other potential investors competing with the Company, the Company's ability to raise fund immediately is thus an important factor in securing an investment. The lack of this flexibility could seriously impair the Company's ability to seize attractive investment opportunities and disadvantage the Company against its competitors, which would not be in the interest of the Company and the Shareholders as a whole. Notwithstanding that the Company has loss-making results in recent reporting periods and has a frequent fund raising history, since the global financial crisis in 2008, the investment performance of many investment professionals have been adversely affected by the unprecedented market instability and volatility. Investment professionals, including those Chapter 21 investment companies listed on the Stock Exchange, which can consistently out-perform the market are rarely seen. In order to turnaround its performance, it is necessary for the Company to continuously manage its investment portfolio by exploring attractive new investment opportunities and review its existing investments. Owing to market instability, the Company may not want to realise or liquidate its existing investments, which may due to a number of factors such as unfavourable market timing and unfavourable market conditions, for its new investments. In such event, fund raising activities may be necessary to finance such new investments. The proposed Issue Mandate will therefore provide a financial flexibility and timeliness to the Company in capturing suitable investment opportunities should they arise in the future.

LETTER FROM THE BOARD

Two ordinary resolutions will be proposed at the EGM for (a) granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the resolution and (b) the extension of the Issue Mandate to include shares repurchased pursuant to the Repurchase Mandate.

The Directors have no immediate plans to allot and issue any new Shares other than Shares which may fall to be issued under the share option scheme of the Company or pursuant to any scrip dividend scheme or under similar arrangement which may be approved by the Shareholders from time to time.

Based on 214,664,076 Shares in issue as at the Latest Practicable Date and subject to the passing of the relevant ordinary resolution to approve the Issue Mandate at the EGM, the Directors will be authorised to allot and issue up to a limit of 42,932,815 Shares under the Issue Mandate, representing 20% of the issued share capital of the Company on the basis that no further Shares will be issued or repurchased before and up to the date of the EGM.

Capital-raising activities of the Company in the preceding 3 years

Date of announcement	Capital raising activity	Net Proceeds	Use of 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
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

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Date of announcement	Capital raising activity	Net Proceeds	Use of proceeds
8 April 2011	Rights issue on the basis of four rights shares for every Share held	Nil (<i>Note 4</i>)	Not Applicable
29 June 2011	Rights issue on the basis on one rights share for every two Shares held	HK\$51.67 million (<i>Note 5</i>)	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
7 November 2011	Proposed rights issue on the basis of four rights shares for every Share held with bonus warrants issue on the basis of one bonus warrant for every four rights shares taken up	Approximately HK\$122.89 million (<i>Note 6</i>)	For general working capital and for investment in listed securities

Notes:

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

Proceeds (Approximately)	Actual use of proceeds	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)	Realised gain for the year ended 31 December 2009: approximately HK\$1,600	<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 then 30 years in the industry.
		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\$592,000	

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Proceeds (Approximately)	Actual use of proceeds	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)	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)	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 are 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 from the provision of finance business amounted to HK \$7,230,000 for the six months ended 30 September 2008. Profit from the provision of finance business recorded profit HK\$2,625,000 in that period.

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Proceeds (Approximately)	Actual use of proceeds	Realised or unrealised trading gain or loss	Basis for making investments
HK\$7.40 million	Investment in securities in: Heritage International Holdings Ltd (Stock code: 412)	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)	<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 proceeds	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)	<p>Realised gain for the year ended 31 December 2010: approximately HK\$254,000</p> <p>Unrealised loss for the year ended 31 December 2010: approximately HK\$422,000</p> <p>Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$15,000,200</p>	<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 the PRC was optimistic.
HK\$3.42 million	Investment in securities in: Willie International Holdings Ltd (Stock code: 273)	<p>Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$2,612,000</p> <p>Unrealised gain for the year ended 31 December 2010: approximately HK\$629,000</p>	<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 proceeds	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)	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)	<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\$25,277,000</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.

LETTER FROM THE BOARD

Proceeds (Approximately)	Actual use of proceeds	Realised or unrealised trading gain or loss	Basis for making investments
HK\$4.06 million	Investment in securities in: China New Energy Power Group Limited (Stock code: 1041)	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.
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:–		

Investee companies	Amount invested HK\$'000
Bao Yuan Holdings Limited	6,923
Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited)	19,180
Heritage International Holdings Limited	3,390
Dragonite International Limited	10,487
Wo Kee Hong (Holdings) Limited	3,100
Convertible bond issued by Rising Development Holdings Limited	6,000
Sub-total	49,080
General working capital of the Group	2,590
Total	51,670

LETTER FROM THE BOARD

Proceeds	Actual use of proceeds	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)	Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$7,446,000	<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 estates 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 Limited (Stock code: 412)	<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\$672,000</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.

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Proceeds	Actual use of proceeds	Realised or unrealised trading gain or loss	Basis for making investments
HK\$6.92 million	Investment in securities in: Bao Yuan Holdings Ltd (Stock code: 692)	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)	Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$1,099,000	<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	Actual use of proceeds	Realised or unrealised trading gain or loss	Basis for making investments
HK\$19.18 million	Investment in securities in: Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited) (Stock code: 928)	<p>Realised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$6,447,000</p> <p>Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$3,871,000</p>	<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)	Unrealised loss for the period from 1 January 2011 to the Latest Practicable Date: approximately HK\$360,000	<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	–	–

LETTER FROM THE BOARD

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.

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

Heritage International Limited (“Heritage”)

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 a 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 the internet, Heritage is recently considering diversifying its business into internet lottery 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.

LETTER FROM THE BOARD

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 new products in the PRC prior to launching in the overseas markets.

In view of the surge of the real estate market in recent years, Dragonite holds a positive view towards the prospects of real estate market in Hong Kong, particularly in the commercial and retail real estates and the board of Dragonite believes that the investment in the 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 a 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.

The company 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. The Company 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.

LETTER FROM THE BOARD

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, the Group 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 the Chinese domestic market. The Chinese 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 increase of end products and is expected to increase even further at the end of the year. Rising will continue to develop its fur skin 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.

The Company invested in Dragonite on 12 September 2011. 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 as detailed above. As the investment in Dragonite 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 and Heritage have been loss-making in the past, the Company considers that investments in these two companies were in compliance with the Company’s investment policy, as the Company believed that both of these companies have growth potentials. Please refer to pages 41 and 42 for the basis of making the relevant investment in Dragonite and Heritage.

6. The rights issue is subject to the approval by the Shareholders at an extraordinary general meeting and has not been completed yet.

Save for the above, the Company has not carried out other capital raising activities in the 3 years immediately preceding the date of this circular.

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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 circular:

	Bao Yuan Holdings Limited (stock code: 692)	Dragonite International Limited (stock code: 329)	Wo Kee Hong (Holdings) Limited (stock code: 720)	Rising Development Holdings Limited (stock code: 1004)	Tack Fiori International Group Limited (stock code: 928)	Heritage International Holding Limited (stock code: 412)
	Year ended 31 Dec 2010	Year ended 31 Dec 2010	Year ended 31 Dec 2010	Year ended 31 Mar 2011	Year ended 31 Mar 2011	Year ended 31 Mar 2011
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	<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.

Investment objective

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.

LETTER FROM THE BOARD

Investment Policies

The Company has adopted the following investment policies:

- i. 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 and 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;
- ii. 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;
- iii. 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;
- iv. 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;

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- v. 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;
- vi. 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;
- vii. 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;
- viii. 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 the CUIM; and
- ix. 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 United States and European governments and their respective sub-division.

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Investment Restrictions

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

- (i) 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;
- (ii) 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 NAV being invested in such company or entity as at the date of the investment is made; and
- (iii) 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 (i) and (ii) 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 (iii) 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.

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Investment decision making process

CUIM's separate and independent team which serves the Company exclusively will select appropriate investment reports from the investment reports shared by the teams of CUIM according to the investment guidelines and strategies formulated by the Board from time to time, and will provide the executive Directors with a preliminary investment report for consideration together with its preliminary recommendation in respect of the investments in question. If the executive Directors 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 executive Directors for approval for which a decision by a majority resolution of the executive Directors is required. Only the executive Directors are responsible for making investment decisions. Investment opportunities which are recommended by the Investment Manager and approved by a resolution of the executive Directors will be made. If the executive Directors 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 subsidiary) 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.

The Investment Manager is primarily responsible for providing investment reports to assist the Company in making its investment decisions, with all investment decisions being made by the Company. Thus, any reactive action taken by the Company in respond to market changes was primarily made by the Company. Given that the reactive action in respond to market changes is not necessarily limit to investments or divestments and therefore the Company would not necessarily seek the advice of the Investment Manager (except when the Company needs to make investment and/or divestment decisions).

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Substantial Shareholders

As at the Latest Practicable Date, pursuant to the disclosure of interests filed by the shareholders of the Company in accordance with Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Company had two substantial shareholders, namely Chan Chak Kai Kenneth and Mascotte Holdings Limited, holding approximately 11.65% and 5.05%, respectively, of the issued share capital of the Company. Mr. Chan Chak Kai Kenneth has been a substantial shareholder of the Company since 9 August 2011 and is a connected person of the Company. Mr. Chan was appointed as an executive director of Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited), an investee company, on 4 October 2011. For the three years ended 31 December 2010, the substantial shareholders of the Company were as follows:

Year	Name of substantial shareholders	Percentage
2008	Hansom Finance Limited (<i>note a</i>)	32.26%
	Smart Jump Corporation (<i>note a</i>)	4.74%
	Dollar Group Limited (<i>note b</i>)	30.65%
	Great Panorama International Limited (<i>note c</i>)	10.64%
	Au Yeung Kai Chor (<i>note d</i>)	6.78%
2009	Smart Jump Corporation (<i>note a</i>)	17.90%
	Prime Pacific Investments Limited (<i>note e</i>)	16.67%
	Wong Chun Hung (<i>note f</i>)	10.39%
2010	Au Wai June (<i>note g</i>)	5.81%

Notes:

- (a) Hansom Finance Limited and Smart Jump Corporation are wholly-owned subsidiaries of Freeman Financial Corporation Limited, a company listed on the Stock Exchange.
- (b) Dollar Group Limited is a wholly-owned subsidiary of Heritage International Holdings Limited, a company listed on the Stock Exchange.
- (c) Great Panorama International Limited is a wholly-owned subsidiary of Unity Investments Holdings Limited, a company listed on the Stock Exchange.

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- (d) Mr. Au Yeung Kai Chor is an independent third party of the Company and its connected persons. He was an executive director of Mascotte Holdings Limited between 6 June 2007 and 9 April 2010, and an executive director of Dragonite International Limited between 7 May 2010 and 25 October 2011, respectively. Both Mascotte Holdings Limited and Dragonite International Limited are investee companies of the Company.
- (e) Prime Pacific Investments Limited is a wholly-owned subsidiary of Get Nice Holdings Limited, a company listed on the Stock Exchange.
- (f) Mr. Wong Chun Hung is an independent third party of the Company and its connected persons. He was an executive director of Heritage International Holdings Limited, an investee company of the Company between 27 May 2009 and 19 August 2011. Mr. Wong was appointed an executive director of Longlife Group Holdings Limited on 21 September 2011. Longlife Group Holdings Limited is an investee company of the Company. In accordance with the announcement of Longlife on 21 September 2011, Mr. Wong is a substantial shareholder of Longlife and holds 85,000,000 shares of Longlife (representing approximately 8.85% of the issued share capital of Longlife).
- (g) Mr. Au Wai June is an independent third party of the Company and its connected persons. Mr. Au has been living in Taiwan for more than 13 years and had been involved in developing electronics-related business and in the trading of electronics-related products in Taiwan.

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Top-ten securities bought by the Company

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

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	37.08
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

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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>
G-Resources Group Limited (Stock code: 1051)	–	44.32	–	–	–
BJ Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	–	12.71	53.97	48.97	15.99
Rising Development Holdings Limited (Stock code: 1004) (Unlisted convertible notes)	–	–	45.17	–	10.00
Renhe Commercial Holdings Company Limited (Stock code: 1387)	–	26.17	–	–	–
China Public Healthcare (Holding) Limited (Stock code: 8116)	–	32.82	–	–	–
Dragonite International Limited (Stock code: 329)	–	–	–	10.84	10.49
Kingston Financial Group Limited (Stock code: 1031)	–	–	–	–	21.67
Tack Fiori International Group Limited (Stock code: 928)	–	–	–	–	21.07
Hong Kong Life Group Holdings Limited (unlisted convertible notes)	–	–	–	40.00	–
Inno-Tech Holdings Limited (Stock code: 8202)	–	–	–	10.37	–

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As at the Latest Practicable Date, the Company's investments in listed and unlisted securities are as follows:

Listed securities (market value) HK\$140.12 million

Unlisted securities (fair value) HK\$15.00 million

Shareholding interests of the Company in its top-ten investment portfolio for the three years ended 31 December 2010 and as at the Latest Practicable Date:

1. For the year ended 31 December 2008

Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	62,144,000	4.99%	15,099,536	5,592,960	(9,506,576)	–	Supply & procurement, pharmaceutical, provision of finance and securities investment	7.82%
Unity Investments Holdings Limited (Stock code: 913)	16,442,356	4.38%	14,985,600	2,499,238	(12,486,362)	–	Investment in listed securities in Hong Kong and other main stock markets around the world and also in unlisted companies	3.50%
Mascotte Holdings Limited (Stock code: 136)	140,295,000	4.91%	34,859,268	13,328,025	(21,531,243)	–	Loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment	18.64%
Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	2.98%	12,701,251	3,375,000	(9,326,251)	–	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 cordyceps related business	4.72%

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Name of investee companies	Number of shares held	Proportion of investee's capital owned	Carrying value/Cost <i>HKS</i>	Market value <i>HKS</i>	Unrealised gain/(loss) arising on revaluation <i>HKS</i>	Dividend received/receivable during the year <i>HKS</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
Heritage International Holdings Limited (Stock code: 412)	12,271,130	4.80%	32,908,849	6,135,565	(26,773,284)	–	Property investment, investments in securities, money lending, and investment holding	8.58%
Forefront Group Limited (Stock code: 885)	41,695,750	4.45%	42,214,153	8,297,454	(33,916,699)	–	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	11.61%
CST Mining Group Limited (Stock code: 985)	430,504,000	3.25%	25,636,647	17,220,160	(8,416,487)	–	Copper mining, property investment and investments in financial instruments	24.09%
Willie International Holdings Limited (Stock code: 273)	20,343,014	5.22%	50,778,721	10,781,797	(39,996,923)	–	Property investment, investment in securities trading, money lending and investment holding	15.08%
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	Property investment, property trading and providing property management services	5.86%
China Yunnan Tin Minerals Group Company Limited (Stock code: 263)	3,232,000	0.09%	2,738,251	413,696	(2,324,555)	–	Trading of goods, provision of finance, brokerage and securities investment and exploitation and sales of minerals	0.58%

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2. For the year ended 31 December 2009

Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
China Strategic Holdings Limited (Stock code: 235)	81,666,666	2.21%	49,098,017	45,733,333	(3,364,684)	–	Manufacture and trading of battery products and related accessories, and investment in securities	21.54%
Hanny Holdings Limited (Stock code: 275)	10,000,000	1.78%	7,800,000	5,900,000	(1,900,000)	–	Trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading and other strategic investments	2.78%
Freeman Corporation Limited (Stock code: 279)	10,000,000	4.27%	5,519,855	6,100,000	580,145	–	Trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding	2.87%
CST Mining Group Limited (Stock code: 985)	103,320,960	3.24%	30,151,445	25,313,635	(4,837,810)	–	Copper mining, property investment and investments in financial instruments	11.92%
China Environmental Energy Investment Limited (Stock code: 986)	10,000,000	2.39%	6,158,817	6,900,000	741,183	–	Trading of laminates, manufacture and trading of printed circuit boards	3.25%
G-Resources Group Limited (Stock code: 1051)	37,760,882	0.27%	57,409,613	18,502,832	(38,906,781)	–	Mining business, provision of financial information services, trading of electronic goods and accessories, and securities trading	8.72%
BJ Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	44,800,000	2.26%	12,196,800	34,496,000	22,299,200	–	Supply & procurement, pharmaceutical, provision of finance and securities investment	16.25%

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Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
China Public Healthcare (Holding) Limited (Stock code: 8116)	145,000,000	1.35%	32,820,635	30,740,000	(2,080,635)	–	Hospital data evaluation analytics, hospital information technology system, mining of mineral resources and accessories, radio trunking systems intergration and provision of telemedia-related and other value-added technical services	14.48%
Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.50%	3,375,000	14,906,250	11,531,250	–	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 cordyceps related business	7.02%
Rising Development Holdings Limited (Unlisted convertible notes)	N/A	N/A	4,800,000	5,196,211	396,211	–		2.45%

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3. For the year ended 31 December 2010

Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
Rising Development Holdings Limited (Stock code: 1004)	30,000,000	2.16%	45,166,200	53,400,000	8,233,800	–	Investment holding and trading in securities, manufacture and sale of fur garments, trading of fur skins and business of mining natural resources	18.64%
Rising Development Holdings Limited (Unlisted convertible notes)	N/A	N/A	5,196,211	5,780,785	584,574	–		2.02%
Freeman Financial Corporation Limited (Stock code: 279)	138,181,818	5.46%	38,000,000	47,672,727	9,672,727	–	Trading of securities, provision of finance, property holding and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding	16.64%
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	77,752,000	2.49%	22,216,713	26,046,920	3,830,207	–	Supply & procurement, pharmaceutical, provision of finance and securities investment	9.09%
G-Resources Group Limited (Stock code: 1051)	37,760,882	0.27%	18,502,832	23,034,138	4,531,306	–	Mining business, provision of financial information services, trading of electronic goods and accessories, and securities trading	8.04%
China Tycoon Beverage Holdings Limited (Stock code: 209)	20,000,000	1.30%	20,071,800	19,600,000	(471,800)	–	Manufacturing and trading of hard and stuffed toys and the manufacturing and sales of beverage products	6.84%
Willie International Holdings Limited (Stock code: 273)	71,700,000	4.84%	19,961,215	15,415,500	(4,545,715)	–	Property investment, investment in securities trading, money lending and investment holding	5.38%

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Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at year end attributable to the investments <i>(note)</i>
China Public Healthcare (Holding) Limited (Stock code: 8116)	121,000,000	1.07%	25,652,002	11,011,000	(14,641,002)	–	Hospital data evaluation analytics, hospital information technology system, mining of mineral resources and accessories, radio trunking systems intergration and provision of telemedia-related and other value-added technical services	3.84%
China New Energy Power Group Limited (formerly known as Fullbond Holdings Limited) (Unlisted convertible notes)	N/A	N/A	5,000,000	10,000,000	5,000,000	–	China New energy Power Group Limited (formerly known as Fullbond Holdings Limited) is primarily engaged in the manufacture of and trading in wooden products, including blockboard and particle board, door skin and other wooden products.	3.49%
China Strategic Holdings Limited (Stock code: 235)	34,593,332	0.94%	19,372,266	9,167,233	(10,205,033)	–	Manufacture and trading of battery products and related accessories, and investment in securities	3.20%
Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.04%	14,904,250	8,437,500	(6,468,750)	–	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 cordyceps related business	2.94%

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 with 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.

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4. As at the Latest Practicable Date

Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at 31 December 2011 attributable to the investments
Rising Development Holdings Limited (Stock code: 1004)	29,918,000	2.16%	53,254,040	28,122,920	(25,131,120)	–	Investment holding and trading in securities, manufacture and sale of fur garments, trading of fur skins and business of mining natural resources	22.83%
Rising Development Holdings Limited (unlisted convertible notes)	N/A	N/A	10,000,000	9,400,000	(600,000)	–		7.63%
Heritage International Holdings Limited (Stock: 412)	151,110,000	2.30%	34,687,426	18,435,420	(16,252,006)	–	Property investment, investments in securities, money lending, and investment holding	14.96%
Forefront Group Limited (Stock code: 885)	182,435,552	4.99%	22,681,004	18,425,991	(4,255,013)	–	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	14.96%
Oriental Ginza Holdings Ltd (Stock code: 996)	50,000,000	1.14%	19,001,520	17,500,000	(1,501,520)	–	Provision of retail – related consultancy and management services, and property investment business	14.20%
Kingston Financial Group Limited (Stock code: 1031)	20,527,000	0.17%	22,618,783	16,011,060	(6,607,723)	81,594	Operation of restaurants; casino in hotels and provision of hotel management services and trading of listed securities	13.00%

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Name of investee companies	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 during the year <i>HK\$</i>	Description of business	% of the Company's net assets as at 31 December 2011 attributable to the investments
China Public Healthcare (Holding) Limited (Stock code: 8116)	121,000,000	1.07%	11,011,000	7,502,000	(3,509,000)	–	Hospital data evaluation analytics, hospital information technology system, mining of mineral resources and accessories, radio trunking systems integration and provision of telemedia-related and other value-added technical services	6.09%
Beijing Yu Sheng Tang Pharmaceutical Group Limited (Stock code: 1141)	175,376,000	3.55%	15,985,073	6,313,536	(9,671,537)	–	Supply & procurement, pharmaceutical, provision of finance and securities investment	5.12%
China Strategic Holdings Limited (Stock code: 235)	34,593,332	0.94%	9,167,233	5,361,966	(3,805,266)	–	Manufacture and trading of battery products and related accessories, and investment in securities	4.35%
China New Energy Power Group Limited (Unlisted convertible notes)	N/A	N/A	10,000,000	7,900,000	(2,100,000)	–	Manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products; trading of securities; development of properties	6.41%
Code Agriculture (Holdings) Limited (Stock code: 8153)	28,125,000	1.04%	8,437,500	3,796,875	(4,640,625)	–	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	3.08%

Save as disclosed in this section of the circular, the Company does not have any relationship with each of the investee companies.

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Top-ten loss investments of the Company

The top-ten loss investments of the Company for the three years ended 31 December 2010, the six months ended 30 June 2011 and the period from 1 July 2011 to the Latest Practicable Date are set out below:

Year 2008		In HK\$ million		Total loss
Stock code	Company	Realised loss	Unrealised loss	
263	China Yunnan Tin Minerals 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	CST Mining Group Limited	(11.7)	(8.4)	(20.1)
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	–	(9.5)	(9.5)
Year 2009				
Stock code	Company	Realised loss	Unrealised gain/(loss)	Total loss
885	Forefront Group Limited	(7.7)	(0.4)	(8.1)
136	Mascotte Holdings Limited	(7.0)	(0.4)	(7.4)
985	CST Mining Group Limited	–	(4.8)	(4.8)
279	Freeman Financial 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)	–	(1.3)
913	Unity Investments Holdings Limited	(1.1)	–	(1.1)
75	Y.T. Realty Group Limited	(0.8)	–	(0.8)
Year 2010				
Stock code	Company	Realised loss	Unrealised gain/(loss)	Total 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)

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Stock code	Company	Realised loss	Unrealised loss	Total 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)

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)	(16.4)	(16.5)
	Rising Development Holdings Limited (Unlisted convertible notes)	(1.0)	0.3	(0.7)
412	Heritage International Holdings Limited (Note 1)	1.4	(16.4)	(15.0)
329	Dragonite International Limited	(10.4)	0.2	(10.2)
273	Willie International Holdings Limited	(7.3)	(2.7)	(10.0)
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	–	(10.0)	(10.0)
928	Tack Fiori International Group Limited	(8.77)	–	(8.77)
1041	China New Energy Power Group Limited (Unlisted convertible notes)	–	(8.6)	(8.6)
1031	Kingston Financial Group Limited	–	(6.6)	(6.6)
885	Forefront Group Limited	–	(3.6)	(3.6)
209	China Tycoon Beverage Holdings Limited	–	(3.5)	(3.5)

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.

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The Company has repeatedly invested in certain of the top-ten loss investee companies in the past. Such investments and the reasons for making such investments at the relevant time are set out below:

Stock Code	Company	Reasons for making such investment at the relevant time
For the financial year ended 31 December 2009		
136	Mascotte Holdings Limited	<ul style="list-style-type: none">• Mascotte's financial position was strong, with 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.
273	Willie International Holdings Limited	<ul style="list-style-type: none">• The company has strengthened its income base through acquisitions of investment properties for rental income.• Increased proceeds from the harvest of lumber from forestry project and the lumber will be harvested in greater quantities once the economy begins to pick up.
279	Freeman Financial Corporation Limited	<ul style="list-style-type: none">• The capital commitments of the group as at 30 September 2008 was HK\$24,050,000, the group had sufficient financial resources to meet its operational requirements.• 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 of HK\$2,625,000 in that period.

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Stock Code	Company	Reasons for making such investment at the relevant time
412	Heritage International Holdings Limited	<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 downturn in the global equity markets represented opportunities for the company to buy assets at depressed prices.
885	Forefront Group Limited	<ul style="list-style-type: none">• The company was expanding into the carbon fiber industry which has potential for high growth.• It had stable financial profile with cash balance of HK\$64 million and low gearing ratio of 12%.• The company engaged in the sales and repair service of Nissan automobiles in PRC.
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	<ul style="list-style-type: none">• The company had strong financial position with high cash position and marketable securities of HK\$253 million and low gearing ratio of 12%.• It engaged in Chinese herbal medicine manufacturing business.• It engaged in the design, manufacturing, sales and leasing of heavy infrastructure construction equipment business to reap the future growth in the PRC infrastructure sector.
985	CST Mining Group Limited	<ul style="list-style-type: none">• The company had a cash balance amounted to HK\$2 billion with no debt which enabled it to buy mining assets at attractive price as the commodity market was at downcycle.

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Stock Code	Company	Reasons for making such investment at the relevant time
For the financial year ended 31 December 2010		
136	Mascotte Holdings Limited	<ul style="list-style-type: none">• The company continued to foster its relationship with business partners and attended business shows which helped to foster the growth in multimedia and electrical accessories business.• There was a turnaround in its financial results from a loss to a profit of HK\$162.1 million for the six months ended 30 September 2009 and a profit of HK\$109 million for the year ended 31 March 2010.• It diversified into natural resources investment in forestry lands in Yunnan, PRC, to broaden its long term sustainable income base.• It was looking into a possible investment in a renewable energy related project which, if materialises, had good potential for long term growth and return.
273	Willie International Holdings Limited	<ul style="list-style-type: none">• The company continued to take a conservative and cautious approach in investment 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.

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Stock Code	Company	Reasons for making such investment at the relevant time
412	Heritage International Holdings Limited	<ul style="list-style-type: none">• The company made a profit of approximately HK\$126 million for the 6 months ended 30 September 2009.• It had a strong equity base at HK\$902 million to HK\$1,113 million which enabled the company to take on new investment opportunities when they arise.
885	Forefront Group Limited	<ul style="list-style-type: none">• The company developed a network of automobile service centres in the Pearl River Delta to provide quality after sales services to customers.• Its construction of the production plant of carbon fibre was in progress with trial run expected to commence, with the commencement of normal production of carbon fibre, contribution will be made to the results of the company in year 2010.• The financial gearing ratio was low with cash of HK\$63 million to HK\$134.5 million.• The company diversified into the fast-growing PRC property market and forest harvesting and timber processing industry in PRC.• The company entered into a subscription agreement to invest in a supplier of automotive components, supplying both original equipment manufacturers and the aftermarket.
913	Unity Investments Holdings Limited	<ul style="list-style-type: none">• Expected recovery of the securities market.

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Stock Code	Company	Reasons for making such investment at the relevant time
279	Freeman Financial Corporation Limited	<ul style="list-style-type: none">• The financial market had stabilized and thus the performance of the group had improved with the income from securities trading 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%.
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	<ul style="list-style-type: none">• The company managed to improve its gross profit mainly by successfully increasing the overall profit margin.• It diversified into the pharmaceutical business through the acquisition of a group of companies engaged in Chinese medicine to enhance the group's revenue and profit base.
For the six months ended 30 June 2011		
136	Mascotte Holdings Limited	<ul style="list-style-type: none">• The liquidity position of the company and the increased turnover from its manufacturing operation.• The company proposed acquisition of a polysilicon company which marked the entrance of the company into the renewable energy sector with good growth opportunities.
263	China Yunnan Tin Minerals Group Co. Limited	<ul style="list-style-type: none">• Contribution from the group's 30% owned jointly controlled entity which operated an up market department store in Shanghai, PRC remained positive with a growth of 10% in sales per annum as a result of the continuous growth in consumer spending in Shanghai, PRC.

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Stock Code	Company	Reasons for making such investment at the relevant time
		<ul style="list-style-type: none"> • It is expected that the group's newly acquired mineral business will enhance the group's revenue stream and contribute positively to the group's performance in the coming years. • Its strong capital structure and ample financial resources enabled the group to seek for attractive investment opportunities which will create substantial long-term value to shareholders of the company.
273	Willie International Holdings Limited	<ul style="list-style-type: none"> • Turnaround in its core business in securities investment and trading to a profit.
412	Heritage International Holdings Limited	<ul style="list-style-type: none"> • Contributions from its property investment and money lending business. • 20% interest in a company engaging in lottery related business in the PRC. • New business in Chinese medicine clinic.
885	Forefront Group Limited	<ul style="list-style-type: none"> • The company had no outstanding debt as at 30 June 2010, and was in an unique conglomerate business which is rarely seen in listed issuers. • Initiative of developing a network of service centers in the Pearl River Delta to provide quality after sales services.
913	Unity Investments Holdings Limited	<ul style="list-style-type: none"> • Anticipated recovery in the securities market.
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	<ul style="list-style-type: none"> • The business of trading of metal minerals and recyclable metal minerals in PRC continued to grow strongly by 93%. • It is expected that the sales volume of Chinese medicine will increase and the financial performance of the pharmaceutical division will improve.

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Stock Code	Company	Reasons for making such investment at the relevant time
For the period from 1 July 2011 to the Latest Practicable Date		
136	Mascotte Holdings Limited	<ul style="list-style-type: none">• The liquidity position of the company and the increased turnover from its manufacturing operation.• The company proposed acquisition of a polysilicon company which marked the entrance of the company into the renewable energy sector with good growth opportunities.
273	Willie International Holdings Limited	<ul style="list-style-type: none">• Turnaround in its core business in securities investment and trading to a profit.
412	Heritage International Holdings Limited	<ul style="list-style-type: none">• Heritage has developed a new line of business in traditional Chinese medicine industry.• Heritage has sufficient cash level and low gearing which enable it to get through economic volatility.• Potential technical rebound as stock price has been flat for a long period of time.
885	Forefront Group Limited	<ul style="list-style-type: none">• The company had no outstanding debt.• Network of service centers in the Pearl River Delta to provide quality after sales services.
1141	Beijing Yu Sheng Tang Pharmaceutical Group Limited	<ul style="list-style-type: none">• The group reported strong growth in turnover (118%) and gross profit (131%) largely driven by the strong growth in the group's trading of metal mineral due to the greater demand from customers in PRC.• The group continued to develop its pharmaceutical business that its revenue grew significantly which mainly represented the sales volume from Chinese medicine.

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Stock Code	Company	Reasons for making such investment at the relevant time
1004	Rising Development Holdings Limited	<ul style="list-style-type: none">• The financing division continued to contribute a stable source to the 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.• Vanadium price is still low in the metals market.• 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.• The fur industry has fared well since late 2009. The huge decreases in overseas sales and other traditional markets are offset by increases in demand in the China domestic market.
329	Dragonite International Limited	<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 estates sector.• The company held a trade conference and received positive responses from its distributors.

All the top-ten loss making investments were recommended by CUIM and were approved by the executive directors of the Company based on the information available and the market conditions and circumstances at the relevant time.

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Please refer to page 48 for the investment decision making process of the Company which sets out the procedures on how the Company decides to make investments in listed securities. In the course of deciding which listed securities to invest, the Company would consider the investment report prepared by the Investment Manager. Therefore, the realised and unrealised loss record of the companies involved, e.g. Mascotte Holdings Limited, Forefront Group Limited, Freeman Financial Corporation Limited and Unity Investments Holdings Limited, will not be taken into account by the Company because the loss is a historical information and does not necessarily have an effect on the performance of these companies going forward. The Company considered the recommendations made by the investment manager in the investment reports on Forefront Group Limited, Mascotte Holdings Limited, Freeman Financial Corporation Limited and Unity Investments Holdings Limited and will continue to invest into these companies unaffected by their history of losses.

In the case of Mascotte Holdings Limited, the basis of recommendations by the Investment Manager in 2011 were, among others, its liquidity position, increased turnover from its manufacturing operation and the company proposed acquisition of a polysilicon company which marked the entrance of the company into the renewable energy sector with good growth opportunities. The recommendation of the Investment Manager to invest in Freeman in 2011 was on the basis of increased interest income and fair value gain on investment properties. The recommendation of the Investment Manager to invest in Forefront Group Limited in 2011 was on the basis that the company had no outstanding debt as at 30 June 2010, and was in a unique conglomerate business which is rarely seen in listed issuers and its initiative of developing a network of service centers in the Pearl River Delta to provide quality after sales services. The basis of recommendation of the Investment Manager to invest in Unity Investments Holdings Limited was on the basis of the then anticipated recovery in the securities market.

The basis of recommendation of the Investment Manager on China Sci-Tech Holdings Limited for 2009 was its financial position was strong in that it has a cash balance amounted to HK\$2 billion with no debt which enabled it to buy mining assets at attractive price as the commodity market is at downcycle. The basis of recommendation of the Investment Manager on Heritage International Holdings Limited for 2009 and 2011 was its strong financial position with debt ratio at 4.83% which enable it to buy assets at depressed prices and contributions from its property investment and money lending business. The basis of recommendation of the Investment Manager on Willie International Holdings Limited for 2010 was a turnaround in its core business in securities investment and trading to a profit. The basis of recommendation of the Investment Manager on Dragonite International Limited for 2011 was its significantly improved financial position, major technical breakthrough advancing the vapor yield of its electronic cigarette products and positive responses from distributors on the new lines of electronic cigarette products.

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Directors' interests in the top-ten securities bought by the Company

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, representing approximately 0.07% of the issued share capital of Mascotte Holdings Limited.

Mr. Koji Shimazaki, an executive Director, was interested in 24,000 shares in the capital of Willie International Holdings Limited as at 31 December 2008, 2009, 2010 and the Latest Practicable Date, representing approximately 0.03%, 0.02%, 0.008% and 0.003% of the issued share capital of Willie International Holdings Limited, respectively. Mr. Shimazaki was also interested in 2,000,000 shares in the capital of Mascotte Holdings Limited as at 31 December 2010, 557,272 shares in the capital of Freeman Financial Corporation Limited as at 31 December 2010 and 19,150,000 shares in the capital of Forefront Group Limited as at the Latest Practicable Date, representing approximately 0.52% of the issued share capital of Forefront Group Limited.

Mr. Cheung Wing Ping, an executive Director, was interested in 9,430,000 shares in the capital of Forefront Group Limited as at the Latest Practicable Date, representing approximately 0.26% of the issued share capital of Forefront Group Limited.

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 as at 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). Each of Heritage International Holdings Limited, Forefront Group Limited, Willie International Holdings Limited, Dragonite International Limited and Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited) were among the top-ten bought securities invested by the Company as at the Latest Practicable Date. Save as disclosed in this section of this circular, 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 up to the Latest Practicable Date. Save as disclosed in this section of this circular, 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 the Latest Practicable Date.

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Investment manager's interests in the top-ten securities bought by the Company

Save and except that Mr. Pak William Eui Won, a director of CUIM, is currently an independent non-executive director of Forefront Group Limited, and to the best knowledge of the Directors, there was no common investments made by the Company and CUIM, being the investment manager of the Company, nor any common directorships between the Company and CUIM; and between CUIM and the Company's major (top-ten bought) investments as at the Latest Practicable Date.

The Directors are of the view that the investments of the Company have been made in accordance with the investment policy and objective of the Company of investing primarily in listed securities. The financial resources of the Group have been applied to investments in listed securities with a view to generating favourable return on investments for the Company or to repay loans in order to reduce interest and the debt liability of the Company. The Company would typically invest in non-bluechip securities which offer potentially attractive return to investors. Owing to the global financial crisis that occurred since the fall of 2007, the Company has suffered losses in its investments. When the market rebounds, the Company recorded a profit of HK\$58.77 million for the year ended 31 December 2009. However owing to market fluctuations, the Company recorded an unaudited loss of approximately HK\$45.05 million for the six months ended 30 June 2010, an audited net loss of approximately HK\$48.05 million for the year ended 31 December 2010 and an unaudited loss of approximately HK\$110.33 million for the six months ended 30 June 2011.

Company and Directors' interests in Hennabun and Freeman Financial Corporation Ltd.

As at the Latest Practicable Date, Next Method Limited, a subsidiary of the Company, was interested in approximately 0.05% of the issued share capital of Hennabun. Hennabun and its associates were not interested in any Shares of the Company as at the Latest Practicable Date. None of the Directors were interested in any shares of Hennabun and its associates. Save and except that Mr. Pak William Eui Won, a director of Hennabun's subsidiary, who holds 120,000 shares, representing approximately 0.06% of the issued share capital of the Company, none of the directors of Hennabun and its associates were interested in the Shares of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, there were no common directors between the Company and Hennabun and its associates. Mr. Pak William Eui Won will abstain from voting from the resolution proposed at the EGM to approve the Continuing Connected Transactions.

In accordance with the disclosure of interests filed with the Stock Exchange, as at the Latest Practicable Date, Freeman Financial Corporation Limited ("Freeman"), one of the indirect substantial shareholders of Hennabun, was indirectly interested in 1,166,446,276 shares and 154,212,678 shares in Unity Investment Holdings Limited ("Unity") and Willie

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International Holdings Limited (“Willie”), representing approximately 270.5% and 21.2% of the issued share capital of Unity and Willie, respectively. Both Unity and Willie are investee companies of the Company and as at the Latest Practicable Date, the Company was interested in approximately 2.18% and 1.13% of the issued share capital of Unity and Willie, respectively. Save for the above investments, the Company and Hennabun and its associates, and the Company and Freeman and its associates, have no other common investments as at the Latest Practicable Date.

Save as disclosed above and the financial services being provided by Hennabun and its associates to the Group, there were no other relationship between Hennabun and its associates and the Company and the Directors.

As at the Latest Practicable Date, the Company was not interested in any shares in Freeman, and except for the underwritten rights shares and bonus warrants of the Company as announced by the Company on 7 November 2011, Freeman and its associates held 9,911,000 Shares, representing approximately 4.62% of the issue share capital of the Company as at the Latest Practicable Date. Moreover, none of the Directors were interested in any shares of Freeman and none of the directors of Freeman were interested in the Shares of the Company as at the Latest Practicable Date.

(3) PROPOSED REFRESHMENT TO THE SCHEME MANDATE LIMIT

Proposed Refreshment

The Share Option Scheme was adopted by the Company on 7 February 2005. According to the Share Option Scheme, eligible participants who are entitled to share options include any employees (whether full time or part time), executives or officers of the Group (including executive and non-executive directors of the Company) and any business consultants, agents, financial or legal advisers and any other persons who the Board considers, in its sole discretion, will contribute or have contributed to the Group. Details of the options granted under the Share Option Scheme are set out below:

Total number of options outstanding as at 27 May 2010, the date the existing Scheme Mandate Limit was refreshed		Between 27 May 2010 and the Latest Practicable Date				As at the Latest Practicable Date		
Scheme Mandate Limit available (Before Capital Reorganisation)	Scheme Mandate Limit available (After Capital Reorganisation)	Options granted	Options exercised	Options cancelled	Options lapsed	Total number of options outstanding (Before Capital Reorganisation)	Total number of options outstanding (After Capital Reorganisation)	Approximate percentage of the issued share capital of the Company
25,117,189	2,511,718	25,000,000	25,000,000	0	0	117,189	11,718	0.008%

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Since the adoption of the Share Option Scheme on 7 February 2005, the Company has refreshed the Scheme Mandate Limit seven times. The Share Option Scheme was adopted to recognise and acknowledge the contributions of the Group's employees and other selected grantees made or may have made to the Group. The Share Option Scheme will provide the grantees with an opportunity to have a personal stake in the Company with the view to achieving the objectives of motivating the grantees to optimise their performance efficiency for the benefit of the Company, and to attract and retain or otherwise maintain on-going relationships with the grantees whose contributions are or will be beneficial to the growth of the Group. Given that the Company is an investment company, the Directors consider that the nature of the operation of the Company is highly dependent on a small group of executives and their performance could greatly affect the results and performance of the Company. In this connection, the Directors are of the view that this small group of key grantees must be offered an appropriate reward in order to optimise their performance. No vesting conditions and performance target were attached to the share options granted by the Company in the past.

The Company proposed to refresh the Scheme Mandate Limit in the annual general meeting of the Company held on 30 June 2011, which the Shareholders have voted against such refreshment at the annual general meeting. As disclosed in the EGM results announcement of the Company dated 27 June 2011, where Shareholders holding an aggregate of 69,579,200 Shares (the "Relevant Shares"), representing approximately 67.62% of the number of Shares in issued, had voted against the proposed rights issue of the Company, the Company was concerned about the ownership of the Relevant Shares and was considering exercise its powers to investigate the ownership of such interests pursuant to Section 329 of the SFO. The Company did carry out the investigation subsequently and the findings were reported to the SFC and the Stock Exchange for further action. The same group of Shareholders holding the Relevant Shares voted against, among others, the resolution to refresh the Scheme Mandate Limit at the annual general meeting held on 30 June 2011. The Company believes that the proposal to refresh the Scheme Mandate Limit was voted down by this group of Shareholders not because they had concern on the proposed refreshment but rather for their own vested interest and/or agenda. Based on the results of the investigation carried out by the Company, a small number of shareholders held the Relevant Shares which they acquired between April and June 2011. Subsequent to their voting down of the resolution for the proposed rights issue at the extraordinary general meeting held on 27 June 2011 and, inter alia, the refreshment of the scheme mandate limit at the annual general meeting held on 30 June 2011, they sold most of the Relevant Shares. The Directors believe that these shareholders were interested in a short-term gain through the trading in the shares of the Company rather than in the long-term development of the Company. Thus, it would not be in their interest to approve any resolutions which may lead to the issue of Shares and dilute their shareholdings in the Company before their interests were disposed.

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The Company has evaluated other alternatives that may be available to reward grantees and consider that the granting of share options remain the most viable form of incentive that may be available to the Company to reward the grantees. In this connection, the Company is seeking to refresh the Scheme Mandate Limit at the EGM. The Company would grant the share options in accordance with the Share Option Scheme and the requirements of the Listing Rules, in particular that no grantee would be granted share options exceeding 1% of the issued share capital of the Company within any 12-month period, and the aggregate outstanding options would not exceed 30% of the issued share capital of the Company. The amount of share options to be granted to each grantee was determined with reference to the share options available, the number of eligible grantees and that each grantee would not be granted share options, when exercised, in excess of 1% of the share capital of the Company. To ensure that the Company will benefit from the grant of the share options, the Company is considering measures that may be introduced and attached to the options in the future. As at the Latest Practicable Date, no definite plan has been formulated and the Directors cannot assure that any such measures will be introduced and attached to the share options that may be granted in the future.

The Company did not impose performance target as a condition when granting share options because the performance of the investee companies are subject not only to the financial performance of the investee companies but also to the changing market conditions, which are beyond the control of the investee companies.

Set out below is the history of the Company's refreshment of the Scheme Mandate Limit and details of the options granted:

No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price <i>HK\$</i>	Proceeds received <i>HK\$</i>
1.		Scheme Mandate Limit as at the date of adoption of the Share Option Scheme on 7 February 2005		226,479,000			
		Exercise period: 21 February 2005 – 20 February 2007					
	21 February 2005	Executive Directors Company Secretary Director & staff of investment manager <i>(Note 1)</i> Director & staff of securities broker <i>(Note 2)</i>	21 February 2005	226,479,000	226,479,000	0.0224	5,073,130.00

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Note 1: Options have been granted to the following grantees of investment manager of the Company:

Name of Grantee		Number of options granted	Exercise date of options
Chuang Eugene Yue-chien	A director of investment manager #	22,000,000	21 February 2005
Chan Shek Wah	A director of investment manager #	22,000,000	21 February 2005
Pang Shuen Wai, Nicholas	A staff of investment manager ##	22,000,000	21 February 2005

The grantee was a director of the investment manager of the Company mainly responsible for providing investment advice to the Company. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the communication between the Company and the grantee was strengthened.

The grantee was a staff of the investment manager of the Company. The grantee was mainly responsible for the administration of the investment manager. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the document flow and communication between the Company and the grantee was streamlined.

Note 2: Options have been granted to the following grantees of securities broker of the Company:

Name of Grantee		Number of options granted	Exercise date of options
Wong Siu Bun	A director of securities broker	22,000,000	21 February 2005
Cheng Wai Chung	A director of securities broker	22,000,000	21 February 2005
Chow Yee May	A staff of securities broker	14,479,000	21 February 2005
Koon Yuk Yee	A staff of securities broker	14,000,000	21 February 2005

The Company considers that the granting of the share option is in itself a sufficient incentive to enhance the grantee's efficiency and quality of work.

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No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price <i>HKS</i>	Proceeds received <i>HKS</i>
2.	Scheme Mandate Limit refreshed on 18 May 2005 (capital reorganisation effective on 23 August 2005)			344,422,700			
				34,442,270			
Exercise period: within 10 years from the date of grant							
	27 October 2005	Directors of investee company (<i>Note 3</i>)	See Note 3 below	34,400,000	34,400,000	0.0816	2,807,040.00

Note 3: Options have been granted to the following directors of ICube Technology Holdings Limited and Willie International Holdings Limited (all being investee companies of the Company):

Name of Grantee	Investee Company	Number of options granted	Exercise date of options
Wong Yat Fai	A director of ICube Technology Holdings Limited [#]	6,880,000	8 November 2005
Lo Kan Sun	A director of Willie International Holdings Limited [#]	6,880,000	31 October 2005
Wong Wai Man, Raymond	A director of Willie International Holdings Limited [#]	6,880,000	8 November 2005
Wong Ying Seung, Asiong	A director of Willie International Holdings Limited [#]	6,880,000	31 October 2005
King Phillip	A director of Willie International Holdings Limited [#]	6,880,000	2 November 2005

[#] *The grantee was an executive director of the investee company responsible for the formulation of policy, strategic planning, decision-making and management of the investee company. Options were granted to the grantee in order to provide an incentive to the grantee to better run the investee company which might bring benefit to the Company on its investment return on the investee company. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However the communication between the Company and the grantee was improved that the Company would obtain the latest development and news of the investee company in a timely manner.*

LETTER FROM THE BOARD

No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price HK\$	Proceeds received HK\$
3.	Scheme Mandate Limit refreshed on 30 December 2005			39,602,270			
Exercise period: 25 October 2006 – 24 October 2008							
	25 October 2006	Executive Directors Company Secretary Director & staff of investment manager (Note 4)	8 November 2006	39,600,000	39,600,000	0.0107	423,720.00

Note 4: Options have been granted to the following grantees of investment manager of the Company:

Name of Grantee	Number of options granted	Exercise date of options
Chan Shek Wah	A director of investment manager [#] 6,600,000	8 November 2006
Chuang Eugene Yue-chien	A staff of investment manager ^{##} 6,600,000	8 November 2006

[#] *The grantee was a director of the investment manager of the Company mainly responsible for providing investment advice to the Company. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the communication between the Company and the grantee was strengthened.*

^{##} *The grantee was a staff of the investment manager of the Company. The grantee was mainly responsible for the administration of the investment manager. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the document flow and communication between the Company and the grantee was streamlined.*

LETTER FROM THE BOARD

No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price <i>HK\$</i>	Proceeds received <i>HK\$</i>
4.	Scheme Mandate Limit refreshed on 5 January 2007			78,962,270			
	Exercise period: 8 February 2007 – 6 February 2009						
	8 February 2007	Directors of investee company (<i>Note 5</i>)	See Note 5 below	78,960,000	78,960,000	0.053	4,184,880.00

Note 5: Options have been granted to the following directors of Willie International Holdings Limited, Freeman Financial Corporation Limited and Unity Investments Holdings Limited (all being investee companies of the Company):

Name of Grantee	Investee Company	Number of options granted	Exercise date of options
Chuang Yueheng, Henry	A director of Willie International Holdings Limited [#]	11,300,000	9 February 2007
Lo Kan Sun	A director of Willie International Holdings Limited [#]	11,300,000	9 February 2007
Wong Ying Seung, Asiong	A director of Willie International Holdings Limited [#]	11,300,000	9 February 2007
Kwong Wai Tim, William	A director of Freeman Financial Corporation Limited [#]	11,300,000	28 February 2007
Kwok Wai Ming	A director of Freeman Financial Corporation Limited [#]	11,300,000	9 February 2007
Au Shuk Yee, Sue	A director of Freeman Financial Corporation Limited [#]	11,300,000	28 February 2007
Chung Wilson	A director of Unity Investments Holdings Limited [#]	11,160,000	9 February 2007

LETTER FROM THE BOARD

The grantee was an executive director of the investee company responsible for the formulation of policy, strategic planning, decision-making and management of the investee company. Options were granted to the grantee in order to provide an incentive to the grantee to better run the investee company which might bring benefit to the Company on its investment return on the investee company. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However the communication between the Company and the grantee was improved that the Company would obtain the latest development and news of the investee company in a timely manner.

No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price <i>HK\$</i>	Proceeds received <i>HK\$</i>
5.	Scheme Mandate Limit refreshed on 23 May 2007			202,039,405			
	(capital reorganisation effective on 27 July 2007)			40,407,881			
Exercise period: 4 January 2008 – 3 January 2010							
	4 January 2008	Executive Directors	4 January 2008	40,400,000	40,400,000	0.0916	3,700,640.00
6.	Scheme Mandate Limit refreshed on 25 February 2008			40,058,728			
				<i>(Note 6)</i>			
Exercise period: 24 April 2008 – 23 April 2010							
	24 April 2008	Director & staff of investment manager <i>(Note 7)</i>	28 April 2008	8,000,000	35,920,000	0.2252	8,089,184.00
		Director & staff of securities broker <i>(Note 8)</i>		12,000,000			
		Directors of investee company <i>(Note 9)</i>		8,000,000			
		Company Secretary		4,000,000			
		Staff of Company		4,000,000			
		Executive Directors		3,920,000			

Note 6: Among the 40,058,728 options granted by the Company, 4,000,000 of which granted to staff of the investment manager of the Company were not accepted by the relevant grantees.

LETTER FROM THE BOARD

Note 7: Options have been granted to the following directors of the investment manager of the Company:

Name of Grantee		Number of options granted
Chan Shek Wah	A director of investment manager [#]	4,000,000
Wong Foelan	Staff of investment manager ^{##}	4,000,000

[#] *The grantee was a director of the investment manager of the Company mainly responsible for providing investment advice to the Company. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the communication between the Company and the grantee was strengthened.*

^{##} *The grantee was a staff of the investment manager of the Company. The grantee was mainly responsible for the drafting and preparation of investment reports for the Company. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the document flow and communication between the Company the grantee was streamlined.*

Note 8: Options have been granted to the following grantees of securities broker of the Company:

Name of Grantee		Number of options granted
Cheng Wai Chung	A director of securities broker	4,000,000
Ng Kwai Cho	A dealing director of securities broker	4,000,000
Chan Kwok On	A staff of securities broker	4,000,000

Note 9: Options have been granted to the following directors of Mascotte Holdings Limited (being an investee company of the Company):

Name of Grantee	Investee Company	Number of options granted
Chung Wilson	A director of Mascotte Holdings Limited [#]	4,000,000
Lam Suk Ping*	A director of Mascotte Holdings Limited ^{1##}	4,000,000

LETTER FROM THE BOARD

* *Lam Suk Ping was an executive director of Mascotte Holdings Limited from 7 April 2008 to 27 April 2011. He was appointed an independent non-executive director of the Company on 30 June 2011 and resigned on 20 October 2011.*

The grantee was an executive director of the investee company responsible for the formulation of policy, strategic planning, decision-making and management of the investee company. Options were granted to the grantee in order to provide an incentive to the grantee to better run the investee company which might bring benefit to the Company on its investment return on the investee company. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However the communication between the Company and the grantee was improved that the Company would obtain the latest development and news of the investee company in a timely manner.

No.	Date of Grant	Grantee	Exercise date of options	Options Granted	Options Exercised	Exercise Price HK\$	Proceeds received HK\$
7.	Scheme Mandate Limit refreshed on 28 April 2009 (capital reorganisation effective on 23 February 2010)			81,650,728			
				16,330,145			
	Exercise period: 7 April 2010 – 6 April 2012						
	7 April 2010	Executive Directors Company Secretary Staff of Company	21 April 2010	16,330,145	16,330,145	0.333	5,437,938.29
8.	Scheme Mandate Limit refreshed on 27 May 2010			25,117,189			
	Exercise period: 6 July 2010 – 5 July 2012						
	6 July 2010	Director of investment manager (Note 10)	7 July 2010	2,500,000	25,000,000	0.1796	4,490,000.00
		Directors & staff of securities broker (Note 11)		7,500,000			
		Directors of investee company (Note 12)		12,500,000			
		Staff of Company		2,500,000			

LETTER FROM THE BOARD

Note 10: Options have been granted to the following grantee of the investment manager of the Company:

Name of Grantee		Number of options granted
Wong Foelan	A director of investment manager [#]	2,500,000

[#] *The grantee was a director of the investment manager of the Company mainly responsible for providing investment advice to the Company. Options were granted to the grantee in order to provide an incentive to enhance the grantee's efficiency and quality of work for which the Company might have benefit. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However, the communication between the Company and the grantee was strengthened.*

Note 11: Options have been granted to the following directors/staff of the investment manager of the Company.

Name of Grantee		Number of options granted
Cheng Wai Chung	A dealing director of securities broker	2,500,000
Ng Kwai Cho	A dealing director of securities broker	2,500,000
Tan Kin Kwok	A staff of securities broker	2,500,000

Note 12: Options have been granted to the following directors of Willie International Holdings Limited and Mascotte Holdings Limited (both being investee companies of the Company):

Name of Grantee	Investee Company	Number of options granted
Chuang Yueheng, Henry	A director of Willie International Holdings Limited [#]	2,500,000
King, Phillip	A director of Willie International Holdings Limited [#]	2,500,000
Wong Ying Seung, Asiong	A director of Willie International Holdings Limited [#]	2,500,000
Lo Yuen Wa, Peter	A director of Mascotte Holdings Limited [#]	2,500,000
Lam Suk Ping*	A director of Mascotte Holdings Limited [#]	2,500,000

LETTER FROM THE BOARD

- * *Lam Suk Ping was an executive director of Mascotte Holdings Limited from 7 April 2008 to 27 April 2011. He was appointed an independent non-executive director of the Company on 30 June 2011 and resigned on 20 October 2011.*
- # *The grantee was an executive director of the investee company responsible for the formulation of policy, strategic planning, decision-making and management of the investee company. Options were granted to the grantee in order to provide an incentive to the grantee to better run the investee company which might bring benefit to the Company on its investment return on the investee company. However, there was no guarantee that the grantee would achieve the said objective. Besides, it was unable to quantify the contribution made by the grantee. However the communication between the Company and the grantee was improved that the Company would obtain the latest development and news of the investee company in a timely manner. By fostering an amicable relationship with the executive directors of the investee companies, the Company would be advised by the investee companies of the publication of announcements. In addition, the Company would be able to gain access to investors' relationship meetings of the investee companies, all of which would enable the Company to gain first hand development information on the investee companies and assist the Board to evaluate the Company's investments in the investee companies. The Directors consider that the options granted to the directors of Willie International Holdings Limited and Mascotte Holdings Limited have served the purposes of fostering an amicable relationship with their executive directors that for example, the Company had attended the investor relationship meeting of Mascotte Holdings Limited which enabled the Company to gain first hand development information on it and assisted the Board to evaluate the Company's investments in it. In addition, the Directors considered that it also served the purpose of incentivising the grantees to better run the investee companies which might bring benefit to the Company on its investment return on them, although both of them ended up with losses for year 2010 as there was no guarantee that the grantees would achieve such objective. The Company did not have any business relationship with Willie International Holdings Limited at the time when the options were granted.*

Options were granted to directors of Freeman Financial Corporation Limited in 2007, Unity Investments Holdings Limited in 2007 and Mascotte Holdings Limited in 2008 and 2010, respectively as the securities of these companies were amongst the then top-ten securities bought by the Company at the respective dates when options were granted with a view to optimise the return of the Company's investments. The Company confirms that there are no other business relationships or otherwise with the grantees mentioned in this Circular.

The basis of granting share options to the grantees of investee companies are:

- (a) select the top-ten investee companies which have the highest market value before granting the share options and select only the executive directors of the investee companies and exclude their independent directors; and**
- (b) randomly select the grantees among the executive directors of the selected investee companies mentioned in point (a) above and preference is given to those with closer contact with the Company.**

LETTER FROM THE BOARD

Set out below is the Company's shareholding interests in the selected investee companies:

Investee Company	Date of grant of share options	Shareholding percentage as at the date of the grant of share options	Shareholding percentage as at the Latest Practicable Date
ICube Technology Holdings Limited (Stock code: 139)	27 October 2005	8.19%	Nil
Willie International Holdings Limited (Stock code: 273)	6 July 2010	3.97%	1.13%
Freeman Financial Corporation Limited (Stock code: 279)	8 February 2007	6.94%	Nil
Unity Investments Holdings Limited (Stock code: 913)	8 February 2007	9.26%	2.18%
Mascotte Holdings Limited (Stock code: 136)	6 July 2010	1.08%	0.14%

The Company is of the view that granting share options to directors of investee companies, which were the top-ten investments bought by the Company for the three years ended 31 December 2010, could incentivise them to better run their businesses which might optimise the return of the Company's investments. Options were granted by the Company to certain executive directors of the investee companies but not the independent non-executive directors of such investee companies as the Company is of the view that the executive directors of the investee companies are more actively involved in the management of the business of the investee companies. As the investee companies had more than 100 directors, it is impracticable for the Company to grant options to all the directors of investee companies at or around the same time. Among these executive directors, the Company would generally grant options to those who had closer contacts with the Company. However, the Company would like to reiterate that it is well aware of the fact that the grant of options to such directors might not necessarily guarantee a positive return to the Company as this is dependent on various factor, including but not limited to, market conditions. **The reason for the Company not selecting certain investee companies some of which with better financial performance, prospects, outlook and some of which with poorer financial performance, prospects, outlook might due to the fact that these investee companies were not amongst the top-ten investments of the Company.**

LETTER FROM THE BOARD

Mascotte Holdings Limited and Willie International Holdings Limited were among the top-ten investee companies of the Company with the highest market value when the options were granted to the directors of such companies, and such investments were part of the most important investments of the Company during the relevant time. **The directors of Mascotte Holdings Limited and Willie International Holdings Limited were selected on a random basis** among the directors of other top-ten investee companies of the Company, and the Company has not taken into account of any other specific considerations (for example, financial performance of the investee companies) before making such grants. The share options granted to the directors of other investee companies in the past were also selected on a random basis.

As the Company's principal business activity is to invest in listed securities and the share prices of the investee companies are subject to many factors which are out of the control of the Company and/or the investee companies, **the Directors are of the view that the Company's basis of granting options to the grantees, including choosing the top-ten investee companies which have the highest market value before granting the share options and selecting executive directors of the investee companies on a random basis, is fair and reasonable and therefore they have not considered other methods in selecting investee companies.** For example, the Company has granted options to directors of Mascotte Holdings Limited and Willie International Holdings Limited in 2010. The former company has made a profit whereas the latter suffered loss in 2010. This demonstrates that, like a portfolio investment, the Company has achieved a diversification in the business performance of its investee companies that the loss suffered by Willie International Holdings Limited may be compensated by the profit made by Mascotte Holdings Limited.

Although the Company has no current intention to grant more share options to any director of the loss-trading investments, the Company does not exclude the possibility of granting more share options to directors of any loss-trading investments should the Directors consider appropriate taking into account the then circumstances and the grant is made in accordance with the share option scheme of the Company in future. Besides, the Company is of the view that losses made by the above-mentioned loss-trading investments were partly due to market conditions and other unpredictable events such as the financial tsunami in 2008 that there is no guarantee that the Company's investments would become positive after granting share options to the directors of such investee companies. The Company has not compared the performance of these investments to any benchmark or comparables. Given that the Hang Seng Index has fallen from 33,684 on 8 January 2008 to 19,204 as at the Latest Practicable Date, the Directors consider that the above statement on the reasons for the losses is fair and reasonable. Please refer to page 85 of this circular for the basis of granting share options by the Company. Before granting further share options to any of the directors of the loss-trading investments of the Company, the Directors will evaluate the recent development and business prospects of the investee company.

LETTER FROM THE BOARD

The reason for granting share options to securities brokers and the Investment Manager was to promote mutual relationships between securities broker and investment manager and the Company, and to provide an incentive for securities broker and investment manager and to optimise their performance which would translate into better return to the Company as one of their clients. As at the Latest Practicable Date, the Company had no outstanding options granted which have not yet been exercised under the Share Option Scheme.

For share options granted by the Company to directors and staff of its securities broker, the securities broker selected by the Company was and is the prime securities broker of the Company through which the Company's transactions in dealing in listed shares were conducted. The Company is of the view that it could benefit from the contribution of directors and staff of its securities broker if they were more attentive to the Company's orders at the time when the market was volatile and inadvertent mistake could have been avoided by any directors and/or staff involved in executing orders of the Company. In addition, as they are more familiar with the latest development of the market, they can provide updated information as well as refer any business opportunity to the Company for consideration.

Management Discussion and Analysis

Set out below is the performance of Mascotte Holdings Limited and Willie International Holdings Limited, being the investee companies whereby their directors were granted share options of the Company in the year 2010, for the two years ended 31 December 2010:

Mascotte Holdings Limited ("Mascotte")

Mascotte acts as an investment holding company and is principally engaged in trading of investments and loan financing. Its subsidiaries are principally engaged in loan financing, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The financial performance of Mascotte in 2009 was hard hit by the financial tsunami in 2009. Mascotte recorded a substantial loss of HK\$345.3 million as compared to the loss of HK\$232.8 million in 2008. The loss was attributable to securities trading activities (HK\$225.2 million) resulted from the severe downturn in the stock market and impairment allowance for loan receivables (HK\$182.5 million) owing to significant uncertainties relating to the repayment abilities of certain borrowers. As at 31 March 2009, Mascotte's total equity amounted to HK\$356.3 million (2008: HK\$606.1 million); net current assets amounted to HK\$309.8 million (2008: HK\$462.3 million).

LETTER FROM THE BOARD

2010 saw a substantial improvement in the financial results of Mascotte, culminating in a consolidated profit of approximately HK\$109 million as compared to the consolidated loss of approximately HK\$345 million in 2009. Turnover for 2010 increased from HK\$134.9 million in 2009 to HK\$241.9 million.

The turnaround in Mascotte's financial results were mainly due to the recovery of Hong Kong stock market that its securities trading activities recorded gains of HK\$106.2 million as compared to losses of HK\$225.2 million in 2009. On the other hand, Mascotte had written back an impairment allowance for loan receivables in the sum of HK\$80 million in 2010. As at 31 March 2010, Mascotte's total equity amounted to HK\$651.3 million (2009: 356.3 million); net current assets amounted to HK\$567.9 million (2009: HK\$309.8 million).

Mascotte recorded a loss for the year ended 31 March 2011 as compared to the profit for the previous year. The loss attributable to shareholders for the year ended 31 March 2011 amounted to HK\$244.8 million, as compared to a profit of HK\$108.6 million last year. Turnover for the year amounted to HK\$103.3 million, a decrease of approximately HK\$138.6 million from the previous year.

The decrease in turnover was largely brought about by the negative turnover of HK\$93.4 million derived from the trading of securities as compared to the positive turnover of HK\$89.5 million last year; despite the increase in the turnover of the manufacturing division to HK\$189.5 million this year from HK\$148.1 million for the previous year. The basic and diluted loss per share was HK\$0.1328, as compared to the basic earnings per share of HK\$0.0928 and the diluted earnings per share of HK\$0.0911 for the previous year.

Factors such as the sovereign debt problems of certain Eurozone countries, the political unrests in Africa and Middle East and the tightening of monetary measures in the PRC have all contributed to uncertainties in the securities markets. Under such volatile conditions, Mascotte's securities trading activities registered realised and unrealised losses totaling approximately HK\$187.6 million for the year (2010: gains of approximately HK\$106.2 million).

The manufacturing segment reported a contribution of approximately HK\$10.1 million for the year ended 31 March 2011 (2010: approximately HK\$5.2 million), as improvements in demands for our products from the low levels seen in the aftermath of the global financial tsunami in major markets such as Europe and the United States.

LETTER FROM THE BOARD

Willie International Holdings Limited (“Willie”)

Willie is principally engaged in the business of property investment, investment in securities trading, money lending and investment holding.

Willie recorded turnaround in its turnover from a negative turnover of approximately HK\$341 million in 2008 to a positive turnover of approximately HK\$94 million in 2009. The rise in turnover was mainly contributed by the increase in net gains from the sale of investment of approximately HK\$410 million and the increase in rental income of approximately HK\$26 million. Willie recorded a profit of HK\$129 million for the year ended 31 December 2009 as compared to a loss of approximately HK\$798 million in 2008. The turnaround was owing to the recovery in domestic market resulted from increasing integration with the PRC. Willie’s realised and unrealised gains from its investment portfolio reached approximately HK\$72 million due to the recovery of domestic stock market. The money lending business also reported a profit of approximately HK\$84 million mainly attributed to the reversal of allowance and recovery of bad debts. As at 31 December, 2009, Willie’s total equity amounted to approximately HK\$2,530 million (2008: HK\$1,541 million) and had net current assets of approximately (restated) HK\$1,325 million (2008 (restated): HK\$485 million). Willie continued to maintain a low gearing ratio of 3.9% (2008: 8.2%).

Willie’s turnover for 2010 was approximately HK\$56 million as compared to approximately HK\$94 million in 2009. The drop in turnover was mainly attributed to the decrease in net gains from the sale of investments and the decrease in rental and interest income. Willie recorded a loss of HK\$196 million in 2010 as compared to a profit of approximately HK\$129 million in 2009. The loss was mainly attributed by unrealised loss on trading of investments held, loss on disposal of interest in subsidiaries and share of associates losses. Due to the fact that the securities market was volatile in 2010, the securities trading segment recorded a loss of approximately HK\$100 million as a result of unrealised losses for securities held. On the contrary, fueled by excessive liquidity and exceptionally low interest rates, the property investment segment continued to contribute a positive return of approximately HK\$73 million from the unrealised gains on investment properties. Provision of financial services maintained a stable interest income and earned a profit of approximately HK\$28 million. Willie’s share of the losses of associated companies amounted to approximately HK\$85 million in 2010.

As at 31 December, 2010, Willie’s total equity amounted to approximately HK\$1,989 million (2009: HK\$2,530 million) and had current assets of approximately HK\$1,370 million (2009: HK\$1,325 million). Willie has zero borrowings in 2010 while its gearing ratio was 3.9% in 2009.

LETTER FROM THE BOARD

During the six months ended 30 June 2011, Willie reported a negative turnover of approximately HK\$10 million compared with a positive turnover of approximately HK\$76 million for the corresponding period of 2010. The decrease in turnover was mainly attributable to the net loss from the sale of investments and the decrease in rental income.

The stock market underwent considerable fluctuation and volatility. The Hang Seng Index fell by 2.8% in the first half of 2011. Stock prices rose initially but retreated in the aftermath of the tsunami and nuclear crisis in Japan in mid-March and compounded by the lingering concerns over monetary tightening measures in the Mainland as well as the European sovereign debt problem and the US monetary policy. Willie reported a loss of approximately HK\$162 million attributable to shareholders for the Period (2010: approximately HK\$103 million). The loss mainly comprised net loss from the sale of investments of approximately HK\$21 million (2010: net gain of approximately HK\$50 million) and net fair value loss on investments of approximately HK\$127 million (2010: approximately HK\$155 million). Loss per share for the Period was HK\$0.26 (2010 (restated): HK\$0.41).

General

The Scheme Mandate Limit was last refreshed on 27 May 2010 and there are 11,718 options remaining that may be granted to eligible participants. The Board has not identified any grantees for the remaining 11,718 options as at the Latest Practicable Date. The Directors consider that it is in the interest of the Company and the Shareholders as a whole to refresh the Scheme Mandate Limit to the 10% provided under Chapter 17 of the Listing Rules so as to provide the Company with the flexibility of granting further share options under the Share Option Scheme and to provide incentives to, and recognise the contributions of, the Group's employees and other selected grantees. The Directors consider that the additional flexibility to be able to offer more share options is an important factor for the Company to attract potential recruits and to retain existing employees and officers of the Company.

It is proposed that subject to the approval of the Shareholders at the EGM and such other requirements prescribed under the Listing Rules, the Scheme Mandate Limit will be refreshed so that the total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and all other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval of the Proposed Refreshment by the Shareholders at the EGM and share options previously granted under the Share Option Scheme and/or any other share option scheme(s) of the Company, including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or such other schemes of the Company will not be counted for the purpose of the Proposed Refreshment.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No share options will be granted under any scheme(s) of the Company if it will result in the 30% limit being exceeded.

As at the Latest Practicable Date, there were 214,664,076 Shares in issue. Assuming that no further Shares will be issued or repurchased prior to the date of approving the Proposed Refreshment by the Shareholders, the maximum number of Shares which fall to be issued upon the exercise of all share options that may be granted by the Company under the Proposed Refreshment would be 21,466,407 Shares, representing 10% of the Shares in issue as at the date of approval of the Proposed Refreshment by the Shareholders at the EGM. The Company will continue to use the basis mentioned in page 85 of this circular to grant share options to eligible grantees if Shareholders approved the refreshment of Scheme Mandate Limit in the EGM.

Conditions

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the EGM to approve the Proposed Refreshment.

The adoption of the Proposed Refreshment is conditional upon:

- (i) the Shareholders passing an ordinary resolution to approve the Proposed Refreshment at the EGM; and
- (ii) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of any share options that may be granted pursuant to the Share Option Scheme under the Proposed Refreshment not exceeding 10% of the number of Shares in issue as at the date of approval of the Proposed Refreshment by the Shareholders.

Application for Listing

Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Shares which fall to be issued upon the exercise of any share options that may be granted pursuant to the Share Option Scheme under the Proposed Refreshment.

LETTER FROM THE BOARD

(4) AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board also proposes to amend the Articles to bring it in line with the updated Listing Rules. It is proposed that among other things, the corporate governance requirements as set out in Appendix 14 to the Listing Rules in relation to the necessary notice period to be given to members at general meetings be incorporated in the proposed amendments to the Articles.

In addition, it is proposed that a Director may be removed by an ordinary resolution instead of a special resolution to bring the Articles in line with the requirements of the Listing Rules.

Set out in the special resolution no. 10 of the notice of EGM on pages 152 to 157 of this circular are the proposed amendments to the Articles.

(5) RE-ELECTION OF DIRECTORS

Pursuant to Article 87(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed will hold office until the next following general meeting of the Company (in the case of the filling of a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and will be eligible for re-election. On 30 June 2011, the Company appointed Mr. Chua Kei Wah, Mr. Sam Nickolas David Hing Cheong Mr. Gary Drew Douglas and Mr. Lam Suk Ping as Directors to fill the vacancies of Mr. Liu On Bong, Peter, Ms. Choi Ka Nam, Mr. Kan Kwok Shu, Albert and Mr. Wong Wai Man, Raymond, who were not re-elected as Directors at the annual general meeting held on 30 June 2011. The Company has also appointed Mr. Frank H. Miu, Mr. Cheung Wing Ping and Mr. Yau Chung Hong as new additions to the Board on 30 June 2011. Mr. Chua Kei Wah, Mr. Frank H. Miu, Mr. Gary Drew Douglas, Mr. Lam Suk Ping and Mr. Yau Chung Hong had subsequently resigned, and Ms. Lam Yan Fong, Flora and Ms. Ng Yin Ling, Elaine were appointed independent non-executive Directors on 20 October 2011. In accordance with Article 87(3) of the Articles, Mr. Sam Nickolas David Hing Cheong, Mr. Cheung Wing Ping, Ms. Lam Yan Fong, Flora and Ms. Ng Yin Ling, Elaine will retire at the EGM and being eligible, offer themselves for re-election.

As at the Latest Practicable Date, out of the four existing executive directors of the Company, two of the executive directors did not have satisfactory experience in the professional management of investments on behalf of third party investors. Mr. Chung Yuk Lun and Mr. Koji Shimazaki have been serving on the Board for more than 9 years and 6 years respectively. They are responsible for the day-to-day management and investment functions of the Company. Both Mr. Sam Nicholas David Hing Cheong and Mr. Cheung Wing Ping were appointed as executive Directors in June 2011 and they are responsible for compliance and accounting matters of the Company, respectively. Notwithstanding that the Company considers that Mr. Sam Nicholas David Hing Cheong and Mr. Cheung Wing Ping are suitably qualified and that the Board of Company should encompass directors with different experience and qualifications so that the different management functions of the Company can be discharged properly and effectively, Mr. Sam Nicholas David Hing Cheong and Mr. Cheung Wing Ping lack the relevant experience and are not qualified as having experience in the professional management of investments on behalf of third party investors in accordance with

LETTER FROM THE BOARD

the requirements of Rule 21.04 of the Listing Rules. In this connection, the Company is actively considering how to incrementally improve the Board's investment management experience. To achieve this aim, the Company will recruit at least one new candidate with the relevant investment management experiences and qualifications to the satisfaction of the Stock Exchange or seek the retirement of Mr. Sam Nicholas David Hing Cheong or Mr. Cheung Wing Ping so that the resultant Board will comprise of executive directors, the majority of which have the relevant experience in the professional management of investments on behalf of third party investors. However, the Company would like to stress that the recruitment of a suitable candidate with the relevant investment management experiences and qualifications to be appointed as an executive director of the Company is a process that cannot be treated lightly. Accordingly, the process will take time and cannot be reduced to a timetable that a director is expected to be appointed by a certain time. In any event, the Company would inform the Shareholders of the progress on the recruitment of such new suitable executive Director and, in case such candidate cannot be recruited within six months from the issue of this Circular, the Company will make an announcement about its failure to recruit a suitable candidate and further extend the recruitment process for a further three months. If at the end of such period the Company is still unable to recruit a suitable candidate, the Company will immediately seek the retirement of Mr. Sam Nicholas David Hing Cheong or Mr. Cheung Wing Ping as executive Directors. The biographical details of the Directors to be re-elected at the EGM are set out below:

Mr. Sam Nickolas David Hing Cheong, aged 29, was appointed an executive Director on 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. Sam did not hold any directorships in any other listed public companies in the last three years in Hong Kong or overseas.

Mr. Sam is responsible for compliance with the rules and regulations including the Listing Rules, the Companies Ordinance and handling shareholder enquiries. Mr. Sam has entered into a service contract with the Company and is entitled to a remuneration of HK\$75,000 per month which was determined by the Board by reference to his background, experience, duties and responsibilities with the Company and prevailing market conditions. Mr. Sam's term of office is for a period of three years, subject to retirement by rotation and re-election pursuant to the Articles. Save for his appointment as an executive Director, Mr. Sam does not hold any other positions with the Company or its subsidiaries as at the Latest Practicable Date.

LETTER FROM THE BOARD

Mr. Sam is not connected with any directors, senior management, substantial shareholder or controlling shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Sam does not have any interests in the shares of the Company which is required to be disclosed under Part XV of the Securities and Futures Ordinance.

Save as disclosed herein, there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the shareholders of the Company in relation to the re-election of Mr. Sam as a Director.

Mr. Cheung Wing Ping, aged 44, was appointed an executive Director on 30 June 2011. Mr. Cheung has over 20 years of experience in auditing and accounting fields. Mr. Cheung joined the Company as Accounting Manager on 1 January 2009. 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. Save as disclosed above, Mr. Cheung does not hold any directorship in any other listed public companies in the last three years prior to his appointment as a director of the Company.

Mr. Cheung is responsible for overseeing the financial and accounting matters and financial reporting of the Company. Mr. Cheung has entered into a service contract with the Company and is entitled to a monthly remuneration of HK\$60,000 by reference to his duties, responsibilities and the prevailing market conditions. Mr. Cheung's term of office is for a period of three years, subject to retirement by rotation and re-election pursuant to the articles of association of the Company.

Mr. Cheung is not connected with any directors, senior management, substantial shareholder or controlling shareholder (as defined in the Listing Rules) of the Company. As at the date of this announcement, Mr. Cheung does not have any interests in the shares of the Company which is required to be disclosed under Part XV of the Securities and Future Ordinance.

Save as disclosed herein, there is no information relating to Mr. Cheung that is required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the shareholders of the Company in relation to the appointment of Mr. Cheung as a Director.

LETTER FROM THE BOARD

Ms. Lam Yan Fong, Flora, aged 36, was appointed an independent non-executive Director on 20 October 2011. Ms. Lam is a practicing lawyer in Hong Kong. Ms. Lam obtained a Bachelor degree in Law 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 now a partner of that firm. Ms. Lam is currently an independent non-executive director of Forefront Group Limited (stock code: 885) and Tack Fiori International Group Limited (formerly known as Tack Fat Group International Limited) (stock code: 928), both companies are listed on the Main Board of the Stock Exchange. Save as disclosed herein, Ms. Lam did not hold any directorship in any other listed companies in the last three years in Hong Kong or overseas before the appointment date on 20 October 2011.

Ms. Lam has not entered into a service contract with the Company. She is entitled to emoluments of HK\$20,000 per month as determined by the Board by reference to her background, experience and prevailing market conditions. Ms. Lam's term of appointment is subject to retirement by rotation and re-election pursuant to the articles of association of the Company. Apart from the director's emoluments mentioned above, Ms. Lam is not entitled to any bonus or other emoluments.

Save for her appointment as independent non-executive Director, Ms. Lam does not hold any other positions with the Company or its subsidiaries. Ms. Lam is not connected with any directors, senior management, substantial shareholder or controlling shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Ms. Lam does not have any interests in the shares of the Company which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters that need to be brought to the attention of the shareholders of the Company and there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules in relation to the re-election of Ms. Lam as an independent non-executive Director.

Ms. Ng Yin Ling, Elaine, aged 37, was appointed an independent non-executive Director on 20 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. Ms. Ng did not hold any directorship in any listed companies in the last three years before the appointment date on 20 October 2011.

LETTER FROM THE BOARD

Ms. Ng has not entered into a service contract with the Company and is entitled to emoluments of HK\$20,000 per month as determined by the Board by reference to her background, experience and prevailing market conditions. Ms. Ng's term of appointment is subject to retirement by rotation and re-election pursuant to the articles of association of the Company. Apart from the director's emoluments mentioned above, Ms. Ng is not entitled to any bonus or other emoluments.

Save for her appointment as an independent non-executive Director, Ms. Ng does not hold any other positions with the Company or its subsidiaries. Ms. Ng is not connected with any directors, senior management, substantial shareholder or controlling shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Ms. Ng does not have any interests in the shares of the Company which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters that need to be brought to the attention of the shareholders of the Company and there is no information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules in relation to the re-election of Ms. Ng as an independent non-executive Director.

EGM

A notice of the EGM is set out on pages 147 to 158 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. Hennabun and its associates will abstain from voting for the resolution in relation to the Continuing Connected Transactions at the EGM. As the Company does not have a controlling shareholder within the meanings of the Listing Rules and none of the Directors hold any Shares as at the Latest Practicable Date, no Shareholder is required to abstain from voting for the refreshment of the Issue Mandate.

A form of proxy for the EGM is enclosed herewith. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 99 to 100 of this circular which contains its recommendation to the Independent Shareholders in relation to the Financial Services Agreement and the Continuing Connected Transactions, and the grant of the Issue Mandate to the Directors.

LETTER FROM THE BOARD

Your attention is also drawn to the letter of advice from Vinco Capital as set out on pages 101 to 138 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders. Based on the advice from Vinco Capital and the Independent Board Committee, the Directors recommend the Independent Shareholders to approve the Financial Services Agreement and the Continuing Connected Transactions and the grant of the Issue Mandate. The Directors also recommend the Shareholders to vote in favor of the other resolutions proposed at the EGM.

Your attention is also drawn to the additional information set out in the appendix of this circular.

Yours faithfully,
By order of the Board of
RADFORD CAPITAL INVESTMENT LIMITED
萊福資本投資有限公司
Chung Yuk Lun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the renewal of the Financial Services Agreement and the Continuing Connected Transactions and the refreshment of the Issue Mandate.



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)

18 January 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES

We refer to the circular of the Company to the Shareholders dated 18 January 2012 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Vinco Capital as set out on pages 101 to 138 of the Circular and the letter from the Board as set out on pages 5 to 98 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other things, the factors and reasons considered by, and the opinion of Vinco Capital as stated in its letter of advice, we consider that the terms of the Financial Services Agreement and the respective annual caps thereunder, and the proposed grant of the Issue Mandate, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Financial Services Agreement and the respective annual caps thereunder and the proposed grant of the Issue Mandate to be proposed at the EGM.

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

Mr. Lum Pak Sum
*Independent Non-executive
Director*

Ms. Lam Yan Fong, Flora
*Independent Non-executive
Director*

Ms. Ng Yin Ling, Elaine
*Independent Non-executive
Director*

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the continuing connected transactions under the Financial Services Agreement and the proposed grant of the Issue Mandate, which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited
Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

18 January 2012

*To the Independent Board Committee and the Independent Shareholders of
Radford Capital Investment Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the Financial Services Agreement and the respective annual caps thereunder for the three years ending 31 December 2014 and the proposed grant of the Issue Mandate to issue Shares, details of which are set out in the Letter from the Board contained in the circular of the Company dated 18 January 2012 ("Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 21 September 2011, the Company and Hennabun entered into the Financial Services Agreement in respect of the provision of financial services, including brokerage, margin financing, corporate finance, investment management (including the investment management services to be provided by CUIM), custodian and investment advisory services to the Group, for a term of three financial years from 1 January 2012 to 31 December 2014. As stated in the Letter from the Board, CUIM, a subsidiary of Hennabun, is the investment manager of the Company. Accordingly, Hennabun and its subsidiaries are a connected person of the Company. Pursuant to the terms of

LETTER FROM VINCO CAPITAL

the Financial Services Agreement (as subsequently amended), the parties thereto have agreed that the cap amounts of (i) investment management services during each of the three financial years ending 31 December 2014 shall be HK\$1,200,000, HK\$1,300,000 and HK\$1,400,000 respectively; (ii) financial services (excluding investment management services to be provided by CUIM and margin financing facility) during each of the three financial years ending 31 December 2014 shall be HK\$3,300,000, HK\$3,600,000 and HK\$4,000,000 respectively; and (iii) margin financing facility (including margin financing interests) during each of the three financial years ending 31 December 2014 shall be HK\$50,000,000 and HK\$55,000,000 and HK\$60,000,000 respectively. As such, the aggregate annual amount of the Continuing Connected Transactions is expected to exceed 5% of the applicable ratios, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. Since Hennabun is a connected person of the Company under Rule 21.13 of the Listing Rules and the Financial Services Agreement and the respective cap amounts thereunder are subject to the approval of the Independent Shareholders at the EGM, Hennabun and its associates are then required to abstain from voting at the EGM in relation to the Financial Services Agreement and the respective cap amounts thereunder.

In accordance with Rule 13.36(4)(a) of the Listing Rules, the proposed grant of the Issue Mandate requires the approval of the Independent Shareholders at the EGM, where any controlling Shareholders and their respective associates, or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and their respective associates shall abstain from voting in favour of the proposed ordinary resolution for the approval of the proposed grant of the Issue Mandate. As set out in the Letter from the Board, as at the Latest Practicable Date, the Company does not have any controlling Shareholders and none of the Directors and their respective associates are interested in any Shares and shall be required to abstain from voting in favour of the relevant resolution to be proposed at the EGM to approve the grant of the Issue Mandate.

The Independent Board Committee comprising Mr. Lum Pak Sum, Ms. Lam Yan Fong, Flora and Ms. Ng Yin Ling, Elaine, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps to arrive at our opinion and recommendation, which are applicable to the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

LETTER FROM VINCO CAPITAL

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate and, except for its inclusion in the Circular and for the purpose of the EGM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate, we have considered the following principal factors and reasons:

1. The Financial Services Agreement

Background and reasons for the entering into of the Financial Services Agreement

The Company is an investment company listed under Chapter 21 of the Listing Rules and the Group is principally engaged in the business of investing in both listed and unlisted companies. The Group would need to utilise the services of stock brokers, financial advisers and custodian in its normal course of business.

Hennabun is principally engaged in the provision of financial services. Hennabun is the holding company of CUIM, the investment manager of the Company, and is therefore a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Since 2002, the Group has been transacting with Hennabun and its subsidiaries. In order to ensure continuity in the provision of brokerage, margin financing, corporate finance, investment management (including the investment management services to be provided by CUIM), custodian and investment advisory services by Hennabun's subsidiaries to the Group, the Group has entered into the Financial Services Agreement on 21 September 2011 with Hennabun for a period of three financial years from 1 January 2012 to 31 December 2014 to continue to carry out the Continuing Connected Transactions.

LETTER FROM VINCO CAPITAL

(i) *Financial services*

Pursuant to the Financial Services Agreement, Hennabun and its subsidiaries will provide financial services, excluding the investment management services to be provided by CUIM and margin financing facility, to the Group, for a term of three financial years, commencing on 1 January 2012 and ending on 31 December 2014. In addition to brokerage, custodian and settlement services, which are essential for securities trading by the Company, Hennabun and its subsidiaries will also provide the Company with corporate finance and financial advisory services in relation to the Company's fund raising and acquisition activities. According to the historical transacted amount for financial services of the Group with Hennabun and its subsidiaries for the two years ended 31 December 2010 and the nine months ended 30 September 2011, we understood that such amount has been utilised in the brokerage services (the exact amount can be referred to the section headed "Principal terms of the Financial Services Agreement" below). In view that the period covered by the 2009 Agreement is under stagnant market condition as a result of the financial crisis in 2008 with slow recovery in the global capital market and recent market downturn, the Directors anticipate that the capital market will be recovered in the period under the Financial Services Agreement. In order to promptly response to the market recovery, the Directors are of the view that it is essential for the Company to have a cap amount for the financial services with a buffer included. As per our further discussion with the Directors, the Directors have taken the following factors into consideration for determining the revised caps of its financial services: (i) historical transacted and incremental amounts of the Group with Hennabun and its subsidiaries for the two years ended 31 December 2010, which the actual transacted amounts in 2010 has been increased by approximately 41% as compared to 2009, (ii) estimated amounts to be transacted with Hennabun and its subsidiaries in 2011, (iii) likelihood of Hang Seng Index to be recovered in 2012, and (iv) a conservative 10% increment of brokerage fees to be generated from its brokerage services with Hennabun and its subsidiaries during 2013 and 2014 under the Financial Services Agreement. In order to ensure the fee charged by Hennabun and its subsidiaries is comparable and no more favourable than those to independent third parties, according to the Company's investment policies and procedures it will obtain quotation from at least another firm (which may be more than one depending on the availability of suitable service providers in the market) to see if the financial advisory fee charged by the corporate finance and financial advisory service provider, including Hennabun and its subsidiaries is comparable to the market price. As advised by the Directors, the Company would consider suitable service providers which the Company was satisfied with their corporate finance and financial advisory services in the past. If no such service providers are available, the Company would contact reputable service providers in the market through referrals by its business partners or cold call in order to select a suitable one. However, the Company did not engage Hennabun and its subsidiaries to provide corporate finance and financial advisory service to the Company for at least the past three years. Therefore, we are of the view that the aforesaid practice of the Company is sufficient in assessing whether the financial advisory fee charged by Hennabun and its subsidiaries, in case the Company approaches Hennabun and its

LETTER FROM VINCO CAPITAL

subsidiaries to provide corporate finance and financial advisory service in the future, is comparable to those offered by other market players. Given the cap amount for the financial services under the Financial Services Agreement was determined with reference to the historical transacted amounts plus anticipated increase in the services when the market recovers, a cap amount for the financial services included a buffer of approximately HK\$280,000 in respect of services to be provided by Hennabun and its subsidiaries is considered to be acceptable.

The securities brokerage commission charged by Hennabun and its subsidiaries ranged from 0.22% to 0.5% of each transaction. In order to assess the brokerage services provided by Hennabun and its subsidiaries, we have reviewed the commission rate of securities transactions charged by other Hong Kong based brokerage houses in the market, namely Haitong International Securities Company Limited, Yu On Securities Limited, Phillip Securities Group and Chief Securities Limited. We noted that the securities brokerage commission charged by Hennabun and its subsidiaries, lies within the range of market comparables, of which were selected on a random basis and ranged from 0.2% to 0.5% and is in line with market practice. As discussed with the Directors, the amount of services fee in relation to corporate finance advisory services charged by Hennabun and its subsidiaries is on non-recurring basis and depends on the nature, complexity and estimated human resources and time to be allocated to the transactions. In view that the Group has been transacting with Hennabun and its subsidiaries since 2002, which a long-term business relationship has been established and the provision of financial services of Hennabun and its subsidiaries are satisfied by the Group during the past financial years, we therefore concur with the Directors' consideration that the operational convenience would continually be brought to the Group.

(ii) Investment management services

The investment management services, to be provided by CUIM, refer to the services offered under the Investment Management Agreements, at a current monthly investment management fee of HK\$100,000 since July 2011. As consulted with the Directors, we noted that this investment management fee has been raised due to the increase in operating costs, particularly the increase in remuneration packages payable by CUIM to hire and/or retain high calibre staff to prepare the investment reports for the Company. Regarding the increase in investment management fee, the Company has not obtained any fee quotes from other investment managers for comparison. In order to assess the fairness and reasonableness of the Company's investment management fee charged by CUIM, we have reviewed the monthly investment management fee of other Chapter 21 investment companies listed in the Stock Exchange charged by CUIM and other investment managers, which are considered to be exhaustive (one investment company was excluded as its Shares has been suspended from trading since 2008) and are receiving similar payment method

LETTER FROM VINCO CAPITAL

currently adopted by the Company (i.e. fixed investment management fee without any performance target from its clients). Although each of the 8 shortlisted Chapter 21 investment companies and their corresponding investment managers may have their unique characteristics in terms of the backgrounds, experience or any other specific terms in their investment management agreements, we are of the view that the following analysis can still provide a general picture on the fixed fees charged by investment managers in the market. In order to take into account of the variance in the total NAV, which is considered to be an important determinant of the amount of the investment management fee, of those Chapter 21 investment companies paying a fixed investment management fee, we have performed our analysis based on a percentage of fixed investment management fee as to the total NAV of the Chapter 21 investment companies as at 30 September 2011, which is the latest available total NAV closest to the entering of the Financial Service Agreement. The results of our analysis are as follow:

Company name	Stock code	NAV HK\$ (approximately)	Monthly fixed investment management fee HK\$ (approximately)	Percentage of monthly fixed investment management fee as to total NAV % (approximately)
Earnest Investments Holdings Limited	339	46,858,500	30,000	0.064%
China Investment Fund Company Limited	612	221,884,800	150,000	0.068%
Mastermind Capital Limited	905	91,641,600	41,667	0.045%
Unity Investments Holdings Limited	913	280,273,070	100,000	0.036%
New Capital International Investment Limited	1062	273,350,535	33,333	0.012%
Grand Investment International Limited	1160	53,568,000	24,000	0.045%
National Investments Fund Limited	1227	181,195,003	89,583 (Note)	0.049%
China Financial Leasing Group Limited	2312	21,816,850	55,000	0.252%
		Average	65,448	0.071%
		Maximum	150,000	0.252%
		Minimum	24,000	0.012%
The Company		165,248,128	100,000	0.061%

Source: The Stock Exchange

LETTER FROM VINCO CAPITAL

Note: As set out in the announcement of National Investments Fund Limited dated 17 May 2011, the monthly investment management fee payable to CUIM was HK\$50,000 for the five months period, with effective from 16 May 2011 and revised to HK\$100,000 per month thereafter till 15 May 2013, details of which may refer to such announcement. Therefore, the effective monthly investment management fee would be approximately HK\$89,583.

As shown from the table above, the monthly fixed investment management fees paid by these Chapter 21 investment companies ranged from HK\$24,000 to HK\$150,000 per month, with an average of HK\$65,448. The percentage of the monthly fixed investment management fee as to the total NAV of the Chapter 21 investment companies ranged from approximately 0.012% to approximately 0.252%. The HK\$100,000 investment management fee to be charged by CUIM represents approximately 0.061% of the total NAV of the Company, which lies within the range of those Chapter 21 investment companies paying fixed investment management fee in the market. Considering (i) the increase in the fixed investment management fee charged by CUIM is still within the market comparables; and (ii) the long-term business relationships with CUIM has already established in-depth knowledge and full understanding of the investment policy of the Board, the Company would not require any additional costs to deal with a new investment manager, we considered the fee charged by CUIM is justifiable. The investment management fee payable under the Investment Management Agreements, which is included in the cap amounts of the investment management services, is based on a fixed fee and is not tied to the performance of the investments of the Company. As confirmed by the Directors, a fixed fee model would enable the Company to pre-determine its expenses and budget in that the fee would not be affected by market changes. It would also arrest any potential increases in fees in the event of a market turnaround. In addition, the fixed investment management fee was determined with reference to the duties and responsibilities of CUIM, the scope of work to be carried by it, the relevant academic qualification and working experience of its staff. Having considered that CUIM does not responsible for any investment and/or divestment decision for and on behalf of the Company and the fixed investment management fee charged by CUIM is within the market comparables, we are of the view that the fixed investment management fee charged by CUIM is acceptable.

As noted from the Letter from the Board that CUIM acts as the investment manager of the Company and other two Chapter 21 investment companies. CUIM 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 of the executive Directors, and monitoring investments of the Company in accordance with the Investment Management Agreements, the Articles and the investment policies of the Company. However, CUIM does not execute any trade on or for behalf of the Company. The executive Directors are 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. We note that there are other Chapter 21 investment companies in the market for which the execution of investment and divestment decisions is performed by the board, rather than their investment managers. Therefore, the Company is not the only case in which the final investment decisions are made by the board.

LETTER FROM VINCO CAPITAL

CUIM's separate and independent team which serves the Company exclusively will select appropriate investment reports from the investment reports shares by the teams of CUIM according to the investment guidelines and strategies formulated by the Board from time to time, and will provide the executive Directors with a preliminary investment report for consideration together with its preliminary recommendation in respect of the investments in question. The investment team serving the Company is headed by Dr. Wong Foelan ("Dr. Wong") together with the supporting staff. Dr. Wong's investment team only serves the Company and not other Chapter 21 companies. According to the investment guidelines and policies of the Company, the investment will be mainly made in the form of equity and equity-related securities, debt instruments issued by listed and unlisted companies, which are based primarily in Hong Kong and/or the PRC and are engaged in different industries, but with a certain degree of synergy with other investee companies. The co-operation between such companies would be of mutual benefit to each other, to maintain a balance in the Company's exposure to different industry sectors in order to minimise the impact on the Company of any downturn in any particular sector which is unfavourable in the market. To further elaborate by the Directors, the Directors would link up two investee companies in which their businesses are related. For example, the Company believes that the blooming property market will continue and the Company has made an investment in a property development company and if there is an investment opportunity in an unlisted construction company available to the Company, the Company would consider referring it to the property development company for co-operation after making the investment in it. In such case, it will bring synergy to both of them and their co-operation would be of mutual benefit to each other. As at the Latest Practicable Date, the Directors confirmed that none of the Company's investment meets the above optional investment policy of the Company. Also, in view that the investment objective of the Company is to achieve earning for the Company in form of short to medium term (i.e. less than one year to five years), the Company will seek to identify enterprises in the course of recovery situation such as securities trading below their NAV per share, potential extensive growth in a shorter period and potential attractive returns which may provide. CUIM would identify any investment opportunities in the market that fit the Company's investment objective and then present to the executive Directors for consideration. After studying and discussing the recommendations from CUIM, the executive Directors will then make the final decision on the corresponding investment and once a decision is made, the investment will be entered into by the Company directly as principal and CUIM does not execute any trade on or for behalf of the Company. Based on the records of the Company, totally approximate 125 out of 200 investment advisory reports provided by CUIM which were executed by the Company in the past three financial years. We have reviewed the investment opportunities identified by CUIM in the past three financial years, we note that they were mainly debt or equity securities investment in listed or unlisted enterprises which conduct business in Hong Kong and/or the PRC and were in line with the Company's investment policies and objectives.

LETTER FROM VINCO CAPITAL

Although CUIM does not responsible for any investment and/or divestment decision, pursuant to the investment management agreements entered into between the Company and CUIM, CUIM would devote time and effort to the Company's business as is necessary to promote the interests of the Company. CUIM's separate and independent team serving the Company exclusively would ensure the Company is properly given investment advice under best efforts to facilitate the Company's participation in suitable investments that fall within the Company's investment objectives. Having considered the above investment guidelines and policies of the Company, the fact that all the investment and divestment are approved and executed by the executive Directors and CUIM would allocate sufficient time and efforts to provide investment advice to the Company, we are of the view that the investment management agreements entered into between the Company and CUIM is fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole. CUIM will not execute any investment decision on behalf of any of its clients as well. As such, the Directors believed that there are no any potential conflicts of interest between CUIM's clients in the same investment opportunity since the engagement of CUIM as an investment manager of the Company. In case there are potential conflicts of interest where CUIM recommended the same investment opportunities to other Chapter 21 companies which have similar investment objectives as the Company, the Company will ensure that CUIM 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. We are of the view that the measure is fair and reasonable since it gives CUIM a fair basis to distribute the investment opportunities to the Group with no more favorable terms than those to independent third parties.

Also, we have reviewed the Letter from the Board regarding the qualification and investment management experience of the directors of CUIM in which we concur with the Directors that they have demonstrated compliance with Rule 21.04(1) of the Listing Rules:

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.

LETTER FROM VINCO CAPITAL

From 1996 to 1997, Dr. Wong was a dealer in a securities firm listed in Hong Kong serving several in-house private funds with a size of 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 of a 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 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 of a size of 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 China Enterprise Index and 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.

LETTER FROM VINCO CAPITAL

From 2007 to 2008, Dr. Wong worked for CUIM 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 supervising the fund's investment activities.

Since 2010, Dr. Wong works for CUIM and provides investment advisory reports to Unity Investments Holding Limited, National Investments Fund Limited and the Company, of 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) and do not 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 in the United States (U.S.) in 2010. Dr. Wong is also a director of Hennabun. Dr. Wong was appointed as the managing director of CUIM 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.

Given the extensive fund management experience possessed by Dr. Wong on providing investment management services to several in-house or institutional client funds, we are of the view that Dr. Wong has satisfactory experience in the professional management of investments on behalf of third party investors.

LETTER FROM VINCO CAPITAL

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 CUIM 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.

Although Mr. Pak does not have any experience in the professional management of investments on behalf of third party investors, we considered that his experience in dealing with legally-related matters equipped him to be capable to assist CUIM in relation to any legal advisory.

Mr. Au Yeung Kam Kay (“Mr. Au Yeung”) has devoted himself in the financial service sector since 1981. From 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.

LETTER FROM VINCO CAPITAL

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 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 adjustments 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 CUIM on 3 August 2010.

LETTER FROM VINCO CAPITAL

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.

Given Mr. Au Yeung has substantial experience on overseeing the fund management function of asset management firms and providing investment management service to the CIF, we are of the view that Mr. Au Yeung has satisfactory experience in the professional management of investments on behalf of third party investors.

Miss Chan Wing Yan, Carman (“Miss Chan”) has over 7 years of high level global banking and finance experiences. 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 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 advice to clients and also managed their portfolio. 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 outperformed by approximately 20% on average to that of the S&P/TSX Composite Index.

LETTER FROM VINCO CAPITAL

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 private fund was within 5% of the performance of the Hang Seng Index, whereas the performance of the public fund was on average approximately 50% 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.

LETTER FROM VINCO CAPITAL

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 CUIM 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 CUIM 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.

Given Miss Chan has substantial experience on managing the institutional clients and in-house funds portfolio investment activities and providing investment reports to public and professional investors, we are of the view that Miss Chan has satisfactory experience in the professional management of investments on behalf of third party investors.

Having taken into account of the extensive experience owned by the directors of CUIM, including but without limitation to financial services, legal advisory, asset management, banking and finance experience and other related experience provide comprehensive investment or divestment reports for the executive Directors to approve and execute.

LETTER FROM VINCO CAPITAL

With reference to the past investment performance of the Company, we have reviewed the Company's investment portfolio which is under the management of CUIIM for the last three financial years ended 31 December 2010 and noted that, subject to the effects of global financial crisis and the ensuing volatile market conditions, most of the Company's investments and returns was recorded losses. As confirmed by the Company, the Company's investments and returns during the said period were loss of approximately HK\$388.62 million for the year ended 31 December 2008, a strong recovery of profit in the amount of approximately HK\$58.77 million for the year ended 31 December 2009 and loss of approximately HK\$48.05 million for the year ended 31 December 2010.

In order to assess the performance of the Company, we have examined the changes in NAV per Share as compared to the performance of Hang Seng Index on an annual basis during the year of 2008 to 2010, details have been summarised in the table below. The NAV per Share was adjusted by two consolidations of shares conducted by the Company during the period. Instead of using the total NAV, the adjusted NAV per Share was used because the effect of share consolidations has been taken into account and the incremental effect of any fund raising activities on the NAV of the Company is most likely diluted by a corresponding increase in the number of Shares in issue. The new adjusted NAV per Share would then represent the impact on the share consolidations and the proceeds raised from those fund raising activities to certain extent.

	NAV per Share HK\$ (approximately)	Percentage change in adjusted NAV per Share (Note) %	Hang Seng Index	Percentage change in Hang Seng Index %	Percentage of outperformed/ (underperformed) Hang Seng Index %	Comparison
		(approximately)			(approximately)	
2007	0.232	N/A	27,812.65	N/A	N/A	
2008	0.137	(88.19%)	14,387.48	(48.27%)	(39.92%)	Underperformed
2009	0.181	32.12%	21,872.50	52.02%	(19.90%)	Underperformed
2010	0.200	(77.90%)	23,035.45	5.32%	(83.22%)	Underperformed

Source: The Stock Exchange and Yahoo Finance

Note: The percentage figures shown above are calculated base on the adjusted NAV per Share as the Company has conducted two share consolidations during the year of 2008 to 2010. As such, the adjusted NAV per Share has taken into consideration of the effect of consolidation of shares. As refer to its announcements dated 3 January 2008, the Company has consolidated its shares on the basis of every five issued and unissued Shares into one new ordinary Share, which was effective from 26 February 2008. Also, the Company has announced on 3 August 2009, the Company has consolidated every five issued and unissued Shares into one new ordinary Share, which was effective from 23 February 2010.

LETTER FROM VINCO CAPITAL

As noted from above, the Hang Seng Index recorded a downtrend in 2008 as compared to 2007 and then switched to an uptrend during the recovery in 2009 and 2010. The adjusted NAV per Share has recorded a rate of changes underperforming the performance of Hang Seng Index during the period. In order to further assess the performance of the Company among other Chapter 21 investment companies, we have then reviewed the changes in NAV per share of 24 Chapter 21 investment companies. We have excluded 3 investment companies as two of them were either not listed until 2011 or suspended in trading since 2008 and another one designated CUIM as its investment manager. Even though the remaining 21 investment companies, which are exhaustive, may have unique characteristics in terms of their investment objectives, market capitalisation and so forth, these comparables are of similar nature as they are all investment companies as defined under Chapter 21 of the Listing Rules, with investment targets including listed securities in Hong Kong, and we are of the view that such comparison can still provide a general picture on the overall performance of investment companies in the market. The table below shows the percentage change in NAV per share of Chapter 21 investment companies and the percentage of outperformed/underperformed Hang Seng Index during such period.

		Percentage change in NAV per share			Percentage of outperformed/ (underperformed) Hang Seng Index		
		2010	2009	2008	2010	2009	2008
		%	%	%	%	%	%
Benchmark: Hang Seng Index		5.32%	52.02%	(48.27%)			
Stock code	Company name	2010	2009	2008	2010	2009	2008
		%	%	%	%	%	%
133	China Merchants China Direct Investments Limited	(18.61%)	76.54%	(64.70%)	(23.93%)	24.52%	(16.43%)
170	China Assets (Holdings) Limited	8.81%	15.06%	(26.12%)	3.49%	(36.96%)	22.15%
204	Temujin International Investments Limited	(127.88%)	(65.90%)	(61.65%)	(133.20%)	(117.92%)	(13.38%)
310	Prosperity Investment Holdings Limited (Note 1)	(75.26%)	(41.54%)	(50.76%)	(80.58%)	(93.56%)	(2.49%)
339	Earnest Investments Holdings Limited	31.32%	62.73%	(80.43%)	26.00%	10.71%	(32.16%)
428	Harmony Asset Limited	14.11%	8.75%	(17.44%)	8.79%	(43.27%)	30.83%
612	China Investment Fund Company Limited	8.33%	50.00%	(42.86%)	3.01%	(2.02%)	5.41%
666	SHK Hong Kong Industries Limited	0.00%	(6.25%)	(38.46%)	(5.32%)	(58.27%)	9.81%
721	China Financial International Investments Limited	0.00%	87.50%	(27.27%)	(5.32%)	35.48%	21.00%
768	UBA Investments Limited	29.81%	20.93%	(48.81%)	24.49%	(31.09%)	(0.54%)
770	Shanghai International Shanghai Growth Investment Limited	32.34%	(3.29%)	(19.80%)	27.02%	(55.31%)	28.47%
810	Opes Asia Development Limited	3.48%	57.35%	(51.26%)	(1.84%)	5.33%	(2.99%)
905	Mastermind Capital Limited	152.63%	0.00%	90.00%	147.31%	(52.02%)	138.27%
1062	New Capital International Investment Limited	14.53%	3.69%	(7.81%)	9.21%	(48.33%)	40.46%
1140	OP Financial Investments Limited	5.49%	36.67%	9.09%	0.17%	(15.35%)	57.36%
1160	Grand Investment International Limited	(11.43%)	2.94%	(26.09%)	(16.75%)	(49.08%)	22.18%
1217	China Innovation Investment Limited	20.00%	0.00%	3.73%	14.68%	(52.02%)	52.00%
1226	China Investment and Finance Group Limited	66.67%	(101.85%)	378.48%	61.35%	(153.87%)	426.75%

LETTER FROM VINCO CAPITAL

Stock code	Company name	2010 %	2009 %	2008 %	2010 %	2009 %	2008 %
1227	National Investments Fund Limited <i>(Note 2)</i>	(18.75%)	23.08%	(48.00%)	(24.07%)	(28.94%)	0.27%
2312	China Financial Leasing Group Limited <i>(Note 3)</i>	190.00%	(71.43%)	(82.28%)	184.68%	(123.45%)	(34.01%)
2324	Capital VC Limited <i>(Note 4)</i>	10.28%	(30.62%)	(31.82%)	4.96%	(82.64%)	16.45%
	Average	15.99%	5.92%	(11.63%)			
	Maximum	190.00%	87.50%	378.48%			
	Minimum	(127.88%)	(101.85%)	(82.28%)			
	Total number of comparables which outperformed Hang Seng Index				13	4	14
	Total number of comparables which underperformed Hang Seng Index				8	17	7
901	The Company <i>(Note 5)</i>	(77.90%)	32.12%	(88.19%)			

Source: The Stock Exchange and Yahoo Finance

Notes:

1. As refer to the announcement of Prosperity Investment Holdings Limited (“Prosperity Investment”) dated 17 January 2008, it has consolidated its shares on the basis of every ten issued and unissued shares into one new ordinary share, which was effective from 27 February 2008. As such, the percentage change in NAV per share of Prosperity Investment has taken into consideration of such consolidation of shares.
2. As refer to the announcement of National Investments Fund Limited (“National Investments”) dated 6 August 2010, it has consolidated its shares on the basis of every five issued and unissued shares into one new ordinary share, which was effective from 14 September 2010. As such, the percentage change in NAV per share of National Investments has taken into consideration of such consolidation of shares.
3. As refer to the announcement of China Financial Leasing Group Limited (“CFL”) dated 4 November 2008, it has consolidated its shares on the basis of every five issued and unissued shares into one new ordinary share, which was effective from 19 December 2008. As such, the percentage change in NAV per share of CFL has taken into consideration of such consolidation of shares.
4. As refer to the announcements of Capital VC Limited (“Capital VC”) dated 3 June 2008 and 15 January 2009, it has conducted two consolidations of shares, of which it has consolidated its shares on the basis of every two issued and unissued shares into one new ordinary share, which was effective from 18 August 2008. Also, it has consolidated its shares of every five issued and unissued shares into one new ordinary share, which was effective from 16 February 2009. As such, the percentage change in NAV per share of Capital VC has taken into the consideration of such consolidations of shares.

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5. The Company has conducted two consolidations of shares during the year of 2008 to 2010. As such, the adjusted NAV per Share has taken into consideration of the effect of consolidation of shares. As refer to its announcements dated 3 January 2008, the Company has consolidated its Shares on the basis of every five issued and unissued Shares into one new ordinary Share, which was effective from 26 February 2008. Also, the Company has announced on 3 August 2009, the Company has consolidated its Shares of every five issued and unissued Shares into one new ordinary Share, which was effective from 23 February 2010.

Upon our analysis, we noted that there were (i) 7 out of 21 investment companies which underperformed Hang Seng Index in 2008; (ii) 17 out of 21 investment companies which underperformed Hang Seng Index in 2009 and (iii) 8 out of 21 investment companies which underperformed Hang Seng Index in 2010, in which there were 2 out of 21 investment companies which recorded underperformance for the three years ended 31 December 2010 as well. The underperformance of the Company during the period may be explained by the Company's investment portfolio, including non-blue chip stocks, which would relatively fluctuate to the changes in market. 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 was not the only case among the Chapter 21 investment companies in the market. The Investment Manager is primarily responsible for providing investment reports to assist the Company in making its investment decisions, with all investment decisions being made by the Company. Thus, any reactive action taken by the Company in respond to market changes was primarily made by the Company. Given that the reactive action in respond to market changes is not necessarily limit to investments or divestments and therefore the Company would not necessarily seek the advice of the Investment Manager (except when the Company needs to make investment and/or divestment decisions).

Although the top-ten investments bought by the Group and the top-ten loss investments of the Company during the previous three financial years were all recommended by CUIM, however, given that (i) the investment decisions were approved with reference to the internal procedures evaluated and reviewed by the executive Directors and executed by the executive Directors; (ii) any reactive action taken by the Company in respond to market changes was primarily made by the Company; and (iii) the Company's performance is not the only loss-making Chapter 21 investment companies in the market, we concur with the Directors' opinion that the performance of CUIM is satisfied and the performance of the Company is not affected solely by the performance of CUIM. CUIM, being a licensed person to provide investment advisory for investment companies, has experienced in investment management team and which understands well the Company's investment objectives and the corresponding risks through the long-term engagement. Thus, the Directors believed that CUIM could continually provide valuable investment advice to the Company.

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(iii) Margin financing facility

Margin financing facility to be extended to the Company by Hennabun under the Financial Services Agreement will be a revolving amount that will not exceed the annual cap, which will be repayable on demand where the investment securities of the Company will be used as collateral for such facility. The amount of margin financing to be provided by Hennabun to the Company will be assessed by Hennabun in accordance with the market value of the investment securities of the Company in the custody of Hennabun. The Company will utilise the margin financing facility in accordance with its investment strategy, taking into consideration the then market conditions and the cash flow requirements of the Company. The Company will firstly utilise the cash balance available when making investment and it is only after the cash balance is exhausted will the Company consider using the margin financing facility. The margin financing facility will bear interest at the prevailing market rate, which as at the Latest Practicable Date is between 5% and 8% per annum. In this regard, we have reviewed on the websites of four randomly selected and Hong Kong based brokers who are independent third parties to the Group namely Get Nice Securities Limited, Haitong International Securities Group Limited, Prudential Brokerage Limited and Chief Securities Limited, and noted that the respective margin interest rates, which ranged from 7.5% to 9.252%. We considered the margin interest rate charged by Hennabun and its subsidiaries are fair and reasonable. Meanwhile, the Company will only start to incur margin financing interest if it fails to settle the trade within the required settlement period in the Hong Kong securities market of T+2 days. Should the Company default with its payment of any outstanding amounts under the margin financing facility, Hennabun would be entitled to claim the Company for losses and damages incurred. In order to ensure the fee charged by Hennabun and its subsidiaries is comparable and no more favourable than those to independent third parties, the Company will check the commission rate and the margin interest rate against the updated fee charge notification from Hennabun and its subsidiaries to see if the commission rate and the margin interest rate are in accordance with the fee charge notification which applies to other independent third party customers of Hennabun and its subsidiaries. Upon further elaborate by the Directors, the Company will also compare the commission rate and the margin interest rate charged by Hennabun and its subsidiaries with other securities companies who are independent third parties of the Company on a monthly basis.

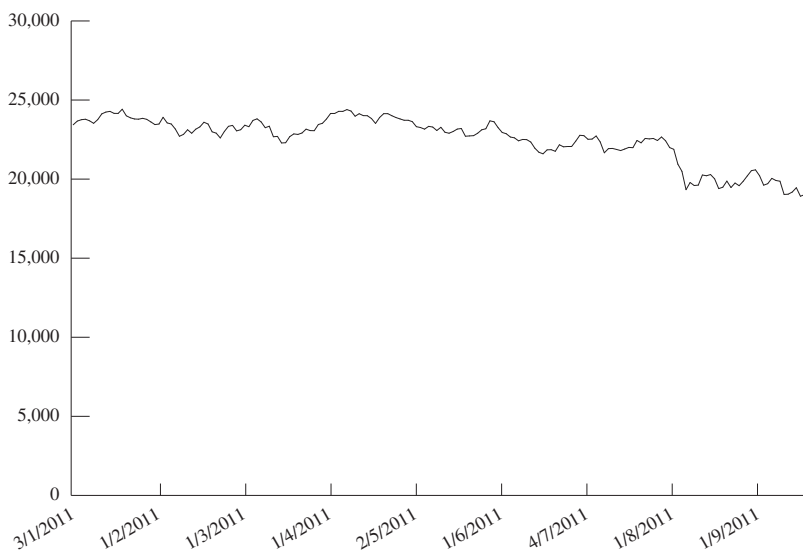
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Having considered that (i) CUIM will not execute any investment and divestment decisions on behalf of any of its clients; (ii) CUIM allocates an exclusive investment management team to serve the Company; (iii) the Company's past performance under the management of CUIM which is subject to market condition; (iv) the qualification and extensive investment management experience of CUIM's directors and the long-term engagement of CUIM would provide valuable investment proposals and advice to the Company; and (v) the measures taken by the Group to ensure the terms of the continuing connected transactions are comparable and no more favorable than those to independent third parties are effective, we are of the view that the Financial Services Agreement is fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. Also, given that the Company is an investment company, the Continuing Connected Transactions are part of the principal business activity of the Company and thus are conducted in its ordinary course of business.

Prospect of the stock market in Hong Kong

Set out the historical closing prices of the Hang Seng Index from 3 January 2011 and up to 21 September 2011 (being the date of the Financial Services Agreement) ("Review Period")

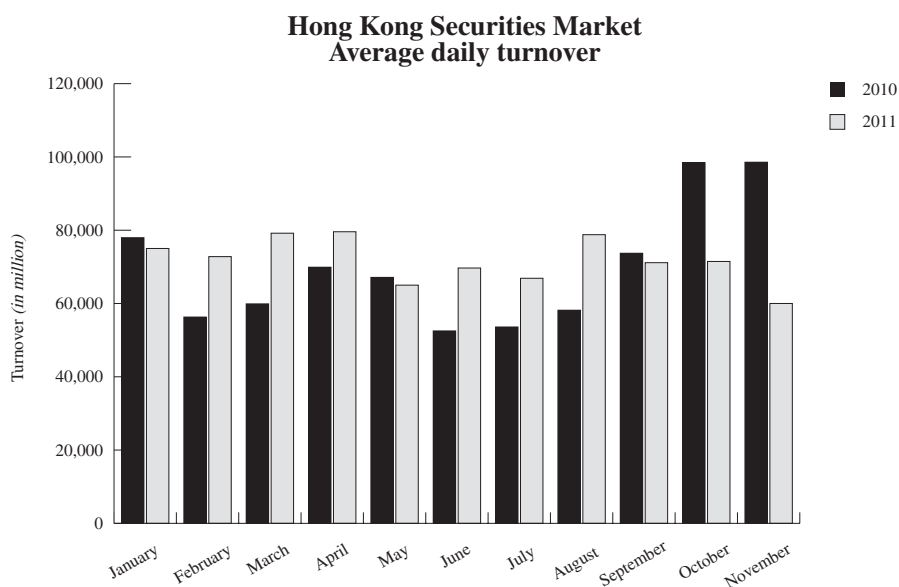
Hang Seng Index



Source: <http://hk.finance.yahoo.com>

As illustrated from the graph above, we noted that the daily closing price of the Hang Seng Index have demonstrated a slightly decreasing trend from a high of 24,420 on 19 January 2011 to a low of 18,824 on 21 September 2011 during the Review Period.

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Source: The Stock Exchange

Based on the chart above, the average daily turnover of Hong Kong securities market was quite stable during the first 11 months of 2011. Due to the recent European sovereign debt crisis, the turnover amount for November 2011 was HK\$60.01 billion, representing a decrease of 39.11% when compared to the corresponding amount of HK\$98.56 billion for the same period of 2010. However, the total trading volume for the first 11 months of the securities market increased from approximately HK\$15.81 trillion in 2010 to approximately HK\$16.23 trillion for the same period in 2011, representing an increase of approximately of 2.65%.

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As noted from the website of the Stock Exchange, the initial public offering (“IPO”) market in Hong Kong raised capital of approximately HK\$17.77 billion, HK\$156.92 billion and HK\$19.69 billion in the first, second and third quarter of 2011 respectively, which falls by approximately 47.67%, increases by approximately 853.92% and decreases by approximately 82.09% when compared to the capital raised of approximately HK\$33.96 billion, HK\$16.45 billion and HK\$109.92 billion during the corresponding periods of 2010. The total capital raised from the IPO market in the first three quarters of 2011 increases to approximately HK\$194.37 billion, representing an increase of approximately 21.22% from approximately HK\$160.34 billion during the same period in 2010. Meanwhile, the placing market in Hong Kong has been active that capital raised in the second quarter of 2011 was approximately HK\$39.89 billion, representing an increase of 326.63% when compared to that of approximately HK\$9.35 billion in the first quarter of 2011. The capital raised from the placing market in the third quarter was approximately HK\$11.05 billion.

As set out in the Company’s interim report 2011 for the six months ended 30 June 2011, the Group is taking a cautious approach in the near future under the growing uncertainty in the global economy. Under the prevailing stock market fluctuations, the Directors, however, are of the opinion that the sustainable growth PRC economy benefits and enhances the performance of the PRC based corporations. Having taken into consideration of the increasing trend in securities transactions (including those relate to IPOs and private placing and stock market turnover), the Group’s transaction amounts with Hennabun and its subsidiaries may increase.

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Principal terms of the Financial Services Agreement

The following table illustrates the actual amounts payable by the Group to Hennabun and its subsidiaries for the Continuing Connected Transactions during each of the two financial years ended 31 December 2010 and for the nine months ended 30 September 2011:

	For the year ended 31 December 2009 <i>HK\$000</i>	For the year ended 31 December 2010 <i>HK\$000</i>	For the nine months ended 30 September 2011 <i>HK\$000</i>
Financial services (excluding investment management services and margin financing facility) provided by Hennabun and its subsidiaries	1,244	1,757 <i>(Note 1)</i>	1,686
Margin financing facility (including margin financing interest) <i>(Note 2)</i>	28,542	40,033	40,506
Investment management services provided by CUIM	480	480	540

Notes:

1. HK\$448,000 was refunded to the Company as commission rebate on the basis of about 75% of the annual commission paid by the Company to CNSL. The net amount was approximately HK\$1,309,000. The commission rebate was provided by the securities broker to the Company as an incentive and promotion to the continuation of the mutual business relationship. The rebate was a one-off refund and does not operate on a recurrent basis. The Company only received the commission rebate in 2010.
2. The amounts payable for the margin financing facility are determined on a revolving facility basis and refer to the maximum amount which may be outstanding in each month during the respective financial years.

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The cap amounts for the Continuing Connected Transactions for the three financial years ending 31 December 2014 will not exceed the following amounts:

	For the year ending 31 December 2012 <i>HK\$000</i>	For the year ending 31 December 2013 <i>HK\$000</i>	For the year ending 31 December 2014 <i>HK\$000</i>
Financial services (excluding investment management services and margin financing facility)	3,300	3,600	4,000
Margin financing facility (including margin financing interests)	50,000	55,000	60,000
Investment management services to be provided by CUIM	1,200	1,300	1,400

Pursuant to the Financial Services Agreement (as subsequently amended), the cap amounts payable are conducted on normal commercial terms and at rates no more favourable to Hennabun and its subsidiaries than those available to the independent third parties with a period of three financial years from 1 January 2012 to 31 December 2014. In determining the cap amounts under the Financial Services Agreement, the Company has primarily adopted the following basis and assumptions, including but not limited to, the historical transacted amounts for the financial services provided by Hennabun pursuant to the 2009 Agreement, the anticipated investment levels of the Group and brokerage, margin financing and other financial services fees payable by the Group for the period to be covered by the Continuing Connected Transactions. Further to our discussion with the Directors, we noted that the Directors have also accounted for (i) the recent monthly turnover volume of the Hong Kong stock market, which amounted to approximately HK\$1,812.01 billion for the eight months ended 31 August 2011; (ii) the recent active equity fund raising market in Hong Kong, which raised approximately HK\$350.18 billion for the eight months ended 31 August 2011 (the corresponding amount raised was approximately HK\$307.65 billion for the same period ended 2010) (as quoted from the website of the Stock Exchange); and (iii) the anticipation of recovery in the capital market. Although the historical amounts for the two years ended 31 December 2010 and the nine months ended 30 September 2011 were significantly lower than the annual cap proposed under the Financial Services Agreement, the Directors consider that it was due to the stagnant market as a result of the financial crisis in 2008 and the slow recovery in the global capital market and the recent market downturn. With the period to be covered by the Financial Services Agreement, the Directors consider that it is prudent to set the annual caps at a higher level in anticipation of recovery in the capital market.

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As mentioned, the Group has been transacting with Hennabun and its subsidiaries since 2002, the continual engagement of Hennabun and its subsidiaries would ensure the Group has the service provider which has (i) in-depth knowledge and full understanding of the investment policy of the Board; (ii) the consistence in the standard of identifying investment opportunities and the corresponding risks for the Group; (iii) the continuous provision of the latest market information updates and investment advisory for the Group; and (iv) the investment management services, financial services and margin financing services availability to the Group. Accordingly, we are of the view that even though the cap amounts for investment management services (including a buffer), financial services (including a buffer) and margin financing facility (including a buffer) are higher than the respective historical transacted amounts, they are still fair and reasonable.

With respect to the basis and assumptions of the proposed cap amounts for investment management services, we noted that the cap amounts for investment management services are determined with reference to the duties and responsibilities of the Investment Manager, the scope of work to be carried by it, the relevant academic qualification and working experience of its staff, the inflation factor especially the increasing remuneration packages payable to hire and/or retain high calibre staff to prepare the investment reports for the Company. No buffer amount has been included in determining the proposed cap for investment management services, the proposed cap for 2012 is estimated based on the historic amount incurred, and the proposed cap for 2013 and 2014 account for 10% increase for each year. With respect to the basis and assumptions of the cap amounts for financial services (excluding investment management services to be provided by CUIM and margin financing facility), we noted that they are determined with reference to the following parameters: (i) the historical brokerage fee charged by Hennabun and its subsidiaries; (ii) the expected turnover volume of the Group as determined by the Directors according to the prevailing market conditions; (iii) the expected financial advisory service fee based on past experience; and (iv) a buffer of approximately HK\$280,000 was included in determining the proposed caps. With respect to the basis and assumptions of the proposed cap amounts for margin financing facility (including margin financing interest), we noted that they are determined with reference to the revolving amount for margin financing facility during each of three financial years ending 31 December 2011, in which the Board considers the growing uncertainty in the global economy could lead to an inflow of money in Hong Kong stock market and the volatility of the prevailing stock market may also provide good investment opportunity to the Group. No buffer amount has been included in determining the proposed cap for margin financing facility, the proposed cap for 2012 is estimated based on the historic amount incurred, and the proposed cap for 2013 and 2014 account for 10% increase for each year. Based on our review and discussion with the Directors, we are of the view that the abovementioned assumptions are fair and reasonable to the Company and the Independent Shareholders as a whole.

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To assess the fairness and reasonableness of the cap amounts for the Financial Services Agreement and the Continuing Connected Transactions, we have further discussed with the Directors and are given to understand that such cap amounts have been set at similar amounts to the existing transactions amounts with Hennabun and its subsidiaries and with a buffer included so as to allow the Group to have greater flexibility in conducting its investment business using the financial services provided by Hennabun and its subsidiaries. The buffer is justifiable as the Company does not need to pay any fee to Hennabun upon entering into the Financial Services Agreement. Therefore, the Directors negotiated the cap amounts on a prudent basis in order to have a greater flexibility in conducting its investment business. On the contrary, the Company may incur additional costs to obtain further approval from the Independent Shareholders if the cap amounts are exceeded.

In addition, we are advised by the Directors that the cap amounts have been and will be on normal commercial terms determined after arm's length negotiation between the Group and Hennabun and its subsidiaries and the Financial Services Agreement and the Continuing Connected Transactions will be on terms no more favourable than terms available to independent third parties. In this regard, we have reviewed the pricing terms and the interest rates of certain sample transactions in relation to the provision of financial services and margin financing facility which the Group had conducted with Hennabun and its subsidiaries and other independent third parties and the monthly investment management fee charged by the investment manager of other Chapter 21 investment companies listed on the Stock Exchange. Based on our review, we are of the view that the Continuing Connected Transactions were in line with terms charged by other independent third parties for those similar transactions and were on terms which are no less favourable to the Group extended by independent third parties.

Given that the Continuing Connected Transactions are on terms no less favourable to the Group than those offered to the Group by independent third parties and the long established relationship between the Group and Hennabun and its subsidiaries, the Directors are of the view that it is in the interest of the Group to continue the Financial Services Agreement and the Continuing Connected Transactions with Hennabun and its subsidiaries. To comply with the requirements of the Listing Rules, the Company and Hennabun have to enter into the Financial Services Agreement so as to allow the Group to continue its Continuing Connected Transactions with Hennabun and its subsidiaries that are in the ordinary and usual course of business of the Group. As advised by the Directors, the procurement of other independent third parties to provide investment management services, financial services and margin financing facility to the Group may subject to lengthy negotiation and may result in substantial search and administrative costs.

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Taking into consideration that (i) the terms of the Financial Services Agreement are determined after arm's length negotiation between the Group and Hennabun and its subsidiaries and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group; (ii) the Continuing Connected Transactions will be conducted on normal commercial terms and on terms no less favourable than those offered by independent third parties; and (iii) the continuation of the long established relationship between the Group and Hennabun and its subsidiaries would not result in lengthy negotiation and substantial search and administrative costs for the Group, we are thus of the opinion that the terms of the Financial Services Agreement in relation to the investment management services, financial services and margin financing facility are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

2. Proposed grant of the Issue Mandate

Background of the proposed grant of the Issue Mandate

The Company is an investment company listed under Chapter 21 of the Listing Rules and the Group is principally engaged in the investment in both listed and unlisted companies.

Given that the Shareholders have voted against the resolutions proposed to refresh the mandate to issue shares at the annual general meeting held on 30 June 2011 and the Company currently does not have a general mandate from the Shareholders to issue new Shares and the proposed grant of the Issue Mandate will enhance the financial flexibility of the Company to conduct fund raising activities as and when the opportunities arise, the Directors thus proposed to pass an ordinary resolution at the EGM to approve the proposed grant of the Issue Mandate in accordance with Rule 13.36(4) of the Listing Rules to issue and allot Shares not exceeding 20% of the entire issued share capital of the Company as at the date of the EGM.

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Based on the 214,664,076 Shares in issue as at the Latest Practicable Date, subject to the approval of the proposed grant of the Issue Mandate at the EGM, the Directors would be allowed to issue and allot up to a maximum of 42,932,815 new Shares under the proposed grant of the Issue Mandate, representing 20% of the issued share capital of the Company on the basis that no further Shares will be issued or repurchased before and up to the date of the EGM.

Fund raising activities in the past twelve months

Set out below summarises the fund raising activities conducted by the Company in the past twelve months:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds
8 April 2011	Rights issue on the basis of four rights shares for every Share held	Nil (<i>Note 1</i>)	Not applicable
29 June 2011	Rights issue on the basis on one rights share for every two Shares held	HK\$51.67 million (<i>Note 2</i>)	For the committed investments of the Group in Bao Yuan Holdings Limited (“Bao Yuan”) and as general working capital of the Company and further investments in listed securities
7 November 2011	Proposed rights issue on the basis of four rights shares for every Share held	HK\$122.89 million (estimated amount as the rights issue, subject to the Shareholders’ approval at the extraordinary general meeting, and has not yet completed)	For general working capital, 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

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Note:

1. The rights issue was not approved by the Shareholders at the extraordinary general meeting held on 27 June 2011 and has since lapsed.
2. It was stated in the prospectus of the Company dated 15 July 2011 that the proceeds from the rights issue will be applied to the committed investments of the Group in Bao Yuan and 3D-GOLD Jewellery Holdings Limited (“3D-GOLD”) and as general working capital of the Group and further investments 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:

Investee companies	Amount invested <i>HK\$'000</i>
Bao Yuan Holdings Limited	6,923
Tack Fiori Group International Limited	19,180
Heritage International Holdings Limited	3,390
Dragonite International Limited	10,487
Wo Kee Hong (Holdings) Limited	3,100
Convertible bond issued by Rising Development Holdings Limited	<u>6,000</u>
Sub-total	49,080
General working capital of the Group	<u>2,590</u>
Total	<u><u>51,670</u></u>

Save as disclosed above, the Company has not carried out other capital raising activities in the twelve months immediately preceding the Latest Practicable Date.

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Financial flexibility

As noted from the Company's announcement dated 30 June 2011, the Shareholders have voted against the resolutions proposed to refresh the general mandate to issue shares at the annual general meeting held on 30 June 2011. As confirmed by the Directors, a small number of Shareholders held an aggregate of 69,579,200 Shares (the "Relevant Shares"), representing approximately 67.62% of the number of Shares voting at the extraordinary general meeting held on 27 June 2011, which they acquired between April and June 2011, had voted down the proposed rights issue of the Company announced on 8 April 2011. The Company was concerned about the ownership of the Relevant Shares and carried out the investigation subsequently, such findings were reported to the SFC and the Stock Exchange for further action. The same group of Shareholders holding the Relevant Shares voted against, among others, the resolution to refresh the general mandate at the annual general meeting held on 30 June 2011. The Company believes that the proposal to refresh the general mandate was voted down by this group of Shareholders not because of their concerning on the proposed general mandate but rather for their own vested interest and/or agenda. Based on the results of the investigation, these Shareholders sold most of the Relevant Shares. The Directors believe that these Shareholders were interested in a short-term gain through the trading in the Shares rather than in the long-term development of the Company. Thus, it would not be in their interests to approve any resolutions which may dilute their shareholdings in the Company before their interests were disposed. Since then, the Company does not have a general mandate from the Shareholders to issue Shares, the Directors believe that the general mandates to issue Shares were primarily used by the Company in the past to raise funds for general working capital and investment in listed securities pursuant to the investment objectives of the Company. According to our discussion with the Directors, we note that the Group has not yet identified or planned any specific applications or uses in which the Issue Mandate would be utilised for. In order to review the fairness and reasonableness of the proposed grant of Issue Mandate, which has been turned down by the Shareholders at the annual general meeting held on 30 June 2011, we have reviewed 17 circulars regarding similar transactions published by the companies listed in the Stock Exchange, in which no Chapter 21 investment companies were included, within three months preceding the Latest Practicable Date and it is exhaustive to reflect recent market practice. There are 14 out of 17 transactions did not have specific purpose in the use of potential net proceeds but the purpose of grant such mandate for directors of those listed companies would provide flexibility means for their company to raise further capital through the issue of new shares for their future business development if and when opportunities arises. As such, the grant of Issue Mandate is not an

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abnormal or uncommon case in the market but in line with the market practice. As per our further discussion with the Directors, the Directors consider to propose the same proposal for Shareholder's approval as the Shareholders who voted against the general mandate at the annual general meeting previously had already sold most of the Relevant Shares and in order to enable the Company to further develop. Further, the Directors believe that the existing Shareholders would give their support to the proposed grant of Issue Mandate taking into account of the Issue Mandate would provide the financial flexibility of being able to raise funds quickly by the issue of shares. As attractive investment opportunities normally attract a number of other potential investors competing with the Company, the Company's ability to raise funds immediately is thus an important factor in securing an investment. The lack of this flexibility could seriously impair the Company's ability to seize attractive investment opportunities and disadvantage the Company against its competitors, which would not be in the interest of the Company and the Shareholders as a whole. We concur with Directors' view taken into account of the recent market situation. The market volatility these days is high and investment opportunities may only appear in a short period of time. Should the Company does not have liquid resources to invest immediately, it may lose the opportunity to invest in the target security in valuation which is justified by the Group. The investment opportunity may be just appear once in a long term. Considering the Company will not utilise the Issue Mandate until attractive and suitable investment opportunities are available and the Issue Mandate can provide a flexibility to raise funds to seize any potential investment opportunity in a timely manner, we are of the view that financial flexibility is crucial for the Group's investment activities and in the interest of the Shareholders as a whole.

Certain of the Company's investments have reported losses due to the depreciation in their stock price as a result of the downturn in the securities market. Notwithstanding, the volatility of the securities market as a result of the lingering concerns over the European sovereign debt, the US monetary policy and austerity measures in the PRC, the Directors consider that it is important for the Company to raise fund quickly to seize any potential investment opportunities that may arise in the future. Given that (i) investment performance of the Group's portfolio are largely in line with global market trend; (ii) the Group's investments are supervised by the Investment Manager; and (iii) the Group has adopted sufficient investment guidelines and policies, we concur with the Directors' opinions that the proposed grant of the Issue Mandate will provide the Company with additional flexibility in deciding the alternatives in funding for any investment opportunities that may arise in the future and for the purpose of additional funding requirements of the Group.

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The Directors advised that they have considered the possibility of seeking a specific mandate, however, there is no assurance that the granting of specific mandate would be sought in a timely manner. As confirmed by the Directors, no specific target has been identified as at the Latest Practicable Date and the scale of investment will be subject to investigation on the possible target investment and negotiation with the potential vendor. Also, the Directors confirmed that they have considered the possibility of seeking a specific mandate when specific project is identified. However, the Directors considered that timely decision making is critical to grasp opportunities arising from the prevailing market condition. As such, they considered granting of specific mandate which is subject to the approval of the Independent Shareholders may cause undue delay to the Group to grasp the opportunities in a timely manner.

We note that the Company has loss-making results in recent reporting periods and has a frequent fund raising history. However, since the global financial crisis emerged in 2008, many of the investment professions in the industry suffered from the crisis and their investment performance has been adversely affected under the unprecedented market instability and volatility. Investment professions, including those Chapter 21 investment companies listed in the Stock Exchange, who can consistently outperform the market are rarely seen. In order to turnaround its performance, it is necessary for the Company, with the support from CUIM, to continuously manage its investment portfolio by exploring attractive new investment opportunities and review its existing investments. In case the Company does not want to realise or liquidate its existing investments, which may due to a number of factors such as unfavourable market timing and unfavourable market conditions, fund raising activities may be necessary to finance such new investment. With reference to the announcement of the Company dated 7 November 2011, a rights issue has been proposed by the Company. Given the fact that the net proceeds from the proposed rights issue have been planned to be utilised on certain investee companies identified by the Company, the proposed Issue Mandate will therefore provide a financial flexibility and timeliness to the Company in executing potential investment advices provided by CUIM in the coming future. Moreover, the Company currently does not have any general mandate since the last annual general meeting and there are still about a half year before the next annual general meeting of which the Company will be able to obtain the general mandate upon the approval of Shareholders, the Issue Mandate will enable the Company to make investment decisions in a timely and efficient manner during the gap period before the next annual general meeting. Notwithstanding the fact that two out of four executive Directors were appointed by the Company in June 2011 and without third party fund management experience, they have diversified backgrounds and the rest of two executive Directors, who have served the Company for over 6 years and 9 years, are equipped with experience in third party fund management, it will enable the Company, with the advices from CUIM, in making more informed investment decision on investees companies in

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different industries. Therefore, the Company may also improve its risk-and-return position of its portfolio through a better diversification. Based on the aforesaid, we are of the opinion that the proposed grant of the Issue Mandate is in the interests of the Company and the Independent Shareholders as a whole.

Other financing alternatives

As advised by the Directors, the Group would normally consider both debt financing and equity financing for funding its future development of the Group, depending on the financial position, capital structure and cost of funding of the Group as well as the prevailing market condition. However, bank financing and debt financing will usually incur interest burden on the Group and may be subject to, including but not limited to, lengthy due diligence and negotiations with the banks. The alternative options encompass certain uncertainties and are time-consuming as compared to equity financing.

With respect to the other forms of pro rata equity financing method such as rights issue and open offer, the Directors also consider that such pro rata equity financing even though it would incur substantial costs in form of legal costs and underwriting commission. As per the discussion with the Directors, we understood that the Company would implement a rights issue if the Company is able to procure favourable terms in commercial underwriting. Although an open offer is similar to a rights issue, the rights issue enables the qualifying shareholders to trade in the nil-paid rights in the market for economic benefits, which the Company considers it would be fair to those Shareholders, who decide not to participate in the rights issue. Under the prevailing volatility market condition, a timely decision for investment is crucial to the Company. If lack of this flexibility, the Company could be seriously impaired for seizing attractive investment opportunities and which is disadvantageous to the Company when compared to its competitors. Accordingly, the Directors still consider that the Issue Mandate may provide an alternative to fund any possible business development or investment opportunities of the Group. Further, the Directors confirmed that they would exercise due and careful consideration when choosing the appropriate financing method available to the Group when suitable investment opportunities arise. Having considered that (i) investment opportunities which may arise at any time and require prompt decision by the Group; (ii) the bank financing and debt financing will incur additional interest burden to the Group and cause lengthy due diligence, we thus concur with the Directors' view that the Issue Mandate will provide the Company an additional financing alternative for the Company to raise funds for its future investments or business developments. Also, we considered that it is in the interest of the Company and the Independent Shareholders as a whole and is reasonable for the Company to have the flexibility in deciding the best financing methods for any future investments or business developments.

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Potential dilution to shareholding of the Independent Shareholders

Set out below is table illustrating the shareholdings of the Company as at the Latest Practicable Date and showing the potential dilution effect on the shareholdings of the Shareholders:

	As at the Latest Practicable Date		Immediately after full utilisation of the proposed grant of the Issue Mandate	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Chan Chak Kai Kenneth	25,000,000	11.65	25,000,000	9.71
Mascotte Holdings Limited	10,840,000	5.05	10,840,000	4.21
Shares that may be issued under the proposed grant of the Issue Mandate	–	–	42,932,815	16.67
Public Shareholders	<u>178,824,076</u>	<u>83.30</u>	<u>178,824,076</u>	<u>69.41</u>
	<u><u>214,664,076</u></u>	<u><u>100.00</u></u>	<u><u>257,596,891</u></u>	<u><u>100.00</u></u>

For illustrative purpose, immediately after the full utilisation of the proposed grant of the Issue Mandate, 42,932,815 new Shares will be issued, representing approximately 20.00% of the entire issued share capital of the Company as at the Latest Practicable Date, and approximately 16.67% of the then entire issued share capital of the Company as enlarged by the Shares issued under the proposed grant of the Issue Mandate.

The aggregate shareholding of the public Shareholders will decrease from approximately 83.30% to approximately 69.41% upon full utilisation of the Issue Mandate, representing a potential maximum dilution of approximately 13.89%. Taking into account that (i) the Issue Mandate will provide an alternative to increase the amount of capital of the Company; (ii) the Issue Mandate will provide more financing alternatives to the Group for potential investment and/or business development when such opportunities arise and; (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally according to their respective shareholdings upon any utilisation of the Issue Mandate, we consider such potential maximum dilution to shareholdings of the Independent Shareholders to be acceptable.

LETTER FROM VINCO CAPITAL

D. CONCLUSION

Having considered that (i) the entering of Financial Services Agreement would continually bring operational convenience to the Group; (ii) the terms of each of the financial services, investment management services and margin financing facility are fair and reasonable; (iii) CUIM's directors have satisfactory experience in the professional management of investments on behalf of third party investors, (iv) the recent positive market sentiments and the increasing trend in securities trading, (v) the basis and assumptions for determining the annual caps for each of the financial services, investment management services and margin financing facility are fair and reasonable; and (vi) the Issue Mandate will provide an alternative to increase the amount of capital of the Company and provide more financing alternatives to the Group for potential investment and/or business development when opportunities arise, we are of the view that the Financial Services Agreement and the Continuing Connected Transaction are entered into under the ordinary and usual course of business of the Group and on normal commercial terms and the Continuing Connected Transactions and the proposed grant of Issue Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM for approving the Financial Services Agreement and the Continuing Connected Transactions and the proposed grant of the Issue Mandate.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

APPENDIX I EXPLANATORY STATEMENT FOR THE REPURCHASE RESOLUTION

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the EGM for approving the Repurchase Resolution. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised of 214,664,076 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no Shares will be issued or repurchased prior to the EGM, the Company is entitled under the Repurchase Mandate to repurchase a maximum of 21,466,407 Shares.

2. REASONS FOR SHARES REPURCHASE

The Directors believe that the Repurchase Mandate is in the interest of the Company and its Shareholders as a whole which enables the Company to repurchase Shares on the Stock Exchange as and when required. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earnings per Share.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands and Hong Kong. The law of the Cayman Islands provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the profits of the Company or the proceeds of a fresh issue of shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the profits of the Company or out of the share premium account of the Company.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2010 (being the latest published audited account) in the event that the power to repurchase Shares pursuant to the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX I EXPLANATORY STATEMENT FOR THE REPURCHASE RESOLUTION

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2011		
January	0.70A	0.59A
February	0.72A	0.64A
March	0.82A	0.66A
April	0.80A	0.55A
May	0.77A	0.57A
June	0.84A	0.58A
July	0.93A	0.60
August	0.63	0.40
September	0.64	0.40
October	0.50	0.43
November	0.46	0.23
December	0.25	0.23
2012		
January (up to the Latest Practicable Date)	0.23	0.23

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases of Shares pursuant to the Repurchase Mandate and in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, have any present intention to sell Shares to the Company or its subsidiaries in the event that the Repurchase Mandate is approved by the Shareholders at the EGM.

6. CONNECTED PERSONS

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, nor have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the substantial Shareholders of the Company are as follows:

Name of Substantial Shareholders	Shareholding as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximately %</i>
Chan Chak Kai Kenneth	25,000,000	11.65
Mascotte Holdings Limited	10,840,000	5.05

In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding of the substantial shareholders in the Company would not increase to such a level that would trigger any mandatory offer obligation under Rules 26 of the Takeovers Code.

8. SHARE REPURCHASES MADE BY THE COMPANY

Neither the Company nor any of its subsidiaries had repurchased any Shares (whether on the Stock Exchange or otherwise) in the last six months preceding the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”).

(b) Interests of substantial Shareholders

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

Name of Shareholder	Capacity	Number and class of securities	Approximate shareholding
Chan Chak Kai Kenneth	Beneficial owner	25,000,000	11.65%

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position 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 held any option in respect of such capital.

Save as disclosed in page 72 of this circular, none of the Directors or proposed Director is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within three years, subject to retirement by rotation and re-election pursuant to the articles of association of the Company and the Listing Rules.

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. MATERIAL ADVERSE CHANGE

The Company announced on 11 July 2011 that it expected to record further loss for the six months ended 30 June 2011 as compared to the loss for the six months ended 30 June 2010. In addition, based on the preliminary review of the management accounts of the Group which have not been confirmed, audited nor reviewed by the Company's auditor, the Company is expected to record greater loss for the year ended 31 December 2011 as compared to the loss for 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 are 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 financial statements of the Group were made up.

6. EXPERTS' QUALIFICATIONS AND CONSENTS

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

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

Name	Qualification
Grand Vinco Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Vinco Capital did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2010, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.
- (b) None of the Directors was materially interested in any contract, save the service contracts, or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Ms. Tong So Yuet. Ms. Tong is a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Institute Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (d) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room 2201, 22/F, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The English text of this circular shall prevail over the respective Chinese text for the purposes of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 2201, 22/F, China United Centre, 28 Marble Road, North Point, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the Memorandum and Articles;
- (b) the annual reports of the Company for each of the two years ended 31 December 2010;
- (c) the interim report of the Company for the six months ended 30 June 2011;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 99 of this circular;
- (e) the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 101 to 138 of this circular;
- (f) the written consent of Vinco Capital referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix;
- (g) the Financial Services Agreement; and
- (h) this circular.

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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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Radford Capital Investment Limited 萊福資本投資有限公司 (the “**Company**”) will be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Thursday, 9 February, 2012 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the financial services agreement dated 21 September 2011 and as subsequently amended (the “**Financial Services Agreement**”) entered into between Hennabun Capital Group Limited and the Company, a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated under the Financial Services Agreement, be and are hereby approved, ratified and confirmed;
- (b) the annual caps for investment management services under the Financial Services Agreement as set out in the circular of the Company dated 18 January 2012 for each of the three financial years ending 31 December 2014 be and are hereby approved;
- (c) the annual caps for financial services under the Financial Services Agreement as set out in the circular of the Company dated 18 January 2012 for each of the three financial years ending 31 December 2014 be and are hereby approved;
- (d) the annual caps for margin financing under the Financial Services Agreement as set out in the circular of the Company dated 18 January 2012 for each of the three financial years ending 31 December 2014 be and are hereby approved; and

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- (e) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute the Financial Services Agreement and all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Financial Services Agreement be and are hereby approved, ratified and confirmed .”
2. **“THAT:**
- (a) subject to paragraph 2(c) of this Resolution, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of the Company (“**Shares**”) or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval given in paragraph 2(a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined);
- (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;

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- (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
- (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the Articles of Association (the “**Articles**”) of the Company from time to time,

shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of Cayman Islands to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company (the “**Shareholders**”) in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

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3. **“THAT:**

- (a) subject to paragraph 3(b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance all applicable laws and regulations and the Articles, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to paragraph 3(a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the approval granted under paragraph 3(a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Shareholders in general meeting.”

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4. “**THAT** conditional upon the passing of Resolutions 2 and 3, the general mandate granted to the Directors to exercise the powers of the Company to allot, issue or otherwise deal with additional securities of the Company pursuant to Resolution 2 as set out in the notice convening the meeting of which this Resolution forms part be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 3 as set out in the notice convening the meeting of which this Resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of such securities of the Company in issue at the date of the passing of this Resolution.”

5. “**THAT**
 - (a) subject to and conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in the share capital of the Company to be issued pursuant to the exercise of share options which may be granted under the Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the granting of share options under the Share Option Scheme of the Company adopted on 7 February 2005 and all other share option scheme(s) up to 10% per cent of the number of Shares in issue at the date of the passing of this Resolution (the “**Scheme Mandate Limit**”) be and is hereby approved; and
 - (b) any Director be and is hereby authorised to do all such acts and execute all such documents to effect the Scheme Mandate Limit.”

6. **THAT** the re-election of Mr. Sam Nickolas David Hing Cheong as an executive director of the Company be and is hereby approved.

7. **THAT** the re-election of Mr. Cheung Wing Ping as an executive director of the Company be and is hereby approved.

8. **THAT** the re-election of Ms. Lam Yan Fong, Flora as an independent non-executive director of the Company be and is hereby approved.

9. **THAT** the re-election of Ms. Ng Yin Ling, Elaine as an independent non-executive director of the Company be and is hereby approved.

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10. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“**THAT** the Articles be and are hereby amended as follows:

- (a) the definitions of “Business Day”, “Ordinary resolution” and “Special resolution” in Article 2(1) shall be deleted in their entirety and replaced with the following new definitions:–

“business day” shall mean a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Designated Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day for the reason of a Number 8 or higher Typhoon Signal, Black Rainstorm Warning or other similar event, such day shall for the purposes of these Articles be counted as a business day.

“Ordinary resolution” a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59.

“Special resolution” a resolution shall be a special resolution when it has been passed by a majority of not less than three fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59.

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(b) Article 8(1) be deleted in its entirety and replaced by the following:–

“8. (1) Subject to the provisions of the Law and the Company’s Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Board may determine.”

(c) Article 9 be deleted in its entirety and replaced by the following:–

“9. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.”

(d) Article 10 shall be amended by deleting sub-paragraph (c) in its entirety and deleting the words “; and” and replacing therefor “.” in sub-paragraph (b).

(e) Article 59(1) shall be deleted in its entirety and replaced by the following new Article 59(1):

“59. (1) An annual general meeting shall be called by Notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered shall be called by Notice of not less than twenty one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings may be called by Notice of not less than fourteen (14) clear days and not less than ten (10) clear business days but if permitted by the rules of the Designated Stock Exchange, a general meeting may be called by shorter notice, subject to the Law, if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and

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- (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. (95%) in nominal value of the issued shares giving that right.”
- (f) Article 59(2) shall be amended by adding after the passage “The notice shall specify the time and place of the meeting and” the following words:
- “particulars of resolutions to be considered at the meeting and”
- (g) Article 66 shall be deleted in its entirety and replaced by the following new Article 66:
- “66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of poll.”
- (h) Article 67 shall be deleted in its entirety and replaced by the following new Article 67:
- “67. The result of the poll shall be deemed to be the resolution of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange.”
- (i) Articles 68, 69 and 70 shall be deleted in their entirety and replaced by the following:
- “68 Deleted
- 69 Deleted
- 70 Deleted”

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- (j) The words “whether on a show of hands or on poll” shall be deleted from Article 73.
- (k) The words “whether on a show of hands or on poll” shall be deleted from Article 75(1).
- (l) Article 81 shall be deleted in its entirety and replaced by the following:–
 - “81. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate) not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.”
- (m) The words “to demand or join in demanding a poll and” be deleted from Article 82.
- (n) The words “, or the taking of the poll, ” be deleted from Article 83.
- (o) The words “including the right to vote individually on a show of hands” be deleted from shall be deleted from Article 85(2).

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(p) Article 87(5) shall be deleted in its entirety and replaced by the following:

“(5) The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

(q) Article 165 shall be deleted in its entirety and replaced by the following:

“165. Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Articles from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appropriate newspapers in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above other than by posting it on a website. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”

NOTICE OF EGM

- (r) A new sub-article (b) as follows shall be added to Article 166 and the original Article 166(b) shall be re-numbered (c):
- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A Notice placed on the Company's website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
- (s) Article 168 shall be amended by the deletion of the words "cable or telex or" before the word "facsimile" and add after the same word the following words "or electronic"

By Order of the Board
RADFORD CAPITAL INVESTMENT LIMITED
萊福資本投資有限公司
Tong So Yuet
Secretary

Hong Kong, 18 January 2012

NOTICE OF EGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's branch registrar in Hong Kong, **Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong** not less than 48 hours before the time fixed for holding the meeting.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.