THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Fairson Holdings Limited**（**鉦皓控股有限公司**）, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stock broker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

Fairson Holdings Limited
鉦 皓 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8132)

(1) MAJOR TRANSACTIONS
FORMATION OF JOINT VENTURE
AND INJECTION OF TECHNOLOGY
(2) CONTINUING CONNECTED TRANSACTION
(3) PROPOSED CHANGE OF COMPANY NAME
(4) PROPOSED SUB-DIVISION OF SHARES
(5) CHANGE IN BOARD LOT SIZE
AND
(6) NOTICE OF EGM

A letter from the Board is set out on pages 9 to 49 of this Circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 50 to 51 of this Circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 52 to 85 of this Circular.

A notice convening the EGM to be held on Monday, 24 March 2014 at 11:30 a.m. at Fung Shui Room II, Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages 134 to 136 of this Circular. A form of proxy for use at the EGM is enclosed with the notice of the EGM.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof, and deposit it with Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

This circular will remain on the "Latest Company Circulars" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the websites of the Company at http://www.sunfairw.com.hk and http://www.irasia.com/listco/hk/fairson.

28 February 2014

CONTENTS

CHARACTERISTICS OF GEM

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

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

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

"AGM"	the annual general meeting of the Company held on 31 July 2013
"Annual Caps"	for the purpose of Chapter 20 of the GEM Listing Rules, means the proposed annual caps of the Arrangement for each of the three financial years ending 31 March 2015, 31 March 2016 and 31 March 2017 as set out under the section headed "Annual Caps" in this circular
"Announcement"	the announcement dated 16 September 2013 made by the Company
"Arrangement"	Zhongyou Yingtai paying the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied by Zhongyou Yingtai to the converted vessels, as set out under the section "Arrangement" in this circular
"Board"	the board of Directors
"Business Day(s)"	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or a public holiday or a day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	the proposed change in the board lot size from 10,000 Shares to 20,000 Subdivided Shares upon the Share Subdivision becoming effective

"Change of Name"	the proposal for the Company to change its English name from "Fairson Holdings Limited" to "China Oil Gangran Energy Group Holdings Limited" and adopt "中油港燃能源集團控股有限公司" as its new Chinese name to replace "鉦皓控股有限公司"
"Change of Name Conditions"	the conditions precedent to the Change of Name as set out in the section headed "Change of Name Conditions" in this circular
"China City Natural Gas"	China City Natural Gas Investment Group Company Limited, a company established in the PRC
"China Oil and Gas"	China Oil and Gas Group Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange (stock code: 603)
"CNG"	compressed natural gas
"Company"	Fairson Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the GEM (stock code: 8132)
"Conversion"	the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry
"Conversion Agreement"	the agreement to be entered into between the JV Company and the vessel owners to set out the terms and conditions of the Conversion
"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Controlling Shareholder"	Fairson Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be held to consider and, if appropriate, approve the Arrangement, Change of Name, Share Subdivision and the matters contemplated thereunder
"First Placing of Convertible Bonds"	the placing of convertible bonds in the aggregate principal amount of HK$55,500,000, which was completed on 24 January 2014 as set out in the announcement of the Company dated 27 January 2014
"Formation of JV Company"	the proposed formation of a joint venture company between the Company, Zhongyou Yingtai and Zhongwaijian pursuant to the terms of the JV Agreement
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board, to be constituted by all the independent non-executive Directors to advise the Independent Shareholders on the Arrangement
"Independent Financial Adviser"	Chanceton Capital Partners Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than those required to abstain from voting at the EGM in relation to the Arrangement, namely Zhongyou Yingtai and its associates

"Injection of Technology"	the injection of the Technology by Zhongyou Yingtai into the JV Company
"JV Agreement"	the joint venture agreement dated 6 September 2013 entered into between the Company, Zhongyou Yingtai and Zhongwaijian relating to the Formation of JV Company, Injection of Technology and the Arrangement (as may be amended and/or supplemented from time to time)
"JV Company"	江西中油港燃能源科技有限責任公司 (Jiangxi China Oil Gangran Energy Technology Company Limited) a joint venture company established as a limited liability company in the PRC by the parties to the JV Agreement pursuant to the JV Agreement
"Kunlun Energy"	Kunlun Energy Company Limited, a company incorporated in the Bermuda with limited liability, whose shares are listed on the Stock Exchange (stock code: 135)
"Latest Practicable Date"	27 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"LNG"	liquefied natural gas
"Parties"	parties to the JV Agreement, namely the Company, Zhongyou Yingtai and Zhongwaijian
"Placing of Shares"	the placing of 11,450,000 Shares at HK$1.56 per Share, which was completed on 2 December 2013 as set out in the announcement of the Company dated 2 December 2013
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency for the time being of the PRC

"Second Placing of Convertible Bonds"	the placing of convertible bonds of up to an aggregate principal amount of HK$99,000,000, as set out in the announcement of the Company dated 19 February 2014
"SFO"	the Securities and Futures Ordinance (Cap. 571)
"Shareholder(s)"	the holder(s) of the issued Shares
"Share(s)"	ordinary share(s) of HK$0.001 each or HK$0.0001 each (upon the Share Subdivision having become effective) in the share capital of the Company (as the case may be)
"Share Subdivision"	the proposed subdivision of every existing share (both issued and unissued) of par value of HK$0.001 into ten (10) new shares of par value of HK$0.0001 each as referred to in the paragraph headed "Proposed Share Subdivision" in this circular
"Sourcing Agreement"	the agreement to be entered into between Zhongyou Yingtai and the vessel owners, pursuant to which the vessel owners shall agree, inter alia, to source LNG from Zhongyou Yingtai as the sole LNG supplier after the respective Conversion
"Subdivided Shares"	new ordinary share(s) of HK$0.0001 each in the share capital of the Company following the Share Subdivision
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology"	the technology developed by Zhongyou Yingtai in relation to the conversion of traditional diesel utilization to LNG utilization in vessels, which was valued at RMB32 million (equivalent to approximately to HK$40.55 million) as at 28 February 2014 by the Valuer
"Valuer"	Roma Appraisals Limited, an independent valuer

"Zhongwaijian"	中外建工程建設有限責任公司 (Zhongwaijian Engineering Construction Limited*), a company established in the PRC with limited liability
"Zhongyou Baoying"	中油寶鷹投資有限責任公司 (Zhongyou Baoying Investment Limited Liability Company*), a company established in the PRC with limited liability
"Zhongyou Yingtai"	江西中油鷹泰天然氣有限責任公司 (Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company*), a company established in the PRC with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Nm^3"	normal cubic meter
"%"	Percent

* *The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HK$ at the rate of RMB1.00 = HK$1.2672. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Subdivision is set out below:

Latest time for lodging proxy forms for the EGM . . . . . 11:30 a.m. on Saturday, 22 March 2014

Date and time of the EGM . . . . . 11:30 a.m. on Monday, 24 March 2014

Publication of the poll results of the EGM . . . . . Monday, 24 March 2014

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Subdivision

The Share Subdivision becomes effective . . . . . Tuesday, 25 March 2014

Free exchange of existing certificates for the Shares for the new share certificates (the "**New Share Certificates**") for the Subdivided Shares commences . . . . . 9:00 a.m. on Tuesday, 25 March 2014

Dealings in the Subdivided Shares commence . . . . . 9:00 a.m. on Tuesday, 25 March 2014

Original counter for trading in existing Shares in board lots of 10,000 Shares temporarily closes . . . . . 9:00 a.m. on Tuesday, 25 March 2014

Temporary counter for trading in Subdivided Shares in board lots of 100,000 Subdivided Shares (in the form of existing share certificates (the "**Existing Share Certificates**")) opens . . . . . 9:00 a.m. on Tuesday, 25 March 2014

Original counter for trading in Subdivided Shares in board lots of 20,000 Subdivided Shares (in the form of new share certificates) Reopens . . . . . 9:00 a.m. on Tuesday, 8 April 2014

Parallel trading in the Subdivided Shares (in the form of new share certificates and Existing Share Certificates) reopens	9:00 a.m. on Tuesday, 8 April 2014
Designated broker starts to stand in the market to provide matching services for the sale and purchase odd lots of Subdivided Shares	Tuesday, 8 April 2014
Temporary counter for trading in Subdivided Shares in board lots of 100,000 Subdivided Shares (in the form of existing share certificates) closes	4:00 p.m. on Wednesday, 30 April 2014
Parallel trading in the Subdivided Shares (in the form of new share certificates and existing share certificates) closes	4:00 p.m. on Wednesday, 30 April 2014
Designated broker ceases to stand in the market to sell and purchase odd lots of Subdivided Shares	4:00 p.m. on Wednesday, 30 April 2014
Free exchange of existing share certificates for new share certificates ends	4:30 p.m. on Wednesday, 7 May 2014

Note: All times and dates refer to Hong Kong local times and dates

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Subdivision and the associated trading arrangements as aforesaid.

Fairson Holdings Limited
鉦皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8132)

Executive directors:
Mr. Yeung Tin Hung *(Chairman)*
Mr. Yeung Shing Wai
Mr. Ho Chun Kit Gregory

Non-executive director:
Mr. Tse Yee Hin, Tony

Independent non-executive directors:
Ms. Eugenia Yang
Mr. Chan Lung Ming
Mr. Ng Ka Chung
Mr. Lau Sung Tat, Vincent

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

Principal place of business in Hong Kong:
Suites 707-9, 7th Floor
Prudential Tower
The Gateway, Harbour City
Kowloon
Hong Kong

28 February 2014

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTIONS
FORMATION OF JOINT VENTURE
AND INJECTION OF TECHNOLOGY
(2) CONTINUING CONNECTED TRANSACTION
(3) PROPOSED CHANGE OF COMPANY NAME
(4) PROPOSED SUB-DIVISION OF SHARES
AND
(5) CHANGE IN BOARD LOT SIZE**

INTRODUCTION

Reference is made to the Announcement in relation to (i) the Formation of JV Company and Injection of Technology; (ii) the Arrangement; (iii) the Change of Name; (iv) the Share Subdivision; and (v) the Change in Board Lot Size.

The purpose of this circular is to provide you with further details of the transactions as set out in the Announcement as required under the GEM Listing Rules.

Each of the Formation of JV Company and Injection of Technology constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules, and the Arrangement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

(1) FORMATION OF JV COMPANY AND INJECTION OF TECHNOLOGY

The JV Agreement Date

6 September 2013

Parties

(1) The Company;

(2) Zhongyou Yingtai; and

(3) Zhongwaijian

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Zhongyou Yingtai and Zhongwaijian and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Subject matter

The Parties entered into the JV Agreement in relation to, inter alia, the Formation of JV Company, which involves Zhongyou Yingtai injecting the Technology into the JV Company as its partial settlement of the capital contribution to the JV Company. As set out in the announcement of the Company dated 27 January 2014, the JV Company has been established in Jiangxi Province under the name 江西中油港燃能源科技有限責任公司 (Jiangxi China Oil Gangran Energy Technology Company Limited) and has obtained the business licence for a term of 30 years. The term of the JV Agreement may be extended at the discretion of the board of directors of the JV Company at six months prior to the expiry of the term of the JV Agreement.

Conditions precedent

The Formation of JV Company and Injection of Technology was conditional upon the fulfillment of the following conditions:

(a) the JV Agreement having being executed by the Parties and approved and registered by the relevant government authorities; and

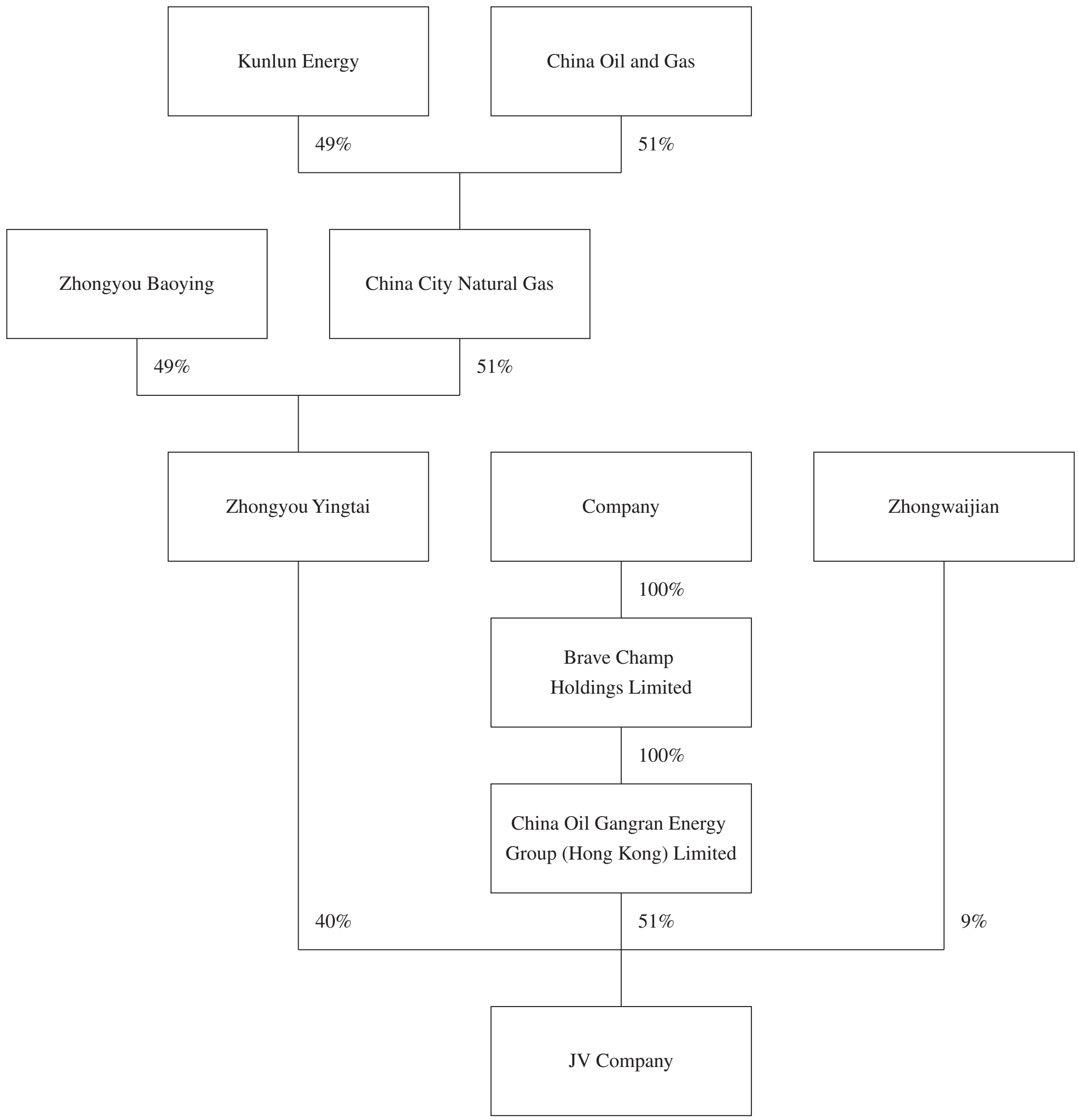
(b) the Company having obtained Shareholders' approval in relation to the JV Agreement, having complied with all provisions of the Stock Exchange and the GEM Listing Rules and all requirements of the Securities and Futures Commission.

The Shareholders' approval was obtained by way of written certificate of the controlling Shareholder of the Company, namely Fairson Holdings (BVI) Limited, for the Formation of JV Company and Injection of Technology. As at the Latest Practicable Date, the JV Company has been set up with an office premises leased and clerical staff recruited ready to liaise with potential customers in the Ganjiang River area.

Shareholding structure of the JV Company

The JV Company is held by the Company through two wholly owned subsidiaries of the Company, namely Brave Champ Holdings Limited, a company incorporated with limited liability in the British Virgin Islands, and China Oil Gangran Energy Group (Hong Kong) Limited, a company incorporated with limited liability in Hong Kong. As such, the JV Company is a non wholly-owned subsidiary of the Company. The accounts of the JV Company will be consolidated into the consolidated financial statements of the Group.

Set out below is the corporate structure of the JV Company as at the Latest Practicable Date:



Composition of the board of directors of the JV Company

Pursuant to the JV Agreement, the board of directors of the JV Company shall comprise 7 directors, of which 4 directors will be nominated by the Company, 2 directors will be nominated by Zhongyou Yingtai and 1 director will be nominated by Zhongwaijian. The directors and chairman and vice chairman of the board of the JV Company shall be appointed in three years terms.

As the JV Company has only been recently established, there are only 5 directors appointed as at the Latest Practicable Date, with 2 of them appointed by the Company. The chairman (who is also the legal representative of the JV Company) of the board of the JV Company is nominated by the Company. The directors nominated and to be nominated by the Company shall have relevant experience and expertise, including but not limited to academic background in engineering or work experience in the water transportation industry or clean energy industry or finance, corporate management area. The Company is of the opinion that suitable candidates can be identified in the near future to fill the vacancy without much difficulties.

Capital contribution

Pursuant to the JV Agreement, the registered capital of the JV Company is RMB100 million (equivalent to approximately HK$126.72 million). Pursuant to the 關於設立中外合資企業"江西中油港燃能源科技有限責任公司"的批復(洪外經貿委審批字[2013]133號 (Approval in relation to the Establishment of the Sino Foreign Joint Venture Enterprise "Jiangxi China Oil Gangran Energy Technology Company Limited"*) obtained from the Nanchang Foreign Economic and Trade Cooperation Committee, the registered capital of the JV Company will be contributed to by the Parties in the following manner:

Name of Party	Equity interest in the JV Company	Capital contribution	Mode and time of payment
Company	51%	RMB51 million (equivalent to approximately HK$64.63 million)	Payment in cash as to RMB35 million (equivalent to approximately HK$44.35 million) has been paid in the first stage (Note 1); and the balance of RMB16 million (equivalent to approximately HK$20.28 million) to be paid in the second stage (Note 2)

Name of Party	Equity interest in the JV Company	Capital contribution	Mode and time of payment
Zhongyou Yingtai	40%	RMB40 million (equivalent to approximately HK$50.69 million)	Payment in cash of RMB10 million (equivalent to approximately to HK$12.67 million) has been paid in the first stage (Note 1); and payment in kind by way of Injection of Technology in the amount of RMB30 million (equivalent to approximately to HK$38.02 million) (Note 3) to be paid in the second stage (Note 2)
Zhongwaijian	9%	RMB9 million (equivalent to approximately HK$11.40 million)	Payment in cash of RMB5 million (equivalent to approximately HK$6.34 million) has been paid in the first stage (Note 1); and the balance RMB4 million (equivalent to approximately to HK$5.07 million) to be paid in the second stage

Note 1: The first capital contribution in the aggregate amount of RMB50 million (equivalent to approximately HK$63.36 million) has been made within 3 months from the obtaining of the business licence of the JV Company. Specifically, the Company has made a contribution of RMB35 million (equivalent to approximately HK$44.35 million) as set out in the announcement of the Company dated 27 January 2014.

Note 2: The second capital contribution in the aggregate amount of RMB50 million (equivalent to approximately HK$63.36 million) will be made within 2 years from the obtaining of the business licence of the JV Company.

Note 3: The market value of the Technology as at 28 February 2014 was valued at RMB32 million (equivalent to approximately HK$40.55 million) by the Valuer.

Save as disclosed above, there is no other capital commitment to be borne by the Parties in respect of the Formation of JV Company and the Injection of Technology as stipulated under the JV Agreement.

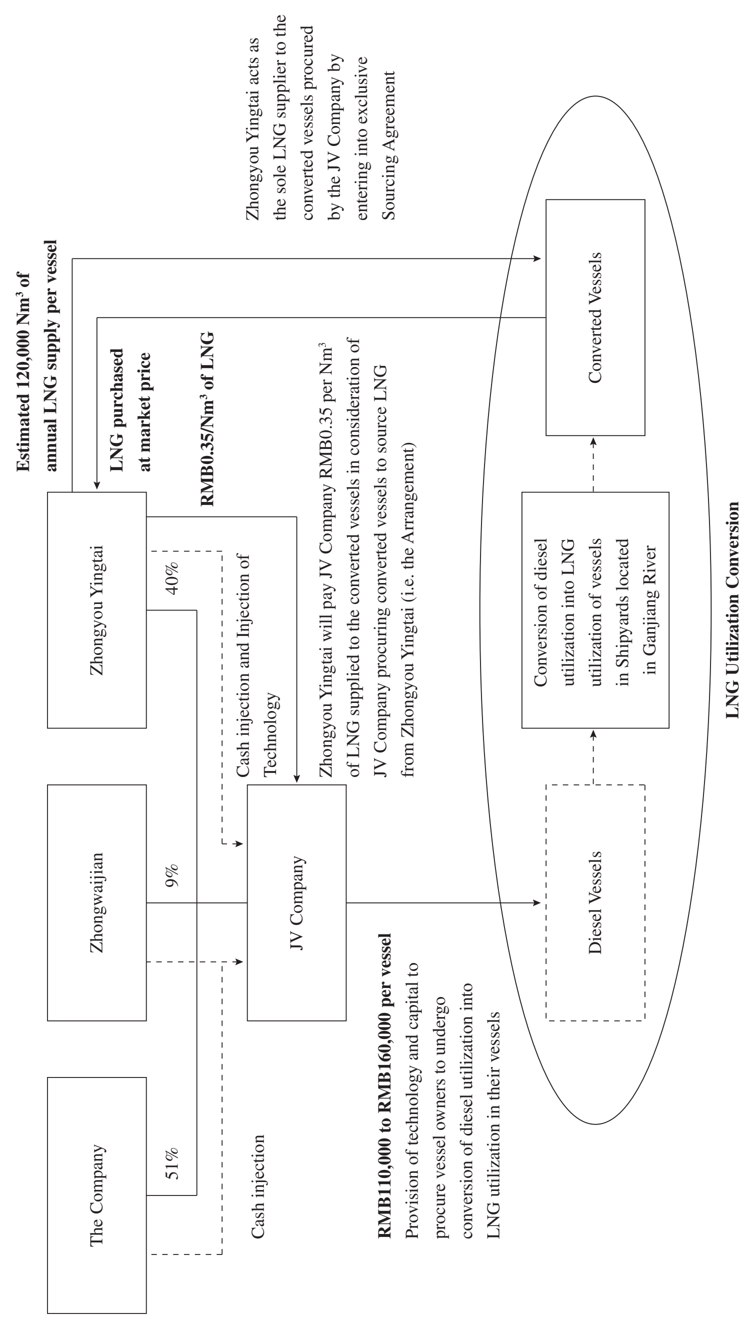
The cash contribution required to be made by the Company to the JV Company in the amount of RMB51 million (equivalent to approximately HK$64.63 million), of which RMB35 million (equivalent to approximately HK$44.35 million) has been paid, has been and will be primarily funded by the internal resources and fund raising activities of the Company. As at the Latest Practicable Date, the internal resource of the Company amounted to approximately HK$28 million. The net proceeds in the amount of HK$17.41 million raised from the Placing of Shares and HK$54.95 million raised from the First Placing of Convertible Bonds have been partially applied to settle the capital contribution in the JV Company.

Save as disclosed above, the Company has no current plans for additional fund raising but may conduct further equity or debt financing if required.

Principal activities of the JV Company

Pursuant to the JV Agreement, the JV Company shall engage in the proposed business of conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry and other LNG, CNG and related clean energy business. As at the Latest Practicable Date, the Parties intended that the JV Company should focus on the business of Conversion, the Parties did not have any concrete plan and had no intention to extend the business of the JV Company beyond the Conversion business.

The following flow chart illustrates the business model of the JV Company:



The JV Company will provide service to vessel owners to convert traditional diesel utilization to LNG utilization by vessels. The JV Company will enter into Conversion Agreement with vessel owners in relation to the Conversion and as a condition of the Conversion Agreement, the vessel owners shall also enter into the Sourcing Agreement with Zhongyou Yingtai pursuant to which the vessel owners shall source exclusively from Zhongyou Yingtai and Zhongyou Yingtai shall supply LNG to the converted vessels. In other words, it comes in a package that the vessel owners have to enter into both Conversion Agreement and Sourcing Agreement in order to obtain the service of Conversion from the JV Company. Although Zhongyou Yingtai briefly communicated with various vessel owners in the Ganjiang River area with respect to the business model of the JV Company during its feasibility study (as set out in the section headed "Business Plan on Conversion"), as the JV Company is only recently established, no Sourcing Agreements or written arrangements have been signed with the vessel owners as at the Latest Practicable Date.

The average lifespan of a vessel is 20 to 30 years. To maximize the profit to be generated from the provision of LNG to the vessels, the JV Company and Zhongyou Yingtai intend to enter into Conversion Agreements and Sourcing Agreements respectively with relatively younger vessels for a term of over 20 years. Under the JV Agreement, the JV Company will also enter into the Arrangement with Zhongyou Yingtai, pursuant to which Zhongyou Yingtai shall pay the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied by Zhongyou Yingtai to the converted vessels under Zhongyou Yingtai's Sourcing Agreements with the vessel owners, for a term of 30 years.

The cost of Conversion shall be borne jointly by the JV Company and the vessel owners, as such the provision of Conversion service is not a source of revenue for the JV Company. The JV Company derives its revenue from the Arrangement which in turn correlates with the Sourcing Agreement. The more LNG Zhongyou Yingtai supplies to the vessel owners under the Sourcing Agreement, the more revenue will the JV Company obtain from the Arrangement. Therefore, to secure a stream of revenue for the JV Company, the JV Parties intended that Zhongyou Yingtai would enter into Sourcing Agreements with vessel owners for a long period depending on the circumstances (including but not limited to the life span of the vessels) and Zhongyou Yingtai would enter into the Arrangement with the JV Company for a term of 30 years (which commensurate with term of the JV Company) to enable the JV Company to indirectly capture revenue from the Sourcing Agreement during the term of the JV Company. As the payback period of the JV Company is estimated to be 2.4 years to 3.7 years (as set out in the section headed "Continuing Connected Transaction"), the Board believes that the revenue model of the JV Company, which involves the vessel owners signing contracts with terms significantly longer than the aforementioned payback period, is in the interest of the Company and the Shareholders.

Information on the Technology

Pursuant to the JV Agreement, Zhongyou Yingtai shall inject into the JV Company the Technology as partial settlement of the capital contribution. The Technology serves to convert traditional diesel utilization to LNG utilization in vessels. The system of the Technology involves a storage unit, a gasifier which converts the LNG into its gaseous state for combustion, engine control unit, pressure control, a control valve, fuel injector, various sensors and control units and a computer-controller. This system utilizes a micro-controller which controls the flow of diesel and LNG to regulate the ratio of diesel and LNG in the mixture which is then fed to the engine. The engine can switch between pure diesel or diesel-LNG for fuel. The computer-controller allows the user to monitor and control the system in real-time. The Technology can be applied to the vessels by technical staff with basic engineering knowledge. Zhongyou Yingtai will provide training to the staff on the application of the Technology.

LNG is environmental friendly and more economical than diesel. After the Conversion, LNG will be used by the converted vessels as fuel. Nitrogen oxides can be reduced by around 85% to 90%; carbon dioxide can be reduced by around 15% to 20%; and the emission of sulfides can be completely reduced. Statistics showed a cost saving of approximately 15% could be enjoyed by the vessels subsequent to the Conversion with LNG utilization.

The Technology was developed by Zhongyou Yingtai in 2012 and has not been used by Zhongyou Yingtai to generate any income nor has applied for patent. Therefore, the Technology did not carry any book value as at the Latest Practicable Date and did not have any net profit or loss attributable to it in the last two financial years. The use of the Technology by Zhongyou Yingtai or the JV Company does not require any third party consents. There are no restrictions as to the type and size of vessels which the Technology can be applied on. All rights to the Technology including intellectual property rights thereto, will be transferred to the JV Company as Zhongyou Yingtai does not intend to be engaged in the business of Conversion.

The Company intends to protect its intellectual property rights thereto by procuring the JV Company to apply for patent in the PRC in relation to the Technology after the Formation of JV Company and Injection of Technology, considering and assessing the cost of registering the patent and the protection to be derived from the registration. The Company does not foresee any impediment for registering the patent. The JV Company will in any event endeavor to protect the intellectual property of the Technology by entering into non-disclosure agreements and implementing other confidentiality arrangements.

Based on the valuation report issued by the Valuer, as set out in Appendix III to this circular, the market value of the Technology as at 28 February 2014 was RMB32 million (equivalent to approximately HK$40.55 million). The valuation is prepared based on discounted cash flows approach which constitutes a profit forecast under Rule 19.61 of the GEM Listing Rules.

The Board understands that the Valuer has relied on the projection of the income to be generated from the Technology and taking into account factors such as (i) the nature and prospect of the JV Company and the Technology; (ii) the financial condition of the JV Company; (iii) the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market; (iv) relevant licenses and agreements; (v) the business risks of the JV Company such as the ability in maintaining competent technical and professional personnel; and (vi) investment returns and market transactions of entities engaged in similar intangible assets.

The specific assumptions upon which the Valuer adopted for valuation include: (i) the economic life of the Technology to be 30 years from the date of the valuation, with reference to the term of the JV Agreement; (ii) the number of vessels to be converted in 2014 would be 450, with reference to the business plan and the amount of capital available for the JV Company; (iii) the JV Company will share RMB0.35 (approximately HK$0.44) per Nm^3 of LNG supplied to the vessels after conversion; (iv) the annual LNG consumption per vessel would be 120,000 Nm^3 after conversion; (v) the total conversion expenses would be about RMB210,000 (equivalent to approximately HK$266,000) per vessel, which includes the purchase costs of LNG gas storage system, dual-fuel engines and propulsion system and fire safety system, and engineering costs; (vi) the annual overhead costs of the JV Company would be around RMB1.4 million (equivalent to approximately HK$1.77 million), including staff cost, utilities and rental expense. These overhead costs would be subject to the long-term inflation rate in the PRC of 3%; (vii) all relevant approvals and registrations to operate the business in the localities in which the JV Company operates or intends to operate would be officially obtained and renewable upon expiry; (viii) the valuation was mainly based on the projections of the future cash flows provided and the projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized; (ix) there will be sufficient supply of technical staff in the industry in which the JV Company operates, and the JV Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments; (x) there will be no major change in the current taxation laws in the localities in which the JV Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with; (xi) there will be no major change in the political, legal, economic or financial conditions in the localities in which the JV Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the JV Company; and (xii) interest rates and exchange rates in the localities for the operation of the JV Company will not differ materially from those presently prevailing.

Based on the Valuer's representation and the Board's own due diligence conducted relating to the Valuer's expertise, the Valuer has experience in projects such as valuation of cash generating units in relation to natural gas sales in the PRC and valuation of a company engaged in LNG and CNG gas sales in the PRC. Further, the Valuer has experience in intangible asset valuations with various listed companies under similar valuation approach used in the Valuation, including but not limited to valuation of patented and unpatented technologies relating to civil engineering, technology relating to the conversion of rare earth concentrate into products such as polishing powder, rare earth oxides and metals, service contracts in relation to build-own-transfer (BOT) projects to replace streetlights into LED lights and operation and maintenance of facilities for energy saving purposes, mining rights granted in the PRC, hydrocarbons exploitation rights granted in the PRC, and other trademarks and copyrights. As such, the Board considers that the Valuer has relevant experience and expertise in valuation of the Technology.

The Board has also reviewed and made enquiries to the Valuer regarding the methodology of, and basis and assumptions adopted for the valuation. To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, the Board is of the view that the basis and assumptions adopted by the Valuer throughout the course of preparation of the valuation report are fair and reasonable. Nothing has come to the Board's attention which casts doubt on the fairness and reasonableness of the assumptions underlying the valuation and hence the reliability of the valuation.

The Board considers that the forecasts adopted in the valuation report are made after due and careful enquiry. The reports from the Company's financial adviser and the Company's auditors in relation to the valuation are set out in Appendix IV of this circular.

Information on the Industry

According to the report "International Energy Outlook 2013" issued by the U.S. Energy Information Administration on 25 July 2013, the PRC was regarded as the world's largest energy consumer in recent years. According to the statistics published by the Central People's Government of the PRC on 24 October 2013, the PRC's natural gas imports has increased from 4 billion cubic meter in 2007 to 42.5 billion cubic meter in 2012, representing a compound annual growth rate of 60.42%, and the proportion of natural gas imported has also increased from 2% in 2007 to 27% in 2012. The consumption of natural gas by the PRC was expected to reach 230 billion cubic meters by 2015.

To reduce pollution, the government of the PRC has issued national plans and guidance notes in relation to the implementation of energy conservation and emission reduction policies, pursuant to which one of the focuses is on the utilization of natural gas and the conversion of traditional diesel utilization to LNG utilization by vessels. In particular, on 16 June 2012, the government of the PRC has issued the Twelve-five Years Plan for Development of Energy Conservation and Environmental Protection Industry ("十二五"節能環保產業發展規劃) (the "**Twelve-five Years Plan**"), which encouraged the industry of energy conservation and environmental protection. Further, the Ministry of Transport of the PRC issued The Guidance Opinion Regarding Acceleration of the Utilization of Natural Gas in the Water Transportation Industry (Jiao Shui Fa [2013] No. 625)(交通運輸部關於推進水運行業應用液化天然氣的指導意見(交水發 [2013] 625號))on 23 October 2013 (the "**Guidance Opinion**"), pursuant to which, inter alia, the government of the PRC will formulate economic incentive policies, which may include subsidies (the "**Subsidies**"), to encourage the Conversion. Conversion of vessels is a relatively new industry with high entry barrier requiring knowledge of the relevant technology and ability to secure stable supply of LNG.

As to the water transportation industry in Jiangxi Province where the JV Company is established, the Ganjiang River flows through Jiangxi Province from south to north before joining Changjiang River and is the 7th largest tributary of Changjiang River. Changjiang River, which is the longest river in the PRC, flows across southwest, central and eastern PRC before emptying into the East China Sea at Shanghai. As such, the Ganjiang River provides a major trading route between various cities in Jiangxi Province and Shanghai. Further, the JV Company understands from the administration office of the Jiujiang Port, which is located in Jiujiang City in Jiangxi Province where the Ganjiang River flows across, that in the year of 2013, there were over 3,000 voyages departed from the Jiujiang Port, indicating a large number of vessels navigating on the Ganjiang River. As the Ganjiang River connects Jiangxi Province with other provinces of the PRC, the vessels that navigate on Ganjiang River include those that are registered locally in Jiangxi Province and those that are registered in other provinces of the PRC which navigate to and from Changjiang River via Ganjiang River.

The JV Company understands from the Maritime Safety Administration of the PRC that, as at the Latest Practicable Date, there were over 3,000 vessels registered in Jiangxi Province and around 15 shipyards along the Ganjiang River area. While there are other industry players engaged in the Conversion business in the PRC, such as China Petrochemical Corporation, China National Offshore Oil Corporation and ENN Energy Holdings Limited, to the best knowledge and believe of the Company, none of such competitors has commenced the Conversion business in the Ganjiang River area. As the business of Conversion of vessels is a new and niche market and there are currently no competitors in the Conversion business in the Ganjiang River area, the Board believes that a majority of the vessels in the Ganjiang River area are still using diesel as fuel.

Information on Zhongyou Yingtai and Zhongwaijian

Zhongyou Yingtai, a company incorporated in the PRC, is an enterprise located in Nanchang, Jiangxi Province, the PRC. The current shareholders of Zhongyou Yingtai are Zhongyou Baoying and China City Natural Gas, which are companies established in the PRC holding 49% and 51% of its equity interest in Zhongyou Yingtai respectively. China City Natural Gas is a joint venture company with Kunlun Energy and China Oil and Gas holding 49% and 51% of equity interest respectively. Kunlun Energy and China Oil and Gas are companies listed on the Stock Exchange with stock code 135 and 603, respectively. The principal activities of Kunlun Energy include exploration, production, sales and transmission of natural gas in the PRC while the principal activities of China Oil and Gas include investments in natural gas and energy related business. Leveraged on the background of its parent companies, Zhongyou Yingtai is well established in Jiangxi Province as a LNG supplier providing LNG by city pipeline network to motor vehicles and vessels.

Zhongwaijian is a company established in the PRC with limited liability located in Beijing. It is principally engaged in the business of provision of construction and renovation services. Zhongwaijian has extensive experience in renovation projects in the Inner Mongolia Autonomous Region, including but not limited to school buildings, office buildings and hotels. Zhongwaijian acts as an investor in the JV Company with no control over the board composition and daily operation of the JV Company.

The Company confirms that, save as those disclosed in this Circular, the Group has no other existing arrangement/agreement with each of the other Parties.

Business Plan on Conversion

The Technology is crucial to the business of the Conversion of the JV Company. The Technology was developed and had been applied to prototype a LNG-fueled vessel by Zhongyou Yingtai as feasibility study. As advised by Zhongyou Yingtai, the experiment was successful with the relevant data about the Technology and its application obtained from the market.

The technical staff required for the application of the Technology on the vessels can be recruited in the local labor market. Although exquisite technical knowledge and skills are not required to master the application of the Technology, the JV Company will rely on the technical staff with engineering knowledge and background for the Conversion. Otherwise, the JV Company may lose business opportunities and the costs of the staffs may substantially increase. Zhongyou Yingtai has confirmed that it would provide training to the recruited staff and provide assistance at the initial stage of establishment of the JV Company to recruit technical staff in the market. In the event that the JV Company cannot recruit staff of the required number and level of experience, the JV Company may consider engaging local companies that provide contract labor services to support its business operation.

As to the raw materials required for the Conversion (which are the parts and units to be installed in the vessels, namely the LNG gas storage system, dual-fuel engines and propulsion system and fire safety system), Zhongyou Yingtai advised that the raw materials are readily available in the local market and can be sourced easily at competitive price. The Conversion shall be carried out in shipyards with no special needs on the machinery or equipment to be used. There are approximately 15 shipyards in the Ganjiang River area that are available for the JV Company to carry out the Conversion. It takes approximately 5 days to convert a vessel. As the JV Company is only recently established, no agreements have been entered into by the JV Company with any shipyards, suppliers or vessel owners as at the Latest Practicable Date.

From the communication with vessel owners during the feasibility study by Zhongyou Yingtai, it is estimated that 120,000 Nm^3 of LNG will be consumed by each converted vessel per year. Such estimation of LNG consumption by a converted vessel was determined by Zhongyou Yingtai, taking into consideration, inter alia, the following factors:

(a) a large number of shipping companies have set up trading routes with vessels travelling regularly between Nanchang and Shanghai. Nanchang is the capital of Jiangxi Province where the biggest port on the Ganjiang River is situated while Shanghai is the PRC's largest import and export hub with the world's busiest container port;

(b) the estimation of 9,000 Nm^3 of LNG consumption per round trip between Nanchang and Shanghai; and

(c) the estimation of 13 round trips between Nanchang and Shanghai per annum per vessel.

As understood from the feasibility study, the cost for Conversion of one vessel is approximately RMB210,000 (equivalent to approximately HK$266,000). The breakdown of the cost as understood from the feasibility study is as follows:

Cost items	**Conversion cost under mass production (approximately)** *(RMB)*
LNG gas storage system	119,000
Dual-fuel engines and propulsion system	35,000
Fire safety system	21,000
Engineering costs	35,000
Total:	210,000

Zhongyou Yingtai has communicated with several vessel owners in Ganjiang River area to conduct a preliminary survey on their acceptance of the concept of Conversion. Such vessel owners have shown interest in the approximate 15% savings that could be brought by the change of fuel type from traditional diesel to LNG. However, as the Conversion business is relatively new, the vessels owners indicated that the Conversion cost of RMB210,000 was relatively high and they would bear the cost of approximately RMB50,000 (equivalent to approximately HK$63,000) only. To attract vessels owners to engage the JV Company to conduct the Conversion on their vessels, the Parties proposed that the JV Company to bear the remaining cost of Conversion of RMB160,000 (equivalent to approximately HK$203,000) per vessel so to secure a subsequent stream of revenue to be derived from the supply of LNG by Zhongyou Yingtai to the converted vessels.

Although the details of the Subsidies have not yet been issued, the Board estimated the Subsidies to be RMB50,000 (equivalent to approximately HK$63,000) per converted vessel, which was arrived at with reference to:

(a) The Provisional Measures on Special Fund Management for Transportation Energy Conservation and Emission Reduction (交通運輸節能減排專項資金管理暫行辦法) issued jointly by the Ministry of Finance and the Ministry of Transport of the PRC on 20 June 2011 (the "**Provisional Measures**"), which relates to the government subsidies available for energy conservation and emission reduction in the land and water transportation industry. Pursuant to the Provisional Measures, the installation of a system of energy conservation and emission reduction in public transport vehicles and vessels may be entitled to a subsidy, which was preliminary fixed at not more than 20% of the cost of such installation; and

(b) the understanding of and expertise in the LNG industry in the PRC by Zhongyou Yingtai, based on its knowledge and know-how obtained from its day-to-day operation as a well established LNG supplier, which provides LNG by city pipeline network to motor vehicles and vessels. Zhongyou Yingtai has understanding on the general acceptance of LNG usage over traditional fuel, LNG consumption pattern within the transportation industry, extent of price fluctuation of LNG in the market and cost in handling LNG. The expertise that Zhongyou Yingtai has includes but not limited to the skills in handling LNG, experience in sourcing and provision of LNG and effective assessment of the general outlook of the LNG market.

The business of Conversion of vessels is a new and niche market. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no subsidies have ever been granted in relation to the Conversion of vessels. Due to the absence of statistical data and policies issued by the PRC, the Board considered the reference to the Provisional Measures and Zhongyou Yingtai's understanding and expertise in the LNG industry appropriate. If the Subsidies are granted by the PRC government in the amount as estimated by the Board, the cost of Conversion per vessel to be borne by the JV Company will be lowered to RMB110,000 (equivalent to approximately HK$139,000).

With the cash portion of the registered capital of the JV Company in the amount of RMB70 million, it is estimated that approximately 450 vessels can be converted on the basis that the cost of Conversion to be borne by the JV Company is RMB160,000 (equivalent to approximately HK$203,000). If the Subsidies are granted by the PRC government, it is estimated that approximately 700 vessels can be converted with the lower cost of Conversion to be borne by the JV Company.

Based on the information obtained from the Maritime Safety Administration of the PRC that there are 3,000 vessels registered in Jiangxi Province, the potential number of vessels to be converted by the JV Company represent approximately 15% to 23.3% of the market share of the Conversion business in Jiangxi Province. The Board is of the view that the actual number of vessels available for Conversion may be more than 3,000 vessels because vessels of other province or region can also engage the JV Company to conduct the Conversion while navigating through Ganjiang River.

The revenue to be obtained by the JV Company is derived from its Arrangement with Zhongyou Yingtai in that Zhongyou Yingtai will pay RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to the vessel owners. On the assumption that Zhongyou Yingtai supplies 120,000 Nm^3 of LNG to each converted vessel per year, the estimated annual revenue of the JV Company is in the range of RMB18.9 million to RMB29.4 million (equivalent to approximately HK$23.95 million to HK$37.26 million) corresponding to the vessels to be converted in the number of 450 to 700 vessels. Such amount of annual revenue represents the pay-back period of the JV Company's registered capital to be approximately 2.4 years to 3.7 years, which is consistent with the pay-back period of the business of conversion of traditional diesel utilization to LNG utilization in motor vehicles or other LNG related business.

Subsequent to the aforesaid pay-back period, the JV Company will continue to receive revenue from the Arrangement up to the term of 30 years so long as Zhongyou Yingtai continues to supply LNG to the vessel owners, subject to the term of the Sourcing Agreement to be entered between Zhongyou Yingtai and the vessel owners. The JV Company could reinvest its revenue obtained from the Arrangement to convert more vessels and generate more revenue from Zhongyou Yingtai's supply of LNG to the vessels throughout the term of the JV Agreement. This means the minimum number of vessels to be converted by the JV Company during its term may be more than 450 vessels, taking into account the possibility of reinvestment of revenue. As at the Latest Practicable Date, there was no concrete plan of the Parties on the aforesaid reinvestment schedule and amount.

Risk Factors

Set out below are the risk factors which may be associated with the Formation of JV Company and Injection of Technology:

Risks Relating to the Business

Investments in a new business in the PRC

The Formation of JV constitutes an investment in a new business sector involving the conversion of traditional diesel utilization to LNG utilization in the water transportation industry in the PRC, which the Company has not previously had the exposure and experience. Although the Company has conducted preliminary due diligence with respect to the new business, there may also be risks that are beyond the control of the Company with investing in the LNG conversion of vessels in the PRC. These risks include, but are not limited to, the change of laws, regulations, government guidelines or policies in respect of health and safety and environmental aspects in the future which are unforeseeable and may have adverse impact on the Company. There may also be actions of non-government organisations such as strikes or other industrial actions launched by trade unions, terrorist attacks, piracy or other reasons which will lead to loss of business.

If the JV Company is unable to address the above-mentioned risks and uncertainties, its financial condition and operating results may be materially and adversely affected.

Completion of the Formation of JV is subject to satisfaction of the conditions under the JV Agreement and there is no assurance that all of those conditions will be satisfied

Completion of the Formation of JV Company under the JV Agreement is subject to the satisfaction of the conditions set out in the JV Agreement. Details of those conditions are set out in the section headed "Conditions precedent".

The fulfillment of the conditions set out in the JV Agreement is dependent on the decision of the Ministry of Commerce, State Administration for Industry and Commerce and State Administration of Foreign Exchange of the PRC and other government or regulatory authorities (as the case may be) with respect to which none of the Parties will be able to exercise any control.

There is no assurance that all of those conditions will be fulfilled. If any of those conditions are not satisfied, the completion of the Formation of JV Company will not proceed.

Reliance on joint venture partner

The JV Company is to be formed by the Company with Zhongyou Yingtai and Zhongwaijian, such joint venture arrangement may necessarily involve special risks such as possibilities that any one of Zhongyou Yingtai or Zhongwaijian may (i) have economic or business interests or goals that are inconsistent with or oppose to those of the Company; or (ii) as a result of financial or other difficulties, be unable or unwilling to fulfill their obligations under the JV Agreement or other agreements.

These issues may have a material adverse effect on the results of operation, financial condition and prospects of the JV Company through disruption to the JV Company's business.

Market competition

The JV Company faces competition from other industry players in the PRC, such as, inter alia, China Petrochemical Corporation, China National Offshore Oil Corporation and ENN Energy Holdings Limited. Competition within the LNG market is based on many factors, including but not limited to, price, capacity, quality, costs and brand name. Some of the JV Company's competitors may have greater capacity as well as greater financial, marketing and other resources. Although Zhongyou Yingtai and one of its ultimate shareholders, namely Kunlun Energy, are established LNG players in Jiangxi Province, some of the JV Company's competitors may benefit from more established brand names in the LNG market outside of Jiangxi Province. Some of the JV Company's competitors may also develop new technologies and methods that are more effective or less costly than those to be used by the JV Company.

The valuation contains assumptions that may or may not materialize

The valuation was compiled by the Valuer based on certain factors and assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, the valuations are based on assumptions that, inter alia, (i) the number of vessels to be converted in 2014 would be 450; (ii) the annual overhead costs of the JV Company would be around RMB1.4 million (equivalent to approximately HK$1.77 million), subject to the long-term inflation rate in the PRC of 3%; (iii) the JV Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments; and (iv) interest rates and exchange rates in the localities for the operation of the JV Company will not differ materially from those presently prevailing. The valuation is subject to change as a result of changes in market conditions. Unanticipated changes in the particular industry or in general or local economic conditions or other relevant factors, including changes in government regulations, could affect the value of the Technology.

The development and operation of the JV Company are subject to risks relating to occupational hazards and operation safety

The JV Company may encounter accidents, maintenance or technical difficulties, mechanical failures or breakdowns during the development and operation processes. Accidents such as explosions, fires, equipment mishandling and/or mechanical failures may occur during the course of the JV Company's operations. These risks subject the JV Company to potentially significant liabilities relating to personal injury, death or property damage, civil and/or criminal liabilities and the JV Company may be forced to suspend its operations, which may adversely affect its business, reputation, financial condition and results of operations.

Difficulty in recruiting labor or outsourcing the work

The JV Company relies on staffs with common engineering background working at the shipyard for the Conversion. Alternatively, the JV Company may rely on contract workers through companies that provide contract labor services. Subject to the number of vessels to be converted, the JV Company will be expected to increase the number of staffs it hires or outsource more labor work to the labor service providers in the future. If the JV Company is unable to increase the number of staffs or the amount of work to be outsourced to the labor service providers at acceptable prices, the JV Company may lose business opportunities and its business, financial condition and results of operation may be materially and adversely affected.

The costs of the staffs and outsourcing labor work may substantially increase as a result of various factors such as demands from the labor union or labor service providers, labor disputes and change of competition environment. If any labor work is to be outsourced, the JV Company will enter into contracts with labor service providers for the employment of contract workers. Such labor service providers are required to enter into employment contracts with the contract workers, pay them salaries and obtain social insurance for them. The JV Company will pay salaries and social insurance fees for the contract workers to labor service providers. The labor service providers are responsible for handling the accidents leading to occupational injuries or deaths of the contract workers, while the JV Company and the labor service providers bear the relevant fees pursuant to PRC laws and regulations. If the labor service providers fail to pay the contract workers, the JV Company may be held jointly responsible for the contract workers' losses, though the JV Company will be entitled to ask the labor service providers to compensate all of the JV Company's losses pursuant to the contract. The JV Company cannot assure that the labor service providers will carry out their responsibilities as agreed or that the JV Company will not be held jointly responsible for the contract workers' losses. The JV Company can neither assure that the social insurance obtained by the labor service providers are sufficient to cover the injuries or accidents nor that the JV Company will not be required to pay for the injuries or damages suffered by the contract workers. If such event happens, the JV Company's labor costs may increase substantially, and its business, financial conditions and results of operations may be adversely affected.

Fixed-price basis of the Conversion Agreement and Sourcing Agreement

The JV Agreement is entered into prior to the signing of Conversion Agreement and Sourcing Agreement, which are fixed-price agreements. The Parties attempted to estimate the costs of the conversion when the JV Agreement was entered into. The actual costs incurred and profits we realize on the JV Agreement may vary from the estimations by the Company due to factors such as:

- unanticipated variations in labor and equipment productivity over the term of the JV Agreement;
- unanticipated increase in labor, raw material, subcontracting and overhead costs, including as a result of forces beyond our control; and
- delivery delays and corrective measures.

If such event happens, the JV Company's labor costs may increase substantially, and its business, financial conditions and results of operations may be adversely affected.

Sourcing Agreements may not be long term or may be breached by the vessel owners

The revenue of the JV Company is generated from the Arrangement, which is dependent on the term of the Sourcing Agreement to be entered into between Zhongyou Yingtai and the vessel owners. Although it is the intention of the Parties that long term Sourcing Agreements be secured and relatively younger vessels which are expected to have a remaining lifespan of approximately over 20 years will be preferred, the term of the Sourcing Agreements may be shortened as determined by Zhongyou Yingtai after consultation with the vessel owner on a case to case basis. Further, the JV Company cannot assure that the vessel owners will fully comply with the provisions of the Sourcing Agreements with respect to sourcing LNG from Zhongyou Yingtai as the sole LNG supplier. In the event that the Sourcing Agreements are entered into with shorter terms than anticipated and/or vessel owners breach their obligations under the Sourcing Agreement, the JV Company's revenue and results of operations may be adversely affected.

Number of potential customers may not be accurate

We depend on a small number of potential customers, which are the owners of the vessels in Jiangxi Province along the Ganjiang River. The JV Company intends to secure approximately 15% to 23.3% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province as at the Latest Practicable Date. Although most vessels travelling within Jiangxi Province or into and out of Jiangxi Province via the Changjiang River will need to navigate through the Ganjiang River, the JV Company cannot assure the actual number of vessels navigating on the Ganjiang River. In the event that the actual number of vessels navigating on the Ganjiang River is substantially less than the estimation of 3,000 vessels registered in Jiangxi Province, the potential customers available to the JV Company may be more limited than anticipated and its business, financial conditions and results of operations may be adversely affected.

Estimation of LNG consumption by vessel owners may not be accurate

The revenue model of the JV Company is based on Zhongyou Yingtai's expectation to supply 120,000 Nm^3 of LNG to each converted vessel during the term of the Sourcing Agreement. The estimation of 120,000 Nm^3 annual LNG consumption per vessel was determined after communications made by Zhongyou Yingtai with vessel owners on the Ganjiang River, and was calculated with reference to the past experience of the vessel owners relating to the number of round trips between Nanchang and Shanghai per vessel per annum and with the assumption that the travelling distance will remain constant. The LNG consumption of the converted vessels depends on many factors including but not limited to political, economic and social conditions in the PRC generally. In the event that the LNG consumption per converted vessel is reduced during the term of the respective Sourcing Agreement, the JV Company's business, financial conditions and results of operations may be adversely affected.

Shipyards may not be available

The Conversion shall be carried out at shipyards. Although there are approximately 15 shipyards in the Ganjiang River area that are available for the JV Company to carry out the Conversion and the JV Company intends to secure a few shipyards by entering into rental or licencing agreements, no rental agreements have been signed with the shipyards, and the JV Company cannot assure that shipyards will be available. In the event that the JV Company cannot secure sufficient shipyards to carry out the Conversion business to its full capacity, the JV Company's business, financial conditions and results of operations may be adversely affected.

Units, parts and suppliers may not be available

The Board understands that that the raw materials required for the Conversion (which are the parts and units to be installed in the vessels, namely the LNG gas storage system, dual-fuel engines and propulsion system and fire safety system) are readily available in the local market and can be sourced easily at competitive price. No supplier contracts have been signed with the suppliers and the JV Company cannot assure that units, parts and/or suppliers thereof will be available. In the event that the JV Company cannot secure sufficient units, parts and/or suppliers thereof to carry out the Conversion business to its full capacity, the JV Company's business, financial conditions and results of operations may be adversely affected.

Risks relating to the PRC

Adverse changes in economic policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could materially and adversely affect the JV Company's business

All of the revenues of the JV Company are sourced under the Arrangement from the PRC. Accordingly, its business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in the PRC generally, including the overall economic growth in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasising the utilization of market forces in the economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may have a negative effect on the JV Company.

For example, the JV Company's operating results and financial condition may be adversely affected by changes in tax regulations that are applicable to it. On the other hand, as the natural gas industry is regulated by the National Development and Reform Commission and its relevant provincial office, any substantial amendments to the industry's policy and regulation by the commission may adjust the natural gas concessions and projects approval system, and obstruct the operation of the JV Company.

In addition, any future calamities, including natural disasters, outbreaks of contagious diseases and political or social unrest may adversely affect the economic growth in the PRC and therefore the business and financial performance of the JV Company.

Uncertainties with respect to the availability and eligibility of the Subsidies

Pursuant to the Guidance Opinion, the Ministry of Transport of the PRC will formulate economic incentive policies, such as the Subsidies, to encourage the conversion of traditional diesel utilization to LNG utilization in the water transportation industry. The details of the Subsidies, such as the amount, conditions and eligibility therefor have not been issued. When estimating the Subsidies available for the Conversion business, the JV Company made reference to the Provisional Measures and Zhongyou Yingtai's understanding and expertise in the LNG industry. The JV Company can neither assure the availability of the Subsidies nor its amount and eligibility therefor. Without the Subsidies, or in the event that the JV Company is not eligible therefor or that the amount of Subsidies is substantially less than the estimation of RMB50,000 (equivalent to approximately HK$63,000), the cost of Conversion will be much higher. If such event happens, the JV Company estimates that it will only be able to convert 450 vessels using the registered capital of the JV Company, and the investment return per year and the estimated payback period will be adversely affected, as set out in the section headed "Continuing Connected Transaction".

Reasons for the Formation of JV Company and Injection of Technology

The Group is principally engaged in the (i) manufacturing and sale of power and data cords for mobile handsets and medical control devices; (ii) manufacturing and sale of power cords and inlet sockets for household electric appliances; and (iii) development of digital applications, including but not limited to handheld electronic game consoles, mobile game applications and digital marketing solutions. Upon the Formation of JV Company, the business of the Group will be diversified to include the conversion of traditional diesel utilization to LNG utilization in the water transportation industry. The Group has no intention to dispose of its existing business.

With the PRC's policy of development of energy conservation and environmental protection industry, including but not limited to the Twelve-five Years Plan and the Guidance Opinion, the consumption of clean energy such as natural gas is expected to increase in industrial, civil, transportation and other fields and the prospect of LNG, CNG and related clean energy for a sustainable development market is bright.

Given the Board's positive outlook of the development of natural gas in the PRC and particularly the business potential of the LNG business in the Ganjiang River, the Directors believe that the Group will leverage on the connections and expertise of Zhongyou Yingtai to develop the Conversion business which has high entry barrier. Zhongyou Yingtai also has established LNG storage facilities and LNG transport systems in Jiangxi Province and has established solid business relationship with LNG suppliers, LNG vessels and other LNG customers in the PRC, and can provide synergy to the Conversion business of the JV Company. As there are currently no competitors in the Conversion business in the Ganjiang River area, the Board is of the view that it is the high time to tap into this market in Jiangxi Province.

Further, the JV Company will become the owner of the Technology, which is required to conduct its business of converting traditional diesel utilization to LNG utilization in vessels. The Board also believes that the Formation of JV Company would enable the Group to diversify its revenue source and improve the Group's profitability in the long run. Based on the above, the Board considers that the terms of the JV Agreement and the Formation of JV Company and Injection of Technology are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors are of the view that the Formation of JV Company and Injection of Technology will not have any significant adverse impact on the Group's operations and liquidity. There will be no immediate material impact on the earning or assets or liabilities of the Group upon completion of the transactions under the Formation of JV Company and Injection of Technology.

Implications of the Formation of JV Company and Injection of Technology under the GEM Listing Rules

As one of the applicable percentage ratios exceeds 25% but is below 100%, each of the Formation of JV Company and Injection of Technology constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Formation of JV Company and the Injection of Technology are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. Under Rule 19.44 of the GEM Listing Rules, Shareholders' approval for the Formation of JV Company and Injection of Technology may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formation of JV Company and Injection of Technology; and (b) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Formation of JV Company and Injection of Technology.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Formation of JV Company and Injection of Technology. On 9 December 2013, the Controlling Shareholder, Fairson Holdings (BVI) Limited, which owned 365,400,000 Shares representing approximately 54.42% of the issued share capital of the Company as at the date of the written certificate, had given a written certificate to the Company to approve the Formation of JV Company and Injection of Technology in lieu of a general meeting pursuant to Rule 19.44 of the GEM Listing Rules. Accordingly, no Shareholders' approval will be sought at the EGM in relation to the Formation of JV Company and Injection of Technology.

(2) CONTINUING CONNECTED TRANSACTION

Arrangement

The JV Company is established to engage in the proposed business of conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. After the Conversion, LNG will be used by vessels as fuel. It is a condition in the Conversion Agreement with the vessel owners that the vessel owners also to enter into the Sourcing Agreement with Zhongyou Yingtai. Pursuant to the Sourcing Agreement, the vessel owners will agree to source LNG from Zhongyou Yingtai as the sole LNG supplier after the respective conversion, the term of the Sourcing Agreement shall be decided by Zhongyou Yingtai and vessel owners. It is intended that the Sourcing Agreement shall be of a long term so to ensure a long stream of revenue for the JV Company. Pursuant to the JV Agreement, Zhongyou Yingtai shall pay the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to the vessels under the Sourcing Agreement.

The consideration of RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied pursuant to the Arrangement was determined by the JV Company with the goal of achieving a target payback period of 2 to 3 years. Such payback period was set as the Board understands that the payback period of other LNG related business such as conversion of motor vehicles is around 2.5 years. Due to the absence of statistical data of other companies employing the same business and revenue model, the Board considers the reference to the payback period of the business of conversion of motor vehicles was appropriate. To achieve such payback period, the consideration of RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied pursuant to the Arrangement was determined after arm's length negotiations between the Company and Zhongyou Yingtai, taking into consideration, inter alia, the following factors:

(a) the estimated Zhongyou Yingtai's profit per Nm^3 of the LNG to be supplied by Zhongyou Yingtai to the converted vessel, in the amount of RMB1.00 (equivalent to approximately HK$1.27);

(b) the cost to be borne by the JV Company to complete the conversion of traditional diesel utilization to LNG utilization per vessel, in the range of RMB110,000 to RMB160,000 (equivalent to approximately HK$139,000 to HK$203,000) depending on the availability and amount of Subsidies;

(c) Zhongyou Yingtai's expectation to supply 120,000 Nm^3 of LNG to each converted vessel per year; and

(d) the estimated investment return of the Technology in the amount of RMB42,000 (equivalent to approximately HK$53,000) per vessel per year.

With the consideration of RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied pursuant to the Arrangement, the estimated payback period can be obtained with the following formulae:

$$\text{Investment return Per year} = \text{Number of converted vessels} \times \frac{120{,}000\ \text{Nm}^3}{\text{vessel per year}} \times \frac{\text{RMB0.35}}{\text{Nm}^3}$$

$$\text{Payback period} = \frac{\text{registered capital}}{\text{Investment return per year}}$$

Specifically, the payback period in the range of approximately 2.4 years (in the event of Subsidies being granted and with Reinvestment of Revenue) to 3.7 years (in the event of no Subsidies being available and no Reinvestment of Revenue) can be achieved, as follows:

(a) Subsidies being granted and with Reinvestment of Revenue:

$$\text{Investment return Per year} = \text{700 vessels} \times \frac{120{,}000\ \text{Nm}^3}{\text{vessel per year}} \times \frac{\text{RMB0.35}}{\text{Nm}^3} = \text{RMB29,400,000}$$

$$\text{Payback period} = \frac{\text{RMB70,000,000}\ {}^{*note}}{\text{RMB29,400,000}} = \text{2.4 years}$$

(b) Subsidies not available and without Reinvestment of Revenue:

$$\text{Investment return Per year} = \text{450 vessels} \times \frac{120{,}000\ \text{Nm}^3}{\text{vessel per year}} \times \frac{\text{RMB0.35}}{\text{Nm}^3} = \text{RMB18,900,000}$$

$$\text{Payback period} = \frac{\text{RMB70,000,000}\ {}^{*note}}{\text{RMB18,900,000}} = \text{3.7 years}$$

**note:* RMB70,000,000 represents the cash portion of the registered capital of the JV Company.

Since the JV Company is a non-wholly owned subsidiary of the Company, Zhongyou Yingtai has become a substantial shareholder of a non-wholly owned subsidiary of the Company and thus a connected person to the Company. The continuous payment of consideration by Zhongyou Yingtai to the JV Company under the Arrangement will constitute a continuing connected transaction under Rule 20.41 of the GEM Listing Rules.

Annual Caps

The Annual Caps for each of the three financial years ending 31 March 2015, 31 March 2016 and 31 March 2017 are RMB29.4 million (equivalent to approximately HK$37.26 million), RMB29.4 million (equivalent to approximately HK$37.26 million) and RMB29.4 million (equivalent to approximately HK$37.26 million), respectively.

In determining the Annual Caps, the Directors have taken into account, inter alia, the following factors:

(a) the Parties' expectation to convert 450 vessels from traditional diesel utilization to LNG utilization, on the assumption that the Subsidies will not be available. The target of 450 vessels is obtained with reference to the JV Company's target of 15% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province;

(b) the Parties' expectation to convert 700 vessels from traditional diesel utilization to LNG utilization, on the assumption that the Subsidies will be available and will be granted by the government of the PRC in accordance with the Guidance Opinion and that the JV Company will invest its proceeds into further conversion of vessels. The Parties expect that the Subsidies, if available, will lower the JV Company's cost for the Conversion per vessel from RMB160,000 (equivalent to approximately HK$203,000) to RMB110,000 (equivalent to approximately HK$139,000), allowing the registered capital of the JV Company to convert 700 vessels. The target of 700 vessels is obtained with reference to the JV Company's target of 23.3% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province;

(c) Zhongyou Yingtai's expectation to supply 120,000 Nm^3 of LNG to each converted vessel. The estimation of 120,000 Nm^3 annual LNG usage per vessel was determined after communications conducted by Zhongyou Yingtai with vessel owners on the Ganjiang River, and was calculated with reference to the past experience of the vessel owners relating to the number of round trips between Nanchang and Shanghai per vessel per annum and with the assumption that the travelling distance will remain constant; and

(d) Zhongyou Yingtai will pay the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to such converted vessels. As such, the parties expect that approximately RMB42,000 (equivalent to approximately HK$53,000) will be payable by Zhongyou Yingtai to the JV Company per converted vessel per year.

The expected annual investment return per converted vessel, and thus the annual caps of the Arrangement, will be constant because the revenues of the JV Company derived under the Arrangement are based on the amount of LNG to be supplied to the converted vessels, and the annual travelling distance of such vessels are expected to be relatively constant, as determined after Zhongyou Yingtai's interviews with the vessel owners. Such constant expected annual investment return per vessel of the JV Company will provide the Company a stabilized forecast of income and can minimize the risk of variables such as fluctuations in the price of LNG.

Implications of the Arrangement under the GEM Listing Rules

Since one of the applicable percentage ratios in respect of the Arrangement with reference to the Annual Caps is more than 25% and the annual consideration is the more than HK$10,000,000, the Arrangement will be subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, Zhongyou Yingtai and its associates are not shareholders of the Company, therefore no Shareholder is required to abstain from voting at the EGM on the resolution(s) to approve the Arrangement. As no Directors has any material interest in the Arrangement, no Directors has abstained from voting at the board meeting approving the Arrangement.

As the term of the Arrangement exceeds the maximum of 3 years stipulated in Rule 20.35 of the GEM Listing Rules, the Independent Financial Adviser was appointed to review why a longer period for the Arrangement is required.

In arriving at its opinion as to why a longer period for the Arrangement is required and whether it is normal business practice for the Arrangement to be of such duration, the Independent Financial Adviser has considered a number of factors including (i) the business nature and revenue model of the JV Company; (ii) the supply of LNG by Zhongyou Yingtai under the Sourcing Agreement to converted vessels. The Independent Financial Adviser has also sought to identify and examine contracts or agreements of similar nature entered into by other companies in Hong Kong and China which are available in the public domain (the "**Comparable Contracts**"). Based on this analysis, the Independent Financial Adviser noted the following:

(i) the estimated investment return period of the Conversion business will begin immediately after the conversion of the vessels through profit sharing per Nm^3 of LNG supplied to the vessels and thereafter continuously;

(ii) the primary income source of the JV Company, which is the profit sharing with Zhongyou Yingtai, is directly associated to the volume of LNG supplied, and thus a longer term of the Arrangement is beneficial to the Company to enjoy the steady revenues and sustainable profitability of the JV Company;

(iii) the JV Company has the flexibility to convert more vessels at any time during the term of 30 years of the JV Agreement and receive revenue from Zhongyou Yingtai without the need to negotiate with Zhongyou Yingtai on further profit sharing arrangement;

(iv) a longer cooperation with Zhongyou Yingtai and the JV Company allows the Company to lock in a sustainable development opportunity of LNG business in the PRC;

(v) because the Arrangement will not need to be renewed every 3 years, the longer period for the Arrangement is beneficial to the Company due to certainty of the terms of the Arrangement (such as the avoidance of fluctuations in the price of LNG and significant advancement of technology) during the subsistence of the Arrangement;

(vi) the term of 30 years of the Arrangement will correspond to (i) the maximum term of the LNG supply contract to be entered into between Zhongyou Yingtai and the vessel owners and (ii) the lifespan of 20 to 30 years of a vessel in general;

(vii) the Company will not have any expected difficulties to enter into the agreement regarding the Arrangement every 3 years; and

(viii) most of the Comparable Contracts have duration ranging from 5 to 20 years which are similar to the duration of the Arrangement.

Based on the above and having considered the principal activities of the Group and the nature of the clean energy business which normally have a long business life cycle, the Independent Financial Adviser is of the view that the Arrangement, which has a fixed term of 30 years from the obtaining of the business licence of the JV Company, (i) allows the JV Company to secure a steady source of revenue and sustainable profitability based on the volume of LNG supplied by Zhongyou Yingtai to the converted vessels, (ii) is in line with the business of the Group and (iii) that it is normal business practice for contract of this type to be of such duration. For details of the opinion of the Independent Financial Adviser, please refer to the "Letter from the Independent Financial Adviser" on page 52 to 85 of this circular.

(3) CHANGE OF NAME

The Board proposes, subject to the satisfaction of the Change of Name Conditions, to change the English name of the Company from "Fairson Holdings Limited" to "China Oil Gangran Energy Group Holdings Limited" and adopt "中油港燃能源集團控股有限公司" as its new Chinese name to replace "鉦皓控股有限公司".

Reasons for the Change of Name

The Change of Name is to reflect the Company's plan to diversify its business into the energy industry in the PRC. In addition, the Board believes that the new name of the Company can improve the Company's corporate image and identity, which the Board considers to be in the interests of the Company and the Shareholders as a whole.

Conditions

The Change of Name is conditional upon the following Change of Name Conditions having been satisfied:

(i) the passing of a special resolution by the Shareholders at the EGM approving the Change of Name;

(ii) the issue of a certificate of incorporation on change of name bearing the new English and Chinese names by the Registrar of Companies in the Cayman Islands; and

(iii) the JV Agreement having become effective.

Effect of the Change of Name

Subject to the satisfaction of the Change of Name Conditions, the Change of Name will take effect from the date of the issue of a certificate of incorporation on change of name bearing the new English and Chinese names by the Registrar of Companies in the Cayman Islands. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Change of Name will not affect any rights of the Shareholders or the Company's daily business operation or its financial position. All existing share certificates of the Company in issue bearing the present name of the Company will, after the Change of Name becoming effective, continue to be good evidence of legal title to the Shares and will continue to be valid for trading, settlement and delivery purposes. As such, no arrangement will be made for the exchange of the existing share certificates of the Company for the new share certificates bearing the Company's new name as a result of the Change of Name.

Once the Change of Name has become effective, new share certificates of the Company will be issued only in the new name of the Company and the securities of the Company will be traded on the Stock Exchange in the new name.

(4) PROPOSED SHARE SUBDIVISION

As at the Latest Practicable Date, the authorized share capital of the Company is HK$1,000,000 divided into 1,000,000,000 Shares of HK$0.001 each, of which 726,450,000 Shares have been issued and are fully paid or credited as fully paid. Save for (i) the 55,000,000 outstanding share options granted to 10 grantees (5,500,000 of which have lapsed) as set out in the announcements of the Company dated 17 September 2013 and 13 January 2014, 2 of which are Directors and 1 of which is a director of a subsidiary of the Company (details of which are disclosed in the "General Information" on page 124 to 133 of this circular); (ii) the convertible bonds in the aggregate principal amount of HK$55,500,000 issued on 24 January 2014 as set out in the announcement of the Company dated 27 January 2014; and (iii) the convertible bonds of up to an aggregate principal amount of HK$99,000,000 as set out in the announcement of the Company dated 19 February 2014, the Company has no outstanding share options, warrants, convertibles, options or derivatives as at the Latest Practicable Date.

The Board proposes to subdivide each existing issued and unissued Share of HK$0.001 into ten (10) Subdivided Shares of HK$0.0001 each. Upon the Share Subdivision becoming effective, the authorized share capital of the Company will be HK$1,000,000 divided into 10,000,000,000 Subdivided Shares, of which 7,264,500,000 Subdivided Shares will be in issue and fully paid or credited as fully paid, assuming that no further Shares will be issued or repurchased (and cancelled) after the Latest Practicable Date and prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* in all respects with each other.

Conditions of the Share Subdivision

The Share Subdivision is conditional on:

(a) the passing by the Shareholders at the EGM of an ordinary resolution approving the Share Subdivision; and

(b) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options upon the Share Subdivision becoming effective.

(5) CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 10,000 Shares. The Board also proposes that subject to and after the Share Subdivision becoming effective, the board lot size be changed from 10,000 Shares to 20,000 Subdivided Shares. The Change in Board Lot Size ensures that the value of each board lot of the Subdivided Shares would be more than HK$2,000 and minimises transaction and registration costs in respect of transfer of Subdivided Shares. The Board considers the Change in Board Lot Size to be in the interests of the Company and the Shareholders as a whole.

Arrangement for Matching Odd Lots

In order to alleviate the difficulties arising from the odd lots of Subdivided Shares arising from the Share Subdivision, the Company has procured an agent to provide matching services for the sale and purchase of odd lots of Subdivided Shares for Shareholders. Shareholders who wish to take advantage of the matching services to dispose or top up odd lots of Subdivided Shares should contact Customer Service Officer of KGI Asia Limited at (852) 2878-5555 or 41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during the period from Tuesday, 8 April 2014 to Wednesday, 30 April 2014 (both dates inclusive).

Shareholders are reminded that the successful provision of odd lots matching services by the agent is not guaranteed, and are advised to consult their own professional advisers if they are in doubt of the above matching services.

Listing and Dealing

An application will be made to the Stock Exchange for listing of, and permission to deal in, the Subdivided Shares to be in issue and any new Subdivided Shares which may fall to be issued pursuant to the exercise of any share options upon the Share Subdivision becoming effective.

Save as the above application for the listing of and permission to deal in the Subdivided Shares on the Stock Exchange, no part of equity or debt securities of the Company is listed or dealt in on other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Exchange of Share Certificates

Subject to the Share Subdivision becoming effective, Shareholders may submit their Existing Share Certificates to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in exchange for the new share certificates free of charge between 9:00 a.m. and 4:30 p.m. on any Business Day from Tuesday, 25 March 2014 to Wednesday, 7 May 2014 (both dates inclusive). It is expected that the New Share Certificates will be available for collection within ten (10) Business Days after the submission of the Existing Share Certificates to Tricor Investor Services Limited for exchange.

From Thursday, 8 May 2014 onwards, exchange of Existing Share Certificates for New Share Certificates can only be made at a cost of HK$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each Existing Share Certificate cancelled or each New Share Certificate issued, whichever number of share certificates involved is higher.

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:30 p.m., Wednesday, 7 May 2014 and thereafter will not be accepted for delivery, trading and settlement purposes. However, all Existing Share Certificates will continue to be good evidence of legal title to such equivalent number of Subdivided Shares.

The New Share Certificates will be issued in blue colour in order to distinguish them from Existing Share Certificates which are in green colour.

Trading Arrangement for Subdivided Shares

Subject to the Share Subdivision become effective, dealings in the Subdivided Shares are expected to commence on Tuesday, 25 March 2014. Parallel trading in the Subdivided Shares (in the form of Existing Share Certificates and New Share Certificates) will be operated from Tuesday, 8 April 2014 to Wednesday, 30 April 2014 (both dates inclusive). Full details of the expected timetable and trading arrangement of the Shares are set out on pages 7 to 8 of this circular.

Reasons for the Share Subdivision and Change in Board Lot Size

The Share Subdivision will decrease the nominal value and trading price of each Share and increase the total number of shares of the Company in issue. The Board is of the view that the increase in number of shares of the Company as a result of the Share Subdivision will improve the liquidity in trading of the Subdivided Shares, thereby enabling the Company to attract more investors and broaden its Shareholders' base eventually. The Board considers that the Change in Board Lot Size will result in the Subdivided Shares being traded in a more reasonable board lot size and value. The Board also considers, that the implementation of the Share Subdivision and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole and would not have any adverse effect on the financial position of the Company.

Other than the expenses to be incurred (including printing charges and professional fees) by the Company in relation to the Share Subdivision and the Change in Board Lot Size, the implementation thereof will not, by itself, affect the underlying assets, business operations, management or financial position of the Group or the interests of the Shareholders as a whole.

GENERAL

EGM

The notice convening the EGM is set out on pages 134 to 136 of this circular. The EGM will be convened at Fung Shui Room II, Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 24 March 2014 at 11:30 a.m. for the purpose of considering and, if thought fit, approving (i) the Arrangement; (ii) Change of Name; and (iii) the Share Subdivision. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As no Shareholder has a material interest in the Share Subdivision which is different from other Shareholders, no Shareholder is required to abstain from voting at the EGM in respect of the resolution relating to the Share Subdivision.

The resolution proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

Voting

The resolutions to be put to vote at the EGM will be taken by way of a poll.

Only the Independent Shareholders will be eligible to vote on the relevant resolutions relating to the Arrangement. All Shareholders will be able to vote on the Change of Name and Share Subdivision.

Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors (namely Ms. Eugenia Yang, Mr. Chan Lung Ming, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent) who have no direct or indirect interest in the Arrangement, has been established to advise the Independent Shareholders as to whether the Arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The "Letter from the Independent Board Committee", which contains the Independent Board Committee's recommendations to the Independent Shareholders, is set out on pages 50 to 51 of this circular.

Independent Financial Adviser

The Company has appointed Chanceton Capital Partners Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Arrangement and, in particular, as to whether the Arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The "Letter from the Independent Financial Adviser", which contains the Independent Financial Adviser's recommendations to the Independent Board Committee and the Independent Shareholders, is set out on pages 52 to 85 of this Circular.

RECOMMENDATION

The Directors believe that the Formation of JV Company, Injection of Technology, Arrangement, Change of Company Name and Subdivision of Shares are on normal commercial terms, and the terms and conditions thereof are fair and reasonable so far as the Shareholders are concerned and are in the best interests of the Company and the Shareholders as a whole. The Directors would recommend all Shareholders to vote in favour of the Formation of JV Company, Injection of Technology, Arrangement, Change of Company Name and Subdivision of Shares if a physical general meeting were to be held.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Fairson Holdings Limited
Yeung Tin Hung
Chairman

The following is the text of a letter of advice from the Independent Board Committee, prepared for the purpose of incorporation in this Circular, setting out its recommendation to the Independent Shareholders regarding the terms of the Arrangement:

Fairson Holdings Limited
鉦皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8132)

28 February 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ARRANGEMENT

We refer to the circular issued by the Company to the Shareholders dated 28 February 2014 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Circular.

In compliance with the GEM Listing Rules, we have been appointed to consider the Arrangement and to advise the Independent Shareholders as to the fairness and reasonableness of the Arrangement, and to recommend how the Independent Shareholders should vote at the EGM. Chanceton Capital Partners Limited has been appointed as the independent financial adviser to advise you and us in this regard.

We wish to draw your attention to the "Letter from the Board" set out on pages 9 to 49 of the Circular which contains, inter alia, information about the terms of the Arrangement, the "Letter from the Independent Financial Adviser" set out on pages 52 to 85 of the Circular which contains the advice from the Independent Financial Adviser in respect of the Arrangement, and the additional information set out in the Appendices thereto.

Having given due consideration to the terms of the Arrangement and to the advice and recommendations of the Independent Financial Adviser, we consider the terms of the Arrangement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole and, accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in relation to the Arrangement and the proposed caps thereof.

Yours faithfully,
Independent Board Committee
Eugenia Yang, Chan Lung Ming, Ng Ka Chung, Lau Sung Tat, Vincent
Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Arrangement which has been prepared for the purpose of incorporation in this circular.

川盟融資有限公司
Chanceton Capital Partners Limited

Unit A, 23/F,
CMA Building,
64-66 Connaught Road Central,
Hong Kong

28 February 2014

*To the Independent Board Committee and
the Independent Shareholders of Fairson Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE ARRANGEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Arrangement, details of which are set out in the letter from the Board (the "**Board Letter**") contained in this circular (the "**Circular**") dated 28 February 2014 issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise required by the context.

On 6 September 2013 (after trading hours), the Company entered into the JV Agreement with Zhongyou Yingtai and Zhongwaijian to jointly establish the JV Company to engage in the proposed business of conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry and other LNG, CNG and related clean energy business. Although the business scope of the JV Company includes other LNG, CNG and related clean energy business, the Parties have no intention to extend beyond the Conversion business. The registered capital of the JV Company will be RMB100 million (equivalent to approximately HK$126.72 million) which will be contributed and owned by the Company, Zhongyou Yingtai and Zhongwaijian as to 51%, 40% and 9%, respectively. Upon Completion, JV Company will become a non wholly-owned subsidiary of the Company and accordingly, the financial results of JV Company will be consolidated into the consolidated financial statements of the Company.

Since the JV Company will become a non-wholly owned subsidiary of the Company upon its formal establishment, Zhongyou Yingtai will become a substantial shareholder of a non-wholly owned subsidiary of the Company and thus a connected person to the Company. The continuous payment of consideration by Zhongyou Yingtai to the JV Company under the Arrangement will constitute continuing connected transactions under Rule 20.41 of the GEM Listing Rules.

Since one of the applicable percentage ratios in respect of the Arrangement with reference to the Annual Caps is more than 25% and the annual consideration is the more than HK$10,000,000, the Arrangement will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, Zhongyou Yingtai and its associates are not shareholders of the Company, therefore no Shareholder is required to abstain from voting at the EGM on the resolution(s) to approve the Arrangement. As no Directors has any material interest in the Arrangement, no Directors has abstained from voting at the board meeting approving the Arrangement.

As the terms of the Arrangement in relation to the JV Agreement exceed the maximum of 3 years stipulated in Rule 20.35 of the GEM Listing Rules, we, as the Independent Financial Adviser, has been appointed by the Company to advise on, among others, as to why a longer period for the Arrangement is required and whether it is normal business practice for this type of contract to be of such duration.

An Independent Board Committee (comprising of independent non-executive Directors only) will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Arrangement and whether the Arrangement is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

We, Chanceton Capital Partners Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the JV Agreement, and to make recommendations as to, among others, whether the terms of the Arrangement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company, including (i) the Circular; (ii) the JV Agreement; (iii) the valuation report issued by the Valuer, as set out in Appendix II to this circular, the market value of the Technology as at 28 February 2014 was RMB32 million (equivalent to approximately HK$40.55 million); (iv) the annual report, first quarterly report, second quarterly report and third quarterly report of the Company for the year ended 31 March 2013, the three months ended 30 June 2013, the six months ended 30 September 2013 and the nine months ended 31 December 2013 respectively. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

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 and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any such statement contained in the Circular, including this letter, misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group, Fairson Holdings Limited and its subsidiaries, and their respective associates.

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

CONTINUING CONNECTED TRANSACTION

1. Formation of the JV Agreement, JV Company and the Injection of the Technology

The JV Agreement Date

6 September 2013

Parties

1. The Company;
2. Zhongyou Yingtai; and
3. Zhongwaijian

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of Zhongyou Yingtai and Zhongwaijian and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Since the JV Company will become a non-wholly owned subsidiary of the Company upon its formal establishment, Zhongyou Yingtai will become a substantial shareholder of a non-wholly owned subsidiary of the Company and thus a connected person to the Company. The continuous payment of consideration by Zhongyou Yingtai to the JV Company under the Arrangement will constitute continuing connected transaction under Rule 20.41 of the GEM Listing Rules.

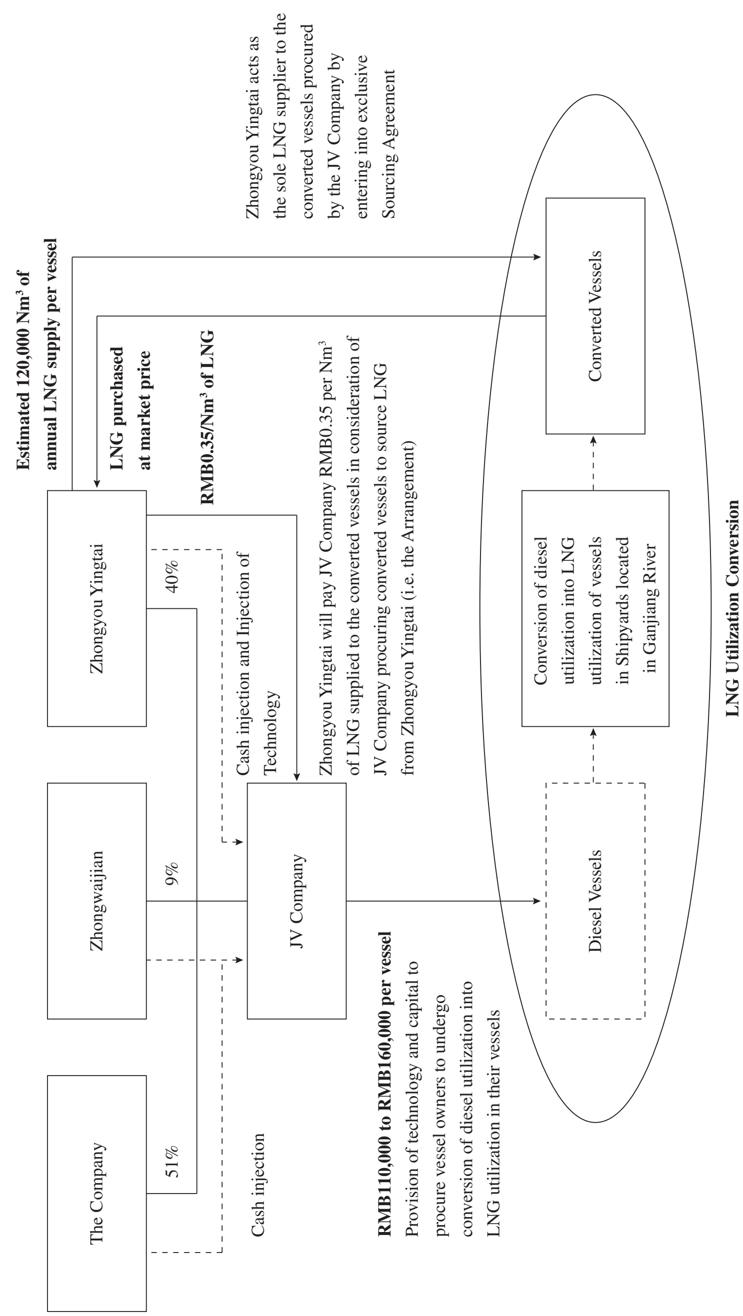
2. Principal factors taken into account

(A) Principal activities of the JV Company

Pursuant to the JV Agreement, the JV Company will be established to engage in the proposed business of conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry and other LNG, CNG and related clean energy business. The proposed name of the JV Company is 江西中油港燃能源科技有限責任公司 Jiangxi China Oil Gangran Energy Technology Company Limited. As at the Latest Practicable Date, we note that the Parties intended that the JV Company should focus on the Conversion business and did not have any concrete plan and had no intention to extend the business of the JV Company beyond the Conversion business.

We have reviewed the estimations provided by the JV Company and conducted on-site interviews with the management of the JV Company, Zhongyou Yingtai and owner of the sample converted LNG vessels in Ganjiang, Jiangxi Province, and we conclude that the information we collected are in alignment with the business plan of the JV Company including its revenue model as follows:

The following flow chart illustrates the business model of the JV Company:



(B) Capital contribution

Pursuant to the JV Agreement, the registered capital of the JV Company is RMB100 million (equivalent to approximately HK$126.72 million). Pursuant to the 關於設立中外合資企業"江西中油港燃能源科技有限責任公司"的批復(洪外經貿委審批字[2013]133號 (Approval in relation to the Establishment of the Sino Foreign Joint Venture Enterprise "Jiangxi China Oil Gangran Energy Technology Company Limited"*) obtained from the Nanchang Foreign Economic and Trade Cooperation Committee, the registered capital of the JV Company will be contributed to by the Parties in the following manner:

Name of Party	Equity interest in the JV Company	Capital contribution	Mode and time of payment
Company	51%	RMB51 million (equivalent to approximately HK$64.63 million)	Payment in cash as to RMB35 million (equivalent to approximately HK$44.35 million) has been paid in the first stage (Note 1); and the balance of RMB16 million (equivalent to approximately HK$20.28 million) to be paid in the second stage (Note 2)
Zhongyou Yingtai	40%	RMB40 million (equivalent to approximately HK$50.69 million)	Payment in cash of RMB10 million (equivalent to approximately to HK$12.67 million) has been paid in the first stage (Note 1); and payment in kind by way of Injection of Technology in the amount of RMB30 million (equivalent to approximately to HK$38.02 million) (Note 3) to be paid in the second stage (Note 2)
Zhongwaijian	9%	RMB9 million (equivalent to approximately HK$11.40 million)	Payment in cash of RMB5 million (equivalent to approximately HK$6.34 million) has been paid in the first stage (Note 1); and the balance RMB4 million (equivalent to approximately to HK$5.07 million) to be paid in the second stage

Note 1: The first capital contribution in the aggregate amount of RMB50 million (equivalent to approximately HK$63.36 million) has been made within 3 months from the obtaining of the business licence of the JV Company. Specifically, the Company has made a contribution of RMB35 million (equivalent to approximately HK$44.35 million) as set out in the announcement of the Company dated 27 January 2014.

Note 2: The second capital contribution in the aggregate amount of RMB50 million (equivalent to approximately HK$63.36 million) will be made within 2 years from the obtaining of the business licence of the JV Company.

Note 3: The market value of the Technology as at 28 February 2014 was valued at RMB32 million (equivalent to approximately HK$40.55 million) by the Valuer.

Save as disclosed above, there is no other capital commitment to be borne by the Parties in respect of the Formation of JV Company and the Injection of Technology as stipulated under the JV Agreement.

The cash contribution required to be made by the Company to the JV Company in the amount of RMB51 million (equivalent to approximately HK$64.63 million), of which RMB35 million (equivalent to approximately HK$44.35 million) has been paid, has been and will be primarily funded by the internal resources and fund raising activities of the Company. As at the Latest Practicable Date, the internal resource of the Company amounted to approximately HK$28 million. The net proceeds in the amount of HK$17.41 million raised from the Placing of Shares and HK$54.95 million raised from the First Placing of Convertible Bonds have been partially applied to settle the capital contribution in the JV Company.

Save as disclosed above, the Company has no current plans for additional fund raising but may conduct further equity or debt financing if required.

We have interviewed three vessel owners including an owner of one of the sample vessels previously converted by Zhongyou Yingtai in the Gangjiang area and we have reviewed the information of such sample vessel converted by Zhongyou Yingtai and its respective cost breakdown to arrive at our findings. Zhongyou Yingtai has carried out conversion on container vessels with a load of 1,800-2,000 tonnes as sample vessels in the Gangjiang area since 2012. The vessel owners we have interviewed are the target customers of the JV Company as they own container vessels with a load of 2,000 tonnes which transport in the Gangjiang area and we consider the interviews which involve sample vessel owners and prospective target customers are representative. As advised by the management of Zhongyou Yingtai and sample vessel owners, the conversion of sample vessels are for illustrative and testing purpose, Zhongyou Yingtai has not yet commenced any LNG supply to the sample vessels. The sample vessels are currently using diesel as primary fuel given the dual-fuel structure of the sample vessels after Conversion. As such, the Technology has not been used by Zhongyou Yingtai to generate any income. As discussed with the management of the Zhongyou Yingtai, the estimated cost required to complete the Conversion per vessel is approximately RMB210,000 (equivalent to approximately HK$266,000). Prior to the commencement of the Conversion, each of the vessel owner will enter into an agreement with the JV Company to set out the terms and conditions of the Conversion, pursuant to which the vessel owner will agree to bear the cost of approximately RMB50,000 (equivalent to approximately HK$63,000) per vessel. Such cost to be borne by the vessel owners is determined with reference to Zhongyou Yingtai's prior experience with and after Zhongyou Yingtai's communication with various vessel owners in the Ganjiang River area. The JV Company will bear the remaining cost, which is estimated to be in the range of RMB110,000 to RMB160,000 (equivalent to approximately HK$139,000 to HK$203,000), subject to the availability and amount of Subsidy (as detailed in the Letter to the Board paragraph headed "Business Plan on Conversion") which may be granted by the government of the PRC.

The details of the Subsidies for the Conversion are yet to be issued, the Board estimated the Subsidies to be approximately RMB50,000 (equivalent to approximately HK$63,000) per converted vessel. We noted that the estimation of the Subsidies was arrived at with the reference as follows:

(a) the Provisional Measures on Special Fund Management for Transportation Energy Conservation and Emission Reduction (交通運輸節能減排專項資金管理暫行辦法) issued jointly by the Ministry of Finance and the Ministry of Transport of the PRC on 20 June 2011 (the "**Provisional Measures**"), which relates to the government subsidies available for energy conservation and emission reduction in the land and water transportation industry. Pursuant to the Provisional Measures, the installation of a system of energy conservation and emission reduction in public transport vehicles and vessels may be entitled to a subsidy, which was preliminary fixed at not more than 20% of the cost of such installation; and

(b) the understanding of and expertise in the LNG industry in the PRC by Zhongyou Yingtai, based on its knowledge and know-how obtained from its day-to-day operation as a well established LNG supplier, providing LNG by city pipeline network to motor vehicles and vessels. Such understanding by Zhongyou Yingtai includes understanding on the general acceptance of LNG usage over traditional fuel, LNG consumption pattern within the transportation industry, extent of price fluctuation of LNG in the market and cost in handling LNG. The expertise that Zhongyou Yingtai has includes but is not limited to the skills in handling LNG, experience in sourcing and provision of LNG and effective assessment of the general outlook of the LNG market.

We have considered the factor that the Conversion business is a new and niche market, and no subsidies have ever been granted in relation thereto. Due to the absence of statistical data and policies issued by the PRC government, we are of the view that the Provisional Measures is the most direct reference in relation to the subsidies of the Conversion business and Zhongyou Yingtai'sunderstanding and expertise in the LNG industry is a relevant source in estimating the Subsidies. We have also conducted onsite interviews with responsible personnel of the Technology and senior management of Zhongyou Yingtai, among others, namely (i) the general manager of Zhongyou Yingtai who will also be one of the proposed directors of the JV Company, (ii) the chief technology officer of Zhongyou Yingtai, and (iii) other engineers and staff in relation to the Technology. We noted in the interviews that the staffs in Zhongyou Yingtai have working experience in state-owned energy and resources companies and possess well-established network and good understandings of governmental policies, the atmosphere and prospects of the LNG-related industries in the PRC. As such. We are of the view that the knowledge, experience and network of the staffs are important for Zhongyou Yingtai in assessing the future development of the LNG market in the PRC. Having reviewed the supporting documents relating to the Provisional Measures and interviewed the management of Zhongyou Yingtai, we concur with the view that the consideration of the Board in estimating the Subsidies with the reference to the Provisional Measures and Zhongyou Yingtai's understanding and expertise in the LNG industry is appropriate. As a result, the Board expects that, in the event that the Subsidies are granted by the PRC government, the cost of Conversion per vessel to be borne by the JV Company may be lowered to RMB110,000 (equivalent to approximately HK$139,000).

According to the information provided by the management of the JV Company, the total cost required to complete the conversion of traditional diesel utilization to LNG utilization per vessel are tabulated as below:

Cost items	**Conversion cost under mass production (approximately)** *(RMB)*
LNG gas storage system	119,000
Dual-fuel engines and propulsion system	35,000
Fire safety system	21,000
Engineering costs	35,000
Total:	210,000

During the development of the Technology, Zhongyou Yingtai communicated with several vessel owners in the Ganjiang River area, who are the target customers of the JV Company, with the aim to conduct preliminary survey on their acceptance of the concept of Conversion. The vessel owners were made aware of the savings to be derived from LNG utilization in vessels over diesel utilization due to the cost difference of the respective fuels. We noted that from our interviews with the 3 vessel owners, including an owner of one of the sample vessels previously converted by Zhongyou Yingtai in the Gangjiang river of Jiangxi. Through the communications between Zhongyou Yingtai and other vessel owners on (i) the respective cost breakdown of the Conversion, (ii) savings to be derived from LNG utilization over diesel utilization, and (iii) the vessel owners' willingness to pay. it was proposed by Zhongyou Yingtai that the vessel owner will be required to agree under the Conversion Agreement to bear the cost of approximately RMB50,000 (equivalent to approximately HK$63,000) per vessel to be converted. Such cost to be borne by the vessel owners is determined with reference to Zhongyou Yingtai's prior experience with and after Zhongyou Yingtai's brief communication with several vessel owners in the Ganjiang River area. Prior to the commencement of the Conversion, the JV Company will enter into Conversion Agreement with vessel owners in relation to the Conversion and as a condition of the Conversion Agreement, the vessel owners shall also enter into the Sourcing Agreement with Zhongyou Yingtai pursuant to which the vessel owners shall source exclusively from Zhongyou Yingtai and Zhongyou Yingtai shall supply LNG to the converted vessels. In other words, it comes in a package that the vessel owners have to enter into both Conversion Agreement and Sourcing Agreement in order to obtain the service of Conversion from the JV Company. As advised by management of Zhongyou Yingtai and JV Company, the exclusivity of LNG supply from Zhongyou Yingtai to converted vessel owners is a crucial element in the business model of the JV Company and therefore the Conversion Agreement and Sourcing Agreement is bundled into package for the Conversion service with the exclusivity of LNG supply from Zhongyou Yingtai as one of the key terms. The management of the JV Company is confident to procure a lesser total cost of approximately RMB210,000 (equivalent to approximately HK$266,000) under mass conversions of vessels as stipulated under the reference price provided by the respective supply-chain for the Conversion. The management has provided cost break downs for the Conversion on sample vessels conducted by Zhongyou Yingtai and the reference price provided by the respective supply-chain for our review. We have conducted on site interviews on the sample vessel which is a container vessel with a load of 2000 tonnes in Gangjiang. Having reviewed the business plan, estimation and cost breakdown for Conversion of sample vessels conducted by Zhongyou Yingtai as provided by the management of the JV Company, we find that the basis of the capital cost required for conversion is estimated based on the Conversion experience on sample vessels and referenced to production cost as provided by supply-chain for Conversion in Jiangxi region, we conclude that the basis of the capital cost is fair and reasonable.

The cost of conversion per vessel to be borne by the JV Company is estimated to be in the range of RMB110,000 to RMB160,000 (equivalent to approximately HK$139,000 to HK$203,000), subject to the availability and amount of Subsidy (as disclosed in the paragraph headed "Business Plan on Conversion") which may be granted by the government of the PRC. In Jiangxi Province, Ganjiang River is the 7th longest tributary of Changjiang River that flows through Jiangxi Province from south to north before joining Changjiang River. Changjiang River is the largest river in the PRC that flows across southwest, central and eastern PRC before emptying into the East China Sea at Shanghai. The vessels that navigate on Ganjiang River include vessels that are registered in the Jiangxi Province or vessels that navigate to and from Changjiang River through Ganjiang River. As at the Latest Practicable Date, as per the JV Company's understanding from the Maritime Safety Administration of the PRC that there were over 3,000 vessels registered in Jiangxi Province and around 15 shipyards along the Ganjiang River area. A majority of the vessels in the region are still using diesel as fuel. While there are other industry players engaged in the Conversion business in the PRC, such as China Petrochemical Corporation, China National Offshore Oil Corporation and ENN Energy Holdings Limited, to the best knowledge and believe of the Company, none of such competitors has commenced the Conversion business in the Ganjiang River area. The JV Company depends on a small number of potential customers, which are the owners of the vessels in Jiangxi Province along the Ganjiang River. The JV Company intends to secure approximately 15% to 23.3% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province as at the Latest Practicable Date. Although most vessels travelling within Jiangxi Province or into and out of Jiangxi Province via the Changjiang River will need to navigate through the Ganjiang River, the JV Company cannot assure the actual number of vessels navigating on the Ganjiang River. In the event that the actual number of vessels navigating on the Ganjiang River is substantially less than the estimation of 3,000 vessels registered in Jiangxi Province, the potential customers available to the JV Company may be more limited than anticipated and its business, financial conditions and results of operations may be adversely affected. With consideration of the JV Company's cost to convert a vessel and the JV Company's plan to invest its proceeds into further conversion of vessels, the Parties have set a target to convert 450 to 700 vessels (equivalent to 15% to 23.3% of the estimation of 3,000 vessels in Jiangxi Province) in 2014. In assessing the estimated number of vessels to be converted, we have reviewed the estimated capital cost required for conversion based on previous Conversion experience on a sample vessel with reference to the paid-up capital of the JV Company at RMB70 million (equivalent to approximately HK$126.72 million), we conclude that estimated number of vessels to be converted is fair and reasonable.

The cash amount of the registered capital of the JV Company in the sum of RMB70 million (equivalent to approximately HK$88.70 million) was determined with reference to the cost of conversion per vessel and the target number of vessels to be converted. After the completion of the conversion of a minimum of 450 to a maximum of 700 vessels, the expected annual revenue of the JV Company in the range of RMB18.90 million to RMB29.4 million (equivalent to approximately HK$23.95 million to HK$37.26 million) generated from the Arrangement (as set out in the section headed "Continuing Connected Transaction") will provide sufficient funding to operate in subsequent years during the subsistence of the Arrangement. We consider that the target to convert approximately 450 to 700 vessels is a fair and reasonable target, having reviewed the estimated cost breakdown and amount of contributed capital to the JV Company.

The Board contemplates that the cash contribution required to be made by the Company to the JV Company in the amount of RMB51 million (equivalent to approximately HK$64.63 million), of which RMB35 million (equivalent to approximately HK$44.35 million) has been paid, has been and will be primarily funded by the internal resources and fund raising activities of the Company. As at the Latest Practicable Date, the internal resource of the Company amounted to approximately HK$28 million. The net proceeds in the amount of HK$17.41 million raised from the Placing of Shares and HK$54.95 million raised from the First Placing of Convertible Bonds have been partially applied to settle the capital contribution in the JV Company.

Save as disclosed above, the Company has no current plans for additional fund raising but may conduct further equity or debt financing if required. Currently, the Parties have no plans to extend the JV Company's business into other clean energy business, the Parties do not intend to inject any additional capital into the JV Company after the initial capital injection. The remaining RMB30 million of capital contribution was determined based on the valuation of the Technology, which was preliminarily valued at RMB32 million by the Valuer. We are of the view that the total registered capital is fair and reasonable. For details of the capital contribution. Please refer to the section headed "Capital Contribution" as stated in the Board Letter of this circular.

To assess the value of the Technology by the Valuer, we have reviewed the Valuer's experience in the valuation of similar nature to the Technology and the Valuation Report. We consider that the Valuer has the appropriate professional qualifications and experience of valuing technology of similar category in the PRC to carry out the valuation. We have reviewed the Valuer's experience in intangible asset valuations with various listed companies under similar valuation approach used in the valuation, including but not limited to valuation of patented and unpatented technologies relating to civil engineering, technology relating to the conversion of rare earth concentrate into products such as polishing powder, rare earth oxides and metals, service contracts in relation to build-own-transfer (BOT) projects to replace streetlights into LED lights and operation and maintenance of facilities for energy saving purposes, mining rights granted in the PRC, hydrocarbons exploitation rights granted in the PRC, and other trademarks and copyrights. We contend with the Valuer's experience in the valuation of similar nature to the Technology as the Valuer has a minimum of 3 years experience in conducting valuations for companies involved in related clean energy business in the PRC. With reference to the Valuation Report, we noted that the valuation is based on various assumptions and we have reviewed the following:

i. Though the Board states that exquisite technical knowledge and skills are not required to master the application of the Technology, the JV Company would rely on technical staff with basic engineering knowledge and background for Conversion. Otherwise, the JV Company may lose business opportunities and the costs of the staffs may substantially increase. We are of the view that such business risk in relation to maintaining competent technical and professional personnel has been considered as one of the factors in the valuation by the Valuer and it has reasonably presented the JV Company's ability in maintaining competent technical and professional personnel;

ii. We have reviewed the information of the comparable companies though their official websites. The selection of the exhaustive list of comparable companies adopted in the Valuation Report, the major selection criteria of the comparable companies are based on (a) their principal activities in vessel-related business or LNG sales business in the PRC, (b) the major geographic segmentation of the companies is in China, (c) the companies have sufficient listing and operating histories; and (d) the financial information of the companies is available to the public. We are of the view that the selected comparable companies are consistent and comparable to the business nature of the JV Company and suitable to be adopted as comparable companies. Having considered all of the above, we concur with the view of the Valuer that the selection is relevant and fair;

iii. The adoption of the average historical market return in the China stock market as the expected market return for the JV Company is fair and reasonable as it has reflected the target market of the JV Company and minimized the short-term fluctuation of China stock market;

iv. The adoption of the size premium for valuation targets based on a representative size premium study is a common market practice for valuations for many industries. As noted in the Valuation Report that "*Based on our understanding, it is a common market practice to adopt the aforementioned size premium study to estimate size premium of the valuation targets. The United States market is considered as a broad market that well reflects the behavior of the market participants as a whole.*" Having interviewed the Valuer on size premium for previous valuation targets carried out by the Valuer, we understand that it is a common market practice and hence we concur with the view of the Valuer that it was a fair and reasonable approach as a representative size premium study in relation to China stock market is not currently available; and

v. Having reviewed the calculation of the parameters of the WACC for the valuation, we concur with the view of the Valuer that owing to the lack of liquidity and legal protection, the Technology should require a higher required return than the WACC. Since the business of the JV Company is closely related to the Technology, the required return of the Technology should be close to the required return of the business of the JV Company, which is represented by the WACC. Taking into account the above considerations, the Valuer considered an additional premium of 1% for the Technology fair and reasonable. We concur with the view that the discount rate of 15.06% arrived at by the Valuer is fair and reasonable.

Having discussed with the Valuer and reviewed the (a) information available to the Valuer of which the valuation approach adopted, (b) assumptions made in valuing the Technology, and (c) the parameters and calculations adopted in the valuation, we are of the view that the valuation for the approach are reasonable and reliable. We also find that the Valuer has relied on the projection of the income to be generated from the Technology and taking into account factors such as (i) the nature and prospect of the JV Company and the Technology; (ii) the financial condition of the JV Company; (iii) the economic outlook in general and the specific economic environment and market elements affecting the business, industry and market; (iv) relevant licenses and agreements; (v) the business risks of the JV Company such as the ability in maintaining competent technical and professional personnel; and (vi) investment returns and market transactions of entities engaged in similar intangible assets. The Valuer advised that the income based approach is a commonly adopted approach in determination of the technology value. With examination on the adopted valuation approach and assumptions made in valuing the Technology, we are of the view that the basis in determining the value of the Technology is fair and reasonable to the Company's and Shareholders' interests.

Save as disclosed above, there is no other capital commitment to be borne by the Group in respect of the Formation of JV Company and the Injection of Technology as stipulated under the JV Agreement.

Having reviewed the estimated cost structured for conversion per vessel as provided by the management of the Zhongyou Yingtai, we concur with the view of the Directors that the registered capital amount is fair and reasonable for the following reasons:

(i) As confirmed with the management of the Company, Zhongyou Yingtai and Zhongwaijian, the JV Company will focus on the business of conversion of traditional diesel utilization to LNG utilization in the water transportation industry, and the registered capital contributed to the JV Company is estimated to be utilized for the business in conversion of traditional diesel utilization to LNG utilization. We have reviewed the business plan of the JV Company, conducted onsite interviews with vessel owners and responsible personnel of the Technology namely (i) the general manager of Zhongyou Yingtai who is responsible for the strategic planning and business development of Zhongyou Yingtai and the Technology and a proposed director of the JV Company, (ii) the chief technology officer of Zhongyou Yingtai who is responsible for overseeing the operation of Technology, the Conversion process, the liaison and consultation of vessel owners, and (iii) the engineers responsible for the Conversions in the shipyards. As a result, we conclude that the Technology is well backed by designated personnel and all of the above are in line with the business plan of the JV Company; and

(ii) In the paragraph headed "Overview of natural gas industry in the PRC" in this letter, we are of the view that the natural gas industry in the PRC and hence the operation of the JV Company in the PRC will be under favourable government encouragement and robust market demand as stipulated under the Twelve-five Years Plan to promote the usage and consumption of natural gas in the PRC, for more details please refer to the paragraph headed "Overview of natural gas industry in the PRC". It is in the interest of the Company and the Shareholders to contribute the registered capital amount for the JV Company for the development of conversion of traditional diesel utilization to LNG utilization.

The Company will hold the JV Company indirectly through two wholly owned subsidiaries of the Company, namely Brave Champ Holdings Limited, a company incorporated with limited liability in the British Virgin Islands and China Oil Gangran Energy Group (Hong Kong) Limited, a company incorporated with limited liability in Hong Kong. Upon establishment of the JV Company, the JV Company will become a non wholly-owned subsidiary of the Company. The accounts of the JV Company will be consolidated into the consolidated financial statements of the Group.

(C) Composition of the board of directors of the JV Company

Pursuant to the JV Agreement, the board of directors of the JV Company shall comprise 7 directors, of which 4 directors will be nominated by the Company, 2 directors will be nominated by Zhongyou Yingtai and 1 director will be nominated by Zhongwaijian. The directors and chairman and vice chairman of the board of the JV Company shall be appointed in three years terms.

As the JV Company has only been recently established, there are only 5 directors appointed as at the Latest Practicable Date, with 2 of them appointed by the Company. The chairman (who is also the legal representative of the JV Company) of the board of the JV Company is nominated by the Company. The directors nominated and to be nominated by the Company shall have relevant experience and expertise, including but not limited to academic background in engineering or work experience in the water transportation industry or clean energy industry or finance, corporate management area. The Company is of the opinion that suitable candidates can be identified in the near future to fill the vacancy without much difficulties.

(D) Overview of natural gas industry in the PRC

Following the launch of PRC's Twelve-five Years Plan, which signals the PRC government's initiatives for the development and utilisation of natural gas and other types of unconventional gas. In March 2012, the National Development and Reform Commission (the "**NDRC**"), the Ministry of Finance, the Ministry of Land and Resources (the "**MLR**") and the National Energy Administration (the "**NEA**"), jointly issued a development plan (the "**Plan**") designated for China's natural gas development activities and initiatives from 2011 to 2015. The government will adopt five steps to achieve the target and milestones set out in the Plan as follows:

i. Increasing government investment in natural gas survey and appraisal

ii. Developing natural gas technology

iii. Developing new natural gas exploration and production systems

iv. Introducing incentive policies

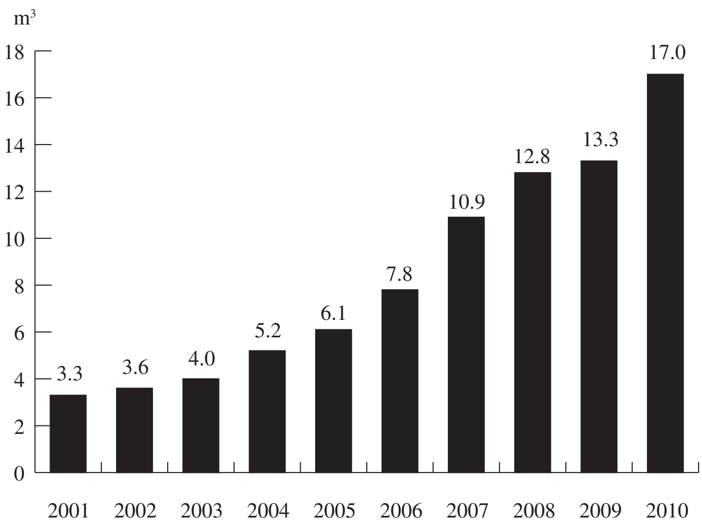
v. Improving natural gas infrastructure

The Technology is in line with PRC's Twelve-five Years Plan for sustainable development of energy conservation through the conversion of ships in the PRC, as low-carbon green vehicles and LNG usage both fall into the encouraged category of natural gas development. The Technology is concerned with the conversion of ships into low-carbon green vehicles for LNG usage and it has a practical significance for the development of natural gas technology in the PRC. Under the encouragement of PRC government on sustainable development of energy-saving methods, the Technology helps to provide an economical, reliable, technologically advanced energy saving method to improve transport efficiency of traditional inland shipping. The Technology maintains the original structure and the combustion engine of ships during its conversion by adding a LNG supply systems and a diesel-LNG electronically controlled injection system. The market potential for the Technology is substantial across the PRC as the demand for natural gas in PRC increases.

LNG is a type of natural gas, it is considered as a cleaner but relatively new conventional energy resource as compared to coal and crude oil so that the PRC government has been supportive of the development of natural gas.

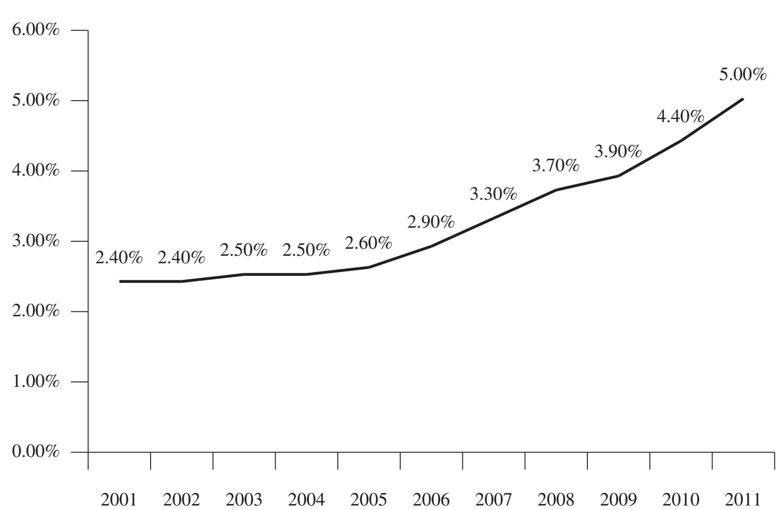
As illustrated in Chart A and Chart B below, the average per capita consumption of natural gas and the percentage of natural gas consumption to the total energy consumption in the PRC have been growing steadily during recent years.

Chart A – Average Per Capita Consumption of Natural Gas in the PRC



Source: Official Website of the National Bureau of Statistics of China

Chart B – Percentage of Natural Gas Consumption to the Total Energy Consumption in the PRC



Source: Official Website of the National Bureau of Statistics of China

In addition, according to the statistics issued by the official website of the Central People's Government of the People Republic of China (中華人民共和國中央人民政府), it indicates that PRC's natural gas imports has increased from 4 billion m3 in 2007 to 42.5 billion m3 in 2012, representing a compound annual growth rate of 60.42%; the proportion of natural gas imported has also increased from 2% in 2007 to 27% in 2012. The increase in import is in line with the continuous increase in average per capital consumption of natural gas in Chart A, which both suggests an increasing demand for natural gas in the PRC.

The price of fuel in China is regulated by government authorities such as the National Development and Reform Commission, China (中華人民共和國國家發展和改革委員會) ("**NDRC**"), rather than being market-driven (though China has been slowly revising its pricing policy to better reflect the international price of crude). The NDRC decides the baseline prices of each gas field and sets different prices by end-user. The NDRC sets the prices, per ton, to be paid to refineries in China for a variety of different petroleum products including gasoline and diesel used in motor vehicles.

On 28 June 2013, the NDRC has published a notice on the adjustment of gas prices, which outlined the major direction of adjustments in natural gas price in the PRC with effect on 10 July 2013. The major adjustments include:

i. Adjustments have been made on non-residential natural gas prices and no adjustments were made on residential natural gas prices;

ii. The introduction of the inventory gas (存量氣) and incremental gas (增量氣) gate price adjustment programs;

According to the notice issued by NDRC on 28 June 2013 from the official website of NDRC, inventory（存量氣）and incremental（增量氣）natural gas prices per thousand m3 with effective from 10 July 2013 are set out in Table A below:

Table A – Adjusted Natural Gas Prices (Effective from 10 July 2013)

Provinces	**Price ceiling for inventory gas （存量氣）** *(RMB/thousand m^3)*	**Price ceiling for incremental gas （增量氣）** *(RMB/thousand m^3)*
Beijing	2,260	3,140
Hubei	2,220	3,100
Tianjin	2,260	3,140
Hunan	2,220	3,100
Hebei	2,240	3,120
Guangdong	2,740	3,320
Shanxi	2,170	3,050
Guangxi	2,570	3,150
Neimenggu	1,600	2,480
Hainan	1,920	2,780
Liaoning	2,240	3,120
Chongqing	1,920	2,780
Jilin	2,020	2,900
Sichuan	1,930	2,790
Heilongjiang	2,020	2,900
Guizhou	1,970	2,820
Shanghai	2,440	3,320
Yunnan	1,970	2,820

Provinces	Price ceiling for inventory gas (存量氣) *(RMB/thousand m^3)*	Price ceiling for incremental gas (增量氣) *(RMB/thousand m^3)*
Jiangsu	2,420	3,300
Shaanxi	1,600	2,480
Zhejiang	2,430	3,310
Gansu	1,690	2,570
Anhui	2,350	3,230
Ningxia	1,770	2,650
Jiangxi	2,220	3,100
Qinhai	2,240	3,120
Shandong	1,410	2,290
Xinjiang	1,410	2,290
Henan	2,270	3,150
Average*	**2,241**	**3,160**

Source: The Official Website of National Development and Reform Commission（國家發展改革委）

* *Average is taken from 29 provinces in the PRC*

The operations of the JV Company will be carried out in Jiangxi province in the PRC. As illustrated in the table above, Jiangxi province has a price ceiling of RMB2,220 and RMB3,100 per thousand m^3 for inventory and incremental gas respectively, which are not markedly different from the average price ceiling for inventory and incremental gas across 29 provinces in the PRC.

It was planned by the government to establish a natural gas pricing mechanism that reflects the availability of resources and market and supply and ultimately promotes the use of natural gas in the PRC as indicated by the PRC government during the Twelve-five Years Plan to encourage the following:

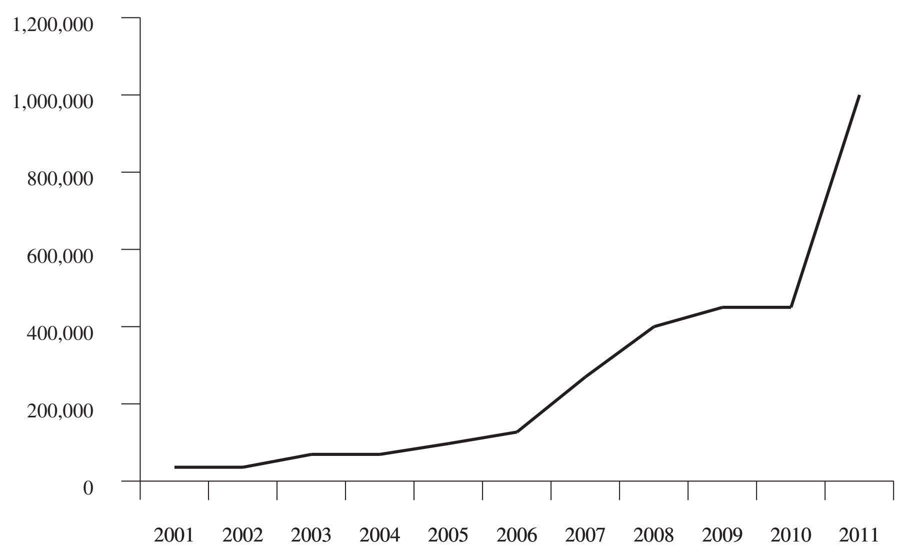
i. promote LNG-driven heavy/medium-duty cargo trucks and city public transportation vehicles;

ii. give priority consideration in urban planning to the construction of LNG refueling stations in major mining areas, ports and areas with city public transport; and

iii. promote the use of LNG as fuel for river transport is a significant growth potential for the use and application of natural gas in the PRC.

According to the research report "Asia-Pac Energy" published by Bernstein Research in July 2013, it is estimated that there will be 80,000 LNG fueled vehicles by 2020. The increase in LNG fueled vehicles will cause an increase in the fuel demand, which will raise to 18 billion cubic meters, from 1.8 billion in 2012. In light of this, we are of the view the increase in LNG fueled ships is attributable to the PRC government encouragement under the Twelve-five Years Plan and an increasing demand of LNG usage in the PRC. The increasing demand of LNG usage in the PRC and PRC government encouragement signifies a large pool of target customers for the JV Company as more traditional diesel utilisation vessels are motivated to switch to LNG utilisation vessels.

Chart C – Number of Natural Gas Vehicles in the PRC from 2001 to 2011



Source: Statistics from International Road Federation

As illustrated in Chart C, we can see a stable increase in the number of natural gas vehicles (the "**NGV**") in the PRC from 36,000 in 2001 to 450,000 in 2010, representing a robust compound annual growth rate (the "**CAGR**") of 28.7% in 10 years. In 2011, the number of NGV shot up drastically from 450,000 in 2010 to 1,000,000 in 2011 as a result of the Twelve-five Years Plan in the PRC.

Accordingly, it is expected that the usage of natural gas and natural gas carriers will increase in the coming years. Given the government's plan to promote the use of natural gas in the PRC, we are of the view that the Conversion as stipulated under the JV Agreement and Injection of Technology will enjoy an increasing demand in the PRC.

3. The Terms of the Arrangement in relation to the JV Agreement

The JV Company will have a term of 30 years commencing from the obtaining of the business license of the JV Company, whilst the Annual Caps for the purpose of Chapter 20 of the GEM Listing Rules for each of the three financial years ending 31 March 2015, 31 March 2016 and 31 March 2017 are set out under the section headed "Annual Caps" in this circular will be revised for every three years that follow. The term of the JV Agreement may be extended at the discretion of the board of directors of the JV Company at six months prior to the expiry of the term of the JV Agreement. Pursuant to GEM Listing Rule 20.35(1) of the Listing Rules, we are required to explain why the contract periods exceeding three years are required for the JV Agreement, and to confirm that it is normal business practice for the JV Agreement to be of such duration.

To assess whether or not it is a normal business practice for contracts of this type to be of duration more than three years, we considered the followings, including the business nature and revenue model of the Company as stated in the Letter from the Board and the supply of LNG by Zhongyou Yingtai under Sourcing Agreements to converted vessels as the key factors in supporting the contracts to be entered for more than three years.

i. Owing to the business model of the JV Company as mentioned in the Letter from the Board, a term of 30 years is of material significance to the operations and profitability of the JV Company. The estimated investment return period will begin immediately after the completion of Conversion through profit sharing per Nm^3 of LNG supplied to the vessels by Zhongyou Yingtai and thereafter continuously. We note that the primary income source, which is the abovementioned profit sharing, is directly associated to the volume of LNG supplied to vessel owners from Zhongyou Yingtai but not solely from Conversion and a longer term of contract enables the Company to capture profits and stable cash flows generated by the JV Company through Zhongyou Yingtai paying the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to the vessels as procured by the JV Company.

ii. Given the proposed unique business model as contemplated under the JV Agreement, the capital investment is only required for the Conversion of vessels and the JV company will be operated by the internal resources generated through the profit sharing of the LNG supplied to the vessels by Zhongyou Yingtai since the commencement of profit sharing period after the approximately 5-day conversion period for each vessel. The JV Company will enter into Conversion Agreement with vessel owners in relation to the Conversion and as a condition of the Conversion Agreement, the vessel owners shall also enter into the exclusive Sourcing Agreement with Zhongyou Yingtai pursuant to which the vessel owners shall source exclusively from and Zhongyou Yingtai shall supply LNG to the converted vessels. In other words, it comes in a package that the vessel owners have to enter into Conversion Agreement and Sourcing Agreement in order to obtain the service of Conversion from the JV Company. After the Conversion, the vessel owners will, pursuant to the Sourcing Agreement, source LNG from Zhongyou Yingtai as the sole LNG supplier for a maximum term of 30 years which is not negotiable by the vessel owners, with reference to the age of the vessels and subject to the assessment by the JV Company, and Zhongyou Yingtai will, pursuant to the JV Agreement, pay the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to such converted vessels. In addition, we understand that before entering into Conversion Agreements and Sourcing Agreements, the JV Company will consider all the circumstances including but not limited to the age of the vessels and the number of vessels of the vessel owners to be converted. The term of 30 years of the Sourcing Agreement is not negotiable by the vessel owners but is adjustable by Zhongyou Yingtai in discussion with the JV Company. The JV Company has the flexibility to convert more vessels at any time during the term of 30 years of the JV Agreement and receive revenue from Zhongyou Yingtai without the need to negotiate with Zhongyou Yingtai on further profit sharing arrangement. We consider the above measure is able safeguard the JV Company not converting vessels which are more aged to eliminate the business risk and ensure the sustainable investment return of the JV Company for the Conversion of each vessel. The JV Company is entitled to enjoy sustainable profit during the useful life of all vessels converted by the JV Company. As a result, we concur with the Directors's view that a longer term of contract allows the Company more time to take profits.

iii. Further, in accordance with the information provided by Zhongyou Yingtai, the term of 30 years of the Arrangement will correspond to (a) the terms of maximum 30 years in the Sourcing Agreement; and (b) the lifespan of the targeted customers of vessel of 20-30 years according to the information of the management of the JV Company. Hence, a 30 years term of contract is beneficial to the Company to enjoy the sustainable profitability of the JV Company given its unique business model, in which the Conversion of vessels is regarded as a new industry and the JV Company is the pioneer of such Conversion business in the Ganjiang River area and it is in the interests of the Company and Shareholders as a whole.

iv. Since the JV Company will be established to engage in the Conversion of vessels in the water transportation industry and other LNG, CNG and related clean energy business. Although the business scope of the JV Company includes other LNG, CNG and related clean energy business, the Parties have no intention to extend beyond the Conversion business. As mentioned in the paragraph headed "*Overview of natural gas industry in the PRC*" in this letter, we believe in the market potential of the Technology and the JV Company in the sustainable development of natural gas industry in the PRC. The government of the PRC has on 16 June 2012 issued the Twelve-five Years Plan for Development of Energy Conservation and Environmental Protection Industry (「"十二五"節能環保產業發展規劃」) (the "**Twelve-five Years Plan**"), which encouraged the industry of energy conservation and environmental protection. Further, the Ministry of Transport of the PRC issued The Guidance Opinion Regarding Acceleration of the Utilization of Natural Gas in the Water Transportation Industry (Jiao Shui Fa [2013] No. 625) (交通運輸部關於推進水運行業應用液化天然氣的指導意見(交水發 [2013] 625號)) on 23 October 2013 (the "**Guidance Opinion**"), pursuant to which, inter alia, the government of the PRC will formulate economic incentive policies, such as subsidies (the "**Subsidies**"), to encourage the Conversion. We are of the view that the use of clean energy such as LNG will be a sustainable industry in the coming decades as bolstered by favourable government policy implemented by the PRC government.

v. As at the Latest Practicable Date, there were over 3,000 vessels registered in Jiangxi Province as at the Latest Practicable Date and a majority of such vessels have has not yet been converted. While there are other industry players engaged in the Conversion business in the PRC, such as China Petrochemical Corporation, China National Offshore Oil Corporation and ENN Energy Holdings Limited, the Company understands that none of such companies has engaged in the Conversion business in the Ganjiang River area. In addition. as captioned in the Valuation Report prepared by the Valuer that "*According to Ernest & Young, a decade ago, the world was estimated to have only 50 to 60 years worth of natural gas remaining with the new unconventional supplies, the estimated resource life has rise to more than 200* *years*", we concur with the view of the Company that there is a great potential of the Conversion business in the Ganjiang River and are of the view that the Conversion business provides a sustainable and long-term business as a pioneer in a new industry in the Ganjiang River with stable income stream under the terms and conditions of the JV Agreement.

vi. As a professional LNG provider in the Jiangxi region of the PRC, Zhongyou Yingtai (i) is principally supplying LNG for household usage and public transport vehicles, and (ii) the current LNG facilities of Zhongyou Yingtai can supply up to 120,000Nm^3 of LNG per day. Zhongyou Yingtai has planed to expand its LNG supply, gas station spots and facilities, Zhongyou Yingtai has established solid business relationship with LNG suppliers, LNG vessels and other LNG customers in the PRC which provides synergy to the use of Technology in the JV Company and future business development potential in the field of LNG. Zhongyou Yingtai has established LNG storage facilities and LNG transport system in Nanchang, Jiangxi. Furthermore, Zhongyou Yingtai is a Sino-foreign joint venture company incorporated in the PRC with limited liability in December 2011. Zhongyou Yingtai is owned as to 49% by Zhongyou Baoying and 51% by China City Natural Gas which is a subsidiary of Kunlun Energy Company Limited (stock code 135) and China Oil And Gas Group Limited (stock code 603). On the other hand, Zhongyou Yingtai's ultimate holding companies, namely Kunlun Energy and China Oil and Gas, are already engaged in the provision of LNG in Jiangxi Province by city pipelines via their subsidiaries, China City Natural Gas and Zhongyou Yingtai. As such, Zhongyou Yingtai and its associated companies are already major LNG industry players in Jiangxi Province as at the Latest Practicable Date. Further, the Conversion of vessels is a new industry with a high entrance barrier, as the technology involved is sophisticated and requires a thorough understanding and background in LNG and the success of the Conversion business depends on the capability of provision of LNG. A long term cooperation with Zhongyou Yingtai and the JV Company allows the Company to be the pioneer to step into the Conversion business and lock in a sustainable development opportunity of clean energy businesses in the Ganjiang River area and Jiangxi Province.

In addition to the above, given the revenue of the JV Company will be primarily derived from the RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to the converted vessels by Zhongyou Yingtai but not solely from Conversion, the LNG supply under Sourcing Agreement is considered as a critical component in the business model of the JV Company as a whole. Thus, we have also made reference to, so far as we are aware that and the Conversion business of the JV Company is regarded as a LNG-supply related business, the contract terms of LNG-supply related business entered into by companies listed on the Stock Exchange. The table below sets out the relevant details of similar supply contracts identified:

Comparable Companies' Name (Stock Code)	**Principal business of the groups**	**Description of contracts**	**Duration of contracts**
China Oil And Gas Group Limited (00603) ("**China Oil And Gas**")	The group is principally engaged in investments in natural gas and energy related businesses	Pursuant to the natural gas supply contracts, PetroChina agreed to supply to subsidiaries of China Oil And Gas annually. It was agreed in the natural gas supply contracts that the actual sale of natural gas was conducted by subsidiaries of PetroChina Group to Anhui Oil subsidiaries of China Oil And Gas.	12 to 25 years
CNOOC Limited (00883) ("**CNOOC**")	The group is principally engaged in the exploration, development, production and sales of crude oil and natural gas and other petroleum products.	Pursuant to the comprehensive framework agreements dated 8 December 2005, CNOOC and its connected parties agreed the mutual supply of a range of products and services, including long term sales of natural gas to the connected parties	5 to 20 years
China Resources Gas Group Limited (01193) ("**China Resources**")	The group is principally engaged in Semiconductor – design, fabrication and packaging of integrated circuits and discrete devices; Concrete – manufacture and sale of concrete; Sale and distribution of gas fuel and related products – sale of liquefied petroleum gas and natural gas for residential, commercial and industrial use; Gas connection – construction contracts for gas connection to the Group's pipelines	Pursuant to the framework agreements entered into between certain subsidiaries of China Resources and the connected parties which were executed during the period from 26 May 2011 to 1 June 2011, the connected party has agreed to supply natural gas to various subsidiaries of China Resources.	5 years

From the table above, we noted that the contract terms of such comparable contracts of similar nature of transactions can be ranged from 5 to 25 years. As captioned in the table above, the principal business of the comparable companies are investment, exploration, development and distribution of natural gas and other energy related products. The comparable contracts are of similar nature to that of the JV Agreement of which the vessel owners will agree to source LNG from Zhongyou Yingtai as the sole LNG supplier after the respective Conversion and the revenue of the JV Company will be primarily derived from RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to such converted vessels but not solely from Conversion.

In light of the above, we consider (a) the Company is classified in LNG related industry which is usually of a long business life cycle, (b) the revenue source of the JV Company, Conversion and the supply of LNG by Zhongyou Yingtai are closely intertwined when considering the business nature and revenue model of JV Company as a whole, (c) the consistency of the terms, including the duration of 30 years between the JV Agreement, Conversion Agreement and Sourcing Agreement, (d) the primary source of income is of the JV Company is directly associated to the sale and supply of LNG but not solely from Conversion, which is of similar nature to the comparable contracts in the natural gas or LNG industry and (e) the great potential of the Conversion business to be conducted by the JV Company as the pioneer in the Ganjiang River area, the industry of which is bolstered by favourable government policy. Having considered the above and the principal activities of the Group and the nature of the clean energy business which normally have a long business life cycle, we are of the view that the terms of the Arrangements in relation to the JV Agreement are comparable to the contract periods of transactions with similar nature as listed above and is of normal business practice for contracts of the natural gas related industry in the PRC.

4. The Annual Caps

As stated in the Letter from the Board, the amount of Annual Caps under the JV Agreement for each of the three financial years ending 31 March 2015, 31 March 2016 and 31 March 2017 are RMB29.4 million (equivalent to approximately HK$37.26 million), RMB29.4 million (equivalent to approximately HK$37.26 million) and RMB29.4 million (equivalent to approximately HK$37.26 million), respectively.

In determining the Annual Caps, the Directors have taken into account, inter alia, the following factors:

(a) the Parties' expectation to convert 450 vessels from traditional diesel utilization to LNG utilization, on the assumption that the Subsidies will not be available. The target of 450 vessels is obtained with reference to the JV Company's target of 15% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province;

(b) the Parties' expectation to convert 700 vessels from traditional diesel utilization to LNG utilization, on the assumption that the Subsidies will be available and will be granted by the government of the PRC in accordance with the Guidance Opinion and that the JV Company will invest its proceeds into further conversion of vessels. The Parties expect that the Subsidies, if available, will lower the JV Company's cost for the Conversion per vessel from RMB160,000 (equivalent to approximately HK$203,000) to RMB110,000 (equivalent to approximately HK$139,000), allowing the registered capital of the JV Company to convert 700 vessels. The target of 700 vessels is obtained with reference to the JV Company's target of 23.3% of the market share of the estimation of 3,000 vessels registered in Jiangxi Province;

(c) Zhongyou Yingtai's expectation to supply 120,000 Nm^3 of LNG to each converted vessel. The estimation of 120,000 Nm^3 annual LNG usage per vessel was determined after communications conducted by Zhongyou Yingtai with vessel owners on the Ganjiang River, and was calculated with reference to the past experience of the vessel owners relating to the number of round trips between Nanchang and Shanghai per vessel per annum and with the assumption that the travelling distance will remain constant; and

(d) Zhongyou Yingtai will pay the JV Company RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied to such converted vessels. As such, the parties expect that approximately RMB42,000 (equivalent to approximately HK$53,000) will be payable by Zhongyou Yingtai to the JV Company per converted vessel per year.

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Arrangement and the Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Based on the above factors that the Directors have taken into account in determining the Annual Caps, we have formulated our view on its factors respectively as follows:

(i) Having reviewed the number of shipyards in Ganjiang river area, the availability of traditional diesel vessels in the Ganjiang river area, the estimated cost of Conversion and the cash amount of the registered capital of the JV Company in the sum of RMB70 million (equivalent to approximately HK$88.70 million). We have reviewed the estimations used in arriving the expected Conversion of approximately 450 to 700 vessels as an estimate and is in the interest of the Company and Shareholders as a whole;

(ii) As discussed with the management of the JV Company, the targeted vessels to be converted will be container ship with a load of 2,000 tonnes which transport between Nanchang and Shanghai, a round trip is estimated to consume approximately 8 tonnes of diesel or approximately 6.16 tonnes of LNG (which is equivalent to approximately 9,000 Nm^3 of LNG). According to the information provided by management of the JV Company and the interviews conducted with Ganjiang vessel owners, the targeted vessels used to transport mostly transport from specific piers in Nanchang and Shanghai for 13 round trips annually, it is estimated that the distance to be travelled to remain constant based on past experience of the vessel owners. Therefore, the estimated 120,000 Nm^3 annual LNG usage can be reliably calculated by estimated LNG consumption times the estimated 13 round trips in a year. We have reviewed the estimation used in determining the average annual LNG usage for vessels, with consideration of (a) the RMB0.35 per Nm^3 of LNG procured from Zhongyou Yingtai and (b) the estimated 120,000 Nm^3 annual LNG usage per vessel, we concur with the view of the Directors that the proposed Annual Caps is adequate and necessary;

(iii) Having interviewed the management of the JV Company, it is explained that the RMB0.35 (equivalent to approximately HK$0.44) procured by the JV Company from Zhongyou Yingtai per Nm^3 of LNG supplied to such converted vessels in determined with consideration to the profit per Nm^3 of the LNG to be supplied by Zhongyou Yingtai to the converted vessel RMB1.00 (equivalent to approximately HK$1.27). Zhongyou Yingtai is principally engaged in the clean energy business, including but not limited to the provision of LNG via city gas pipeline network, provision of LNG for vessels and motor vehicles, provision of CNG for taxis and conversion of traditional diesel utilization to LNG utilization in vessels. As at the Latest Practicable Date, Zhongyou Yingtai owns and operates two LNG pipelines in the Jiangxi Province and along the Ganjiang River. Zhongyou Yingtai's LNG pipelines provide LNG to vessels, motor vehicles and other carriers. Having performed on-site interviews, we conclude that Zhongyou Yingtai is well positioned as a LNG supplier in the Jiangxi Province. With regards to the market position of Zhongyou Yingtai in the Ganjiang river area as an LNG supplier and the investment return for the JV Company, we consider that the RMB0.35 per Nm^3 of LNG paid to JV Company, as compared to estimated profit of RMB1.00 per Nm^3 of LNG supplied by Zhongyou Yingtai, is in conjunction to the cost to be borne by the JV Company to complete the Conversion per vessel.

The consideration of RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied pursuant to the Arrangement was determined after arm's length negotiations between the Company and Zhongyou Yingtai, taking into consideration, inter alia, the following factors:

(a) the estimated Zhongyou Yingtai's profit per Nm^3 of the LNG to be supplied by Zhongyou Yingtai to the converted vessel, in the amount of RMB1.00 (equivalent to approximately HK$1.27);

(b) the cost to be borne by the JV Company to complete the conversion of traditional diesel utilization to LNG utilization per vessel, in the range of RMB110,000 to RMB160,000 (equivalent to approximately HK$139,000 to HK$203,000);

(c) the estimated investment return of the Technology in the range of RMB18.90 million to RMB29.4 million (equivalent to approximately HK$23.95 million to HK$37.26 million) per year; and

(d) the target payback period of 2 to 3 years with reference to the above estimated investment return. We have reviewed the initial cost of investment of approximately RMB70 million (equivalent to approximately HK$88.70 million) required for the Conversion for 450 to 700 vessels and the estimated annual investment return of approximately RMB42,000 per container ship paid by Zhongyou Yingtai to the JV Company. According to the research report "Long Term Structural Growth Story for NGV Continues" published by Bank of America Merrill Lynch, it is mentioned that "*We estimate the payback for LNG engine OEM/conversion would still be within 2.5 years, so we expect the natural gas vehicle (NGV) related demand growth to remain robust*.", we note it is acceptable and common for payback period of the Conversion to take up 2.5 years. We concur with the conclusion that a payback period of 2.4 years to 3.7 years will be required for the investment return of 450 to 700 vessels respectively.

As stated in the Board Letter, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Arrangement and the Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Company has confirmed that it will comply with the relevant GEM Listing Rules upon the revision of the annual caps for the Arrangement.

With the consideration of RMB0.35 (equivalent to approximately HK$0.44) per Nm^3 of LNG supplied pursuant to the Arrangement, the estimated payback period can be obtained with the following formula:

$$\text{Investment return Per year} = \text{Number of converted vessels} \times \frac{120{,}000Nm^3}{\text{vessel per year}} \times \frac{RMB0.35}{Nm^3}$$

$$\text{Payback period} = \frac{\text{registered capital}}{\text{Investment return per year}}$$

Specifically, the payback period in the range of approximately 2.4 years (in the event of Subsidies being granted and with Reinvestment of Revenue) to 3.7 years (in the event of no Subsidies being granted and no Reinvestment of Revenue) can be achieved, as follows:

(a) Subsidies being granted and with Reinvestment of Revenue:

$$\text{Investment return Per year} = 700 \text{ vessels} \times \frac{120{,}000Nm^3}{\text{vessel per year}} \times \frac{RMB0.35}{Nm^3} = RMB29{,}400{,}000$$

$$\text{Payback period} = \frac{RMB70{,}000{,}000}{RMB29{,}400{,}000} = 2.4 \text{ years}$$

(b) Subsidies not being granted and without Reinvestment of Revenue:

$$\text{Investment return Per year} = 450 \text{ vessels} \times \frac{120{,}000Nm^3}{\text{vessel per year}} \times \frac{RMB0.35}{Nm^3} = RMB18{,}900{,}000$$

$$\text{Payback period} = \frac{RMB70{,}000{,}000}{RMB18{,}900{,}000} = 3.7 \text{ years}$$

As discussed with the management of the JV Company, the consideration of RMB0.35 per Nm^3 of LNG supplied pursuant to the Arrangement was primarily determined based on the target payback period of 2 to 3 years for the JV Company and cash amount of the registered capital of the JV Company in the sum of RMB70 million, hence the management arrived at the estimated annual investment return per vessel and ultimately the consideration of RMB0.35 per Nm^3 of LNG supplied. We have reviewed the aforementioned basis of determining the consideration of RMB0.35 per Nm^3 to be received by the JV Company for LNG supplied to the vessels pursuant to the Arrangement and concur with the Directors that the terms of the Arrangement, including the consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As advised by the Directors of the Company and the management of the JV Company, there are not any expected difficulties to renew the agreement regarding the Arrangement every 3 years. The Company has confirmed that it will comply with the relevant GEM Listing Rules upon the revision of the annual caps for the Arrangement.

As detailed in the paragraph headed "Overview of natural gas industry in the PRC" above, it is anticipated that both of the consumption and prices of the natural gas in the PRC will continue to grow in the coming years. We consider that the anticipated growth of the prices and consumption of the natural gas will be led by the increasing trend of LNG vehicles and ships in the PRC are in line with the market trend and the government policy.

Having considered that (i) the anticipated growth of the natural gas prices and the popularity of Conversion in vessels are in line with the market trend and the government policy; (ii) the terms of the JV Agreement and its proposed Annual Caps, we are of the view that the basis for determining the Annual Caps is justifiable and the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Recommendation

Having considered the above principal factors and reasons, we are of the opinion that transactions contemplated under the Continuing Connected Transaction of the Arrangement in related to the JV Agreement (including the proposed Annual Caps) are in the interests of the Company and the Shareholders as a whole, and is on normal commercial terms and in the ordinary and usual course of business of the Group, therefore is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Arrangement contemplated under the JV Agreement and the proposed caps thereof.

Yours faithfully,
For and on behalf of
Chanceton Capital Partners Limited
Wong Kam Wah
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2011, 2012 and 2013, and the nine months ended 31 December 2013 are disclosed in the annual reports of the Company for the years of 2011, 2012 and 2013, and the third quarter report of the Company for the nine months ended 31 December 2013, respectively, which are published on both the GEM website at http://www.hkgem.com and the Company's website at http://www.sunfairw.com.hk.

2. WORKING CAPITAL

The Directors, after due and careful enquiry taking into account its present available financial resources, are of the opinion that, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances and on the assumption that not less than HK$38,000,000 will be raised from the Second Placing of Convertible Bonds.

In the event that less than HK$38,000,000 is raised from the Second Placing of Convertible Bonds, the Company will obtain banking facilities and/or conduct further fund raising activities to maintain sufficiency of working capital.

3. INDEBTEDNESS

As at the close of business on 31 December 2013, being the latest practicable date for ascertaining this information prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK$112.41 million, comprising the following:

(i) bank loans of approximately HK$5.78 million, which are secured by the pledge of the Group's leasehold land and buildings, and the corporate guarantee executed by the Company;

(ii) unsecured promissory notes with aggregate principal amounts of HK$106.63 million, which bear interest at rates from 2.5% per annum to 10% per annum and whose maturity dates are ranging from 1 year to 7 years from the dates of issues.

Apart from as aforesaid and intra-group liabilities, at the close of business on 31 December 2013, the Group did not have any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Existing businesses

As disclosed in the third quarterly report of the Company for the nine months ended 31 December 2013, the Group shall focus on capturing the abundant opportunities and demand for power and data cords for mobile handsets coming along with the industry boom. According to the statistics from the Ministry of Industry and Information Technology of the PRC, the PRC telecommunications industry is growing at a steady pace while the number of mobile phone users in PRC has reached 1.165 billion in May 2013. Meanwhile, the continuous development and advancement of telecommunication brings in more 3G mobile service users in the PRC, which has reached 300 million by May 2013. Accordingly, the Group shall fully utilize the production and sales capability in order to fulfill the vast market needs.

Looking ahead, the Group is optimistic about the macroeconomic environment. The Group shall adopt a moderate marketing strategy to capture potential business opportunities. A balanced and steady development of the existing businesses would be maintained, including (i) power cords and inlet sockets for household electric appliances, (ii) power and data cords for mobile handsets and medical control devices, (iii) gaming design for mobile gaming products incorporating popular animated characters in the PRC, and (iv) the development of LNG and CNG and related clean energy business so as to maximize the profitability of the Group. In the future, the Group will continue to actively explore business opportunities in other sectors to diversify risks and broaden the source of income of the Group.

Diversification of Businesses

The JV Company has been established to engage in the proposed business of conversion of traditional diesel utilization to LNG utilization in the water transportation industry. The government of the PRC has issued national plans and guidance notes in relation to the implementation of energy conservation and emission reduction policies, pursuant to which one of the focuses is on the utilization of natural gas and the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. With the PRC's policy of development of energy conservation and environmental protection industry, the consumption of clean energy such as natural gas is expected to increase in industrial, civil, transportation and other fields and the prospect of LNG, CNG and related clean energy for a sustainable development market is bright.

The development of LNG business will become a new business segment of the Group upon completion of the Formation of JV Company. Given the Board's positive outlook of the development of natural gas in the PRC, the Company believes that the Group would leverage on the connections and expertise of Zhongyou Yingtai on the Technology to develop the JV Company's LNG business in the PRC. The Board also believes that the Formation of JV Company would enable the Group to diversify its revenue source and improve the Group's profitability in the long run.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "**Statement**") has been prepared to illustrate the effects of the Formation of JV Company and the Injection of Technology (the "**Formation and Injection**"), assuming the transaction had been completed as at 30 September 2013, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2013 as extracted from the interim report of the Group for the six months ended 30 September 2013 after making certain proforma adjustments resulting from the Formation and Injection.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Formation and Injection actually occurred on 30 September 2013. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in the interim report of the Group for the six months ended 30 September 2013 and other financial information included elsewhere in this circular.

For the purpose of preparation of the Statement, RMB is translated into HK$ at the closing rate of RMB1=HK$1.2672.

	The Group *HK$*	Pro forma adjustments *HK$*	*Notes*	Adjusted Balance *HK$*
Non-current assets				
Property, plant and equipment	20,718,598			20,718,598
Intangible assets	–	38,020,000	*2*	38,020,000
Goodwill	5,363,566			5,363,566
Deposit paid for acquisition of a subsidiary	5,000,000			5,000,000
Deposits paid for acquisition of property, plant and equipment	2,153,709			2,153,709
	33,235,873			71,255,873
Current assets				
Inventories	16,987,445			16,987,445
Trade and other receivables	49,682,867			49,682,867
Pledged bank deposits	1,510,914			1,510,914
Bank and cash balances	43,057,708	24,070,000	*3*	236,107,708
		(1,390,000)	*4*	
		17,415,000	*5*	
		54,945,000	*6*	
		98,010,000	*7*	
	111,238,934			304,288,934
Current liabilities				
Trade and other payables	32,312,519			32,312,519
Promissory notes	32,780,000			32,780,000
Amount due to a director	579,991			579,991
Current tax liabilities	6,613,137			6,613,137
Borrowings	6,166,667			6,166,667
	78,452,314			78,452,314
Net current assets	32,786,620			225,836,620
Total assets less current liabilities	66,022,493			297,092,493
Non-current liabilities				
Deferred tax liabilities	973,694			973,694
Convertible bonds	–	51,610,000	*6*	143,671,000
		92,061,000	*7*	
	973,694			144,644,694
NET ASSETS	65,048,799			152,447,799

Notes:

1. Pursuant to the joint venture agreement dated 6 September 2013 entered into between the Company, Zhongyou Yingtai and Zhongwaijian, a JV Company will be established and its equity interest will be owned as to 51%, 40% and 9% by the Company, Zhongyou Yingtai and Zhongwaijian respectively. The registered capital of the JV Company is HK$126,720,000 (equivalent to approximately RMB100,000,000) and will be contributed by the parties in proportion to their respective equity interests in the JV Company, i.e. the Company, Zhongyou Yingtai and Zhongwaijian will contribute as to HK$64,630,000 (equivalent to approximately RMB51,000,000), HK$50,690,000 (equivalent to approximately RMB40,000,000) and HK$11,400,000 (equivalent to approximately RMB9,000,000) respectively. Zhongyou Yingtai shall inject into the JV Company the Technology in relation to the conversion of traditional oil fuel utilization to LNG utilization in vessels as its partial capital contribution of HK$38,020,000 (equivalent to approximately RMB30,000,000) to the JV Company. Upon completion of the capital contribution by the parties, the JV Company will become a subsidiary of the Company and the Technology will be owned by the Group.

2. The adjustment on intangible assets of approximately HK$38,020,000 (equivalent to approximately RMB30,000,000) represents the Technology owned by Zhongyou Yingtai injected into the JV Company by Zhongyou Yingtai as its partial capital contribution to the JV Company.

3. The adjustment represents the cash contributions of HK$12,670,000 (equivalent to RMB10,000,000) and HK$11,400,000 (equivalent to RMB9,000,000) made by Zhongyou Yingtai and Zhongwaijian as the partial registered capital of JV Company respectively, pursuant to the joint venture agreement.

4. The adjustment represents the estimated payment of legal and professional costs of approximately HK$1,390,000 directly attributable to the Formation and Injection. The legal and professional costs will be recognised as expenses to the Group.

5. The adjustment represents the net proceeds from the placing of 11,450,000 Company's shares of HK$0.001 each at a placing price of HK$1.56 per share, after deduction of the placing commission of approximately HK$447,000. The placing was completed on 2 December 2013 as set out in the announcement of the Company dated 2 December 2013.

6. The adjustment of approximately HK$54,945,000 to bank and cash balances represents the net proceeds from the issuance of the convertible bonds (the "**CB 1**") with the aggregate principal amount of HK$55,500,000, after deduction of the placing commission of approximately HK$555,000. The CB 1 bears interest at 12.5% per annum with a maturity of 18 months from the issue date and is convertible into ordinary shares of the Company at the initial conversion price of HK$2.37 per conversion share. The issuance of the CB1 was completed on 24 January 2014 as set out in the announcement of the Company dated 27 January 2014.

In accordance with the Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" issued by the Hong Kong Institute of Certified Public Accountants, the CB 1 contains two elements, liability component and equity component, as the conversion will be settled by the exchange for a fixed number of the Company's own equity instruments at a fixed conversion price. The liability component and equity component of the CB 1 are determined as if the issuance of the CB 1 had been taken place on 30 September 2013. For the purpose of compiling this Statement, the fair value of the liability component of approximately HK$52,131,000 is calculated by using the effective interest method with an effective interest rate of 17.6%, being the weighted average cost of capital of the Company sourced from Bloomberg. The placing commission of approximately HK$555,000, which is directly attributable to the issuance of the CB 1, should be apportioned between the liability and equity components. The liability component of the CB after deducting these expenses is approximately HK$51,610,000 which is classified as the non-current liabilities in the Statement. The residual amount of approximately HK$3,335,000, representing the equity component after deducting these expenses, is included in the reserve of the Company.

7. On 19 February 2014, the Company and the Huatai Financial Holdings (Hong Kong) Limited entered into a placing agreement in respect of the issuance of convertible bonds (the "**CB 2**") up to an aggregate principal amount of HK$99,000,000. The CB 2 bears interest at 12.5% per annum with a maturity of 18 months from the issue date and is convertible into ordinary shares of the Company at the initial conversion price of HK$2.37 per conversion share. The adjustment of approximately HK$98,010,000 to bank and cash balances represents the net proceeds from the issuance of the CB 2, after deduction of the placing commission of approximately HK$990,000.

   In accordance with the Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" issued by the Hong Kong Institute of Certified Public Accountants, the CB 2 contains two elements, liability component and equity component, as the conversion will be settled by the exchange for a fixed number of the Company's own equity instruments at a fixed conversion price. The liability component and equity component of the CB 2 are determined as if the issuance of the CB 2 had been taken place on 30 September 2013. For the purpose of compiling this Statement, the fair value of the liability component of approximately HK$92,991,000 is calculated by using the effective interest method with an effective interest rate of 17.6%, being the weighted average cost of capital of the Company sourced from Bloomberg. The placing commission of approximately HK$990,000, which is directly attributable to the issuance of the CB 2, should be apportioned between the liability and equity components. The liability component of the CB 2 after deducting these expenses is approximately HK$92,061,000 which is classified as the non-current liabilities in the Statement. The residual amount of approximately HK$5,949,000, representing the equity component after deducting these expenses, is included in the reserve of the Company.

   On completion of the issuance of the CB 2, the values of liability component and equity component of the CB 2 will have to be reassessed. As a result of reassessment, their respective values may be different from the estimated amounts as shown above.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Audit • Tax • Advisory

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

28 February 2014

The Board of Directors
Fairson Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Fairson Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 September 2013 (the "**Statement**") as set out on pages 90 to 92 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on page 89.

The Statement has been compiled by the directors to illustrate the impact of the joint venture agreement entered by the Company, Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company and Zhongwaijian Engineering Construction Limited for the establishment of a joint venture company in the People's Republic of China on the Group's financial position as at 30 September 2013 as if the transaction had been taken place at 30 September 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed financial statements as included in the interim report for the six months ended 30 September 2013, on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

The following is the text of a valuation report received from Roma Appraisals Limited, prepared for the purpose of inclusion in this circular:

Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
http://www.romagroup.com

28 February 2014

Fairson Holdings Limited
Flat A-B, 9th Floor,
Yue Cheung Centre,
1-3 Wong Chuk Yeung Street,
Fotan, Shatin, New Territories,
Hong Kong

Case Ref: KY/1A1516/SEP13

Dear Sir/Madam,

Re: Technology Valuation for Fairson Holdings Limited

In accordance with the instructions from Fairson Holdings Limited (hereinafter referred to as the "**Company**"), we have conducted a valuation of the fair value of the technology in relation to conversion of traditional oil fuel utilization to liquefied natural gas ("**LNG**") utilization in water vessels (hereinafter referred to as the "**Technology**") to be injected to a joint venture company (hereinafter referred to as the "**Business Enterprise**") by 江西中油鷹泰天然氣有限責任公司 (Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company) (hereinafter referred to as "**Zhongyou Yingtai**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair value of the Technology as at 31 August 2013 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, overviews of the Business Enterprise and the Technology, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks, and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company and/or its representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the LNG vessel industry in China, and the development, operations and other relevant information of the Business Enterprise and the Technology. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Technology provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Business Enterprise will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of the Technology, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

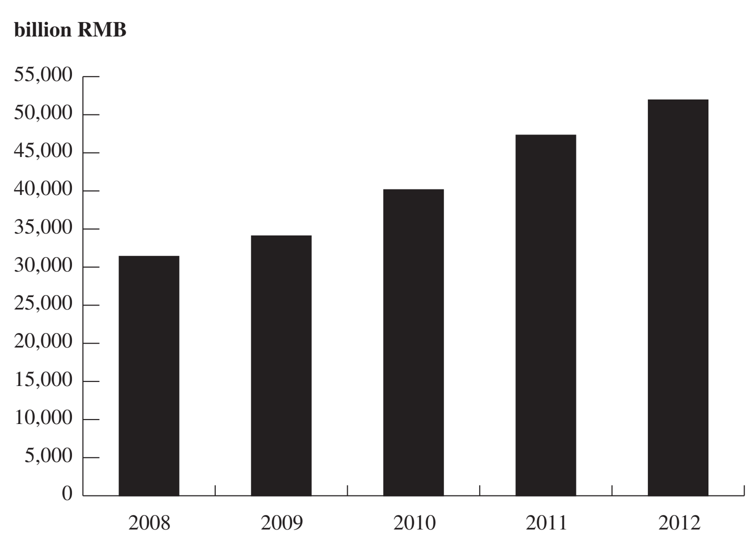
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in the first two quarters of 2013 was RMB24,800.9 billion, an increase of 8.8% over the same period in last year. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2012. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2011 and 2012.

Over the past decade from 2003 to 2012, compound annual growth rate of China's nominal GDP was 14.4% and in the government's latest plan, it is targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2008 to 2012.

Figure 1 – China's Nominal Gross Domestic Product from 2008 to 2012

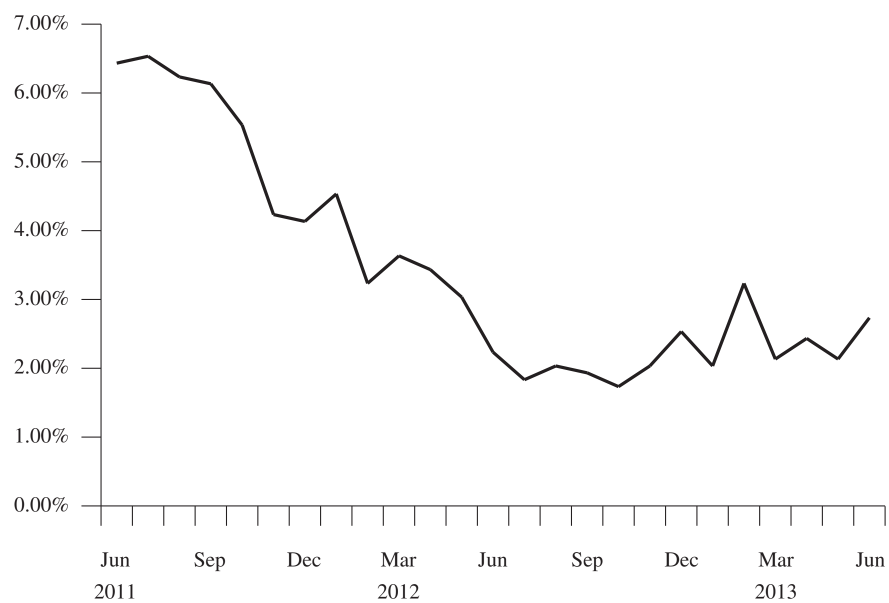


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011 and first half of 2012 and maintained at around 2% to 3% in the first half of 2013. Figure 2 shows the year-over-year change in consumer price index of China from June 2011 to June 2013.

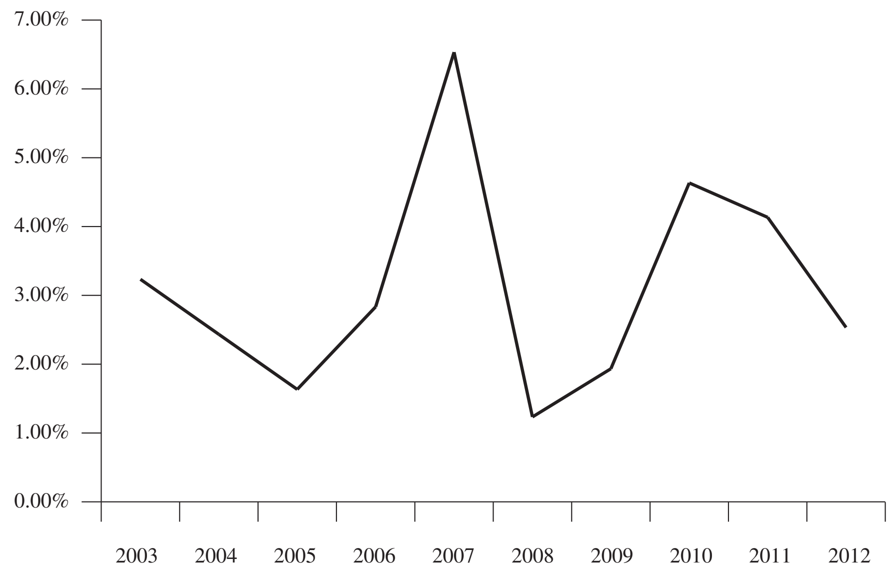
Figure 2 – Year-over-year Change in China's Consumer Price Index from June 2011 to June 2013



Source: National Bureau of Statistics of China

China's inflation rate was volatile during the past decade. According to the IMF, the average inflation rate in China increased sharply from 2.8% in 2006 to 6.5% in 2007, and then dropped drastically to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate rebounded and increased to 4.6% in 2010 and maintained at a similar level of 4.1% in 2011. The inflation dropped again in 2012 to 2.8%. According to the forecast by the IMF, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2003 to 2012.

Figure 3 – China's Inflation Rate from 2003 to 2012



Source: International Monetary Fund

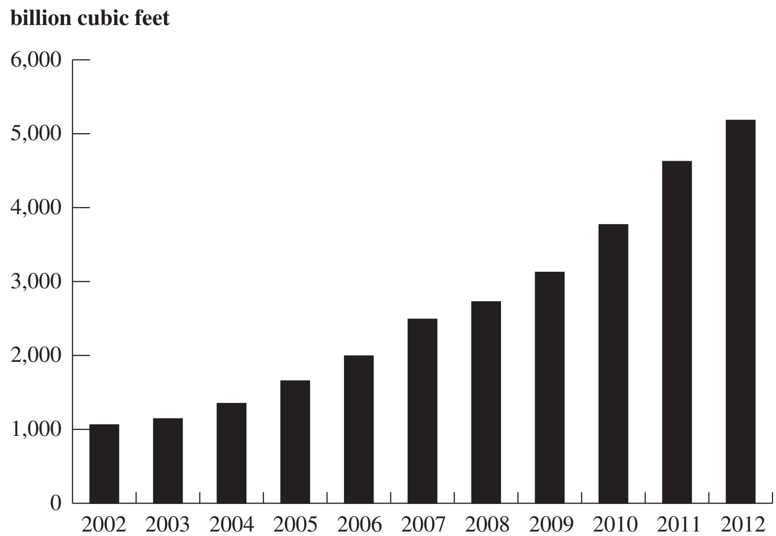
4. INDUSTRY OVERVIEW

4.1 Overview of the LNG Industry in China

LNG is produced by cooling natural gas to about –160°C at normal pressure which results in the condensation of the gas into liquid form and then storing the fuel in tanks for transport or later use. In fact, natural gas is converted to LNG when being transported to areas where pipelines do not exist. As such, LNG production is also influenced by liquefaction capacity or import/exports. According to a study at Massachusetts Institute of Technology MIT, since 2003 there has been investments in LNG export and as of 2008, LNG accounted for 28% of global trade of natural gas, global demand grew by 8% over the decade.

In the context of China, there has been an about five-fold increase in demand from 2002 to 2012, figure 4 shows China's growth in natural gas consumption during this period. According to U.S. Energy Information Administration, China was regarded as the largest energy consumer in recent years.

Figure 4 – China's Natural Gas Consumption from 2002 to 2012



Source: U.S. Energy Information Administration

The growth in energy consumption in China was even faster than that of China's GDP. China was the fourth-largest global consumer of natural gas in 2011. Production of natural gas in China was tripled over the last decade, which was in line with the 50% increase in consumption of natural gas from 2009 to 2011. According to the twelfth five-year plan for natural gas development, the central government has set target for lower carbon dioxide and greenhouse gas emissions, China's natural gas consumption was expected to reach 230 billion cubic meters ("**bcm**") by 2015. The government aims to establish supply infrastructure for natural gas products. Regarding natural gas, the coordination and construction of natural gas pipelines and LNG terminals were also explicitly addressed.

According to Ernest & Young, a decade ago, the world was estimated to have only 50 to 60 years' worth of natural gas remaining; with the new unconventional supplies, the estimated resource life has risen to more than 200 years. The positive outlook for demand, coupled with availability of resources creates a long term prospect for the industry.

4.2 Overview of the LNG Vessel Industry in China

According to the 12th Five-Year Plan for Natural Gas Development, the Chinese government is implementing a natural gas policy which targeted the transport sector, covering buses, taxis, trucks and vessels as preferred users of natural gas. Piled by the pressure to improve urban air quality due to increased awareness of environmental protection from environmentally friendly organizations, the government encouraged the adoption of natural gas, which is a cleaner burning fuel, in lieu of diesel to ease the air pollution problem.

According to the IHS Fairplay "World Fleet Statistics 2012", the latest available global maritime statistical report delivering overviews of shipbuilding activity, world fleet and losses as at 31 December 2012, the total gross tonnage of the world completed fleets (of no less than 100 gross tons) was about 95.3 million gross tons in 2012, a decrease of 6.5% as compared to that in 2011. China ranks first in 2012 by fleet completion of a gross tonnage about 38.9 million tons, ahead of South Korea and Japan. Figure 5 illustrates the annual gross tonnage of world fleet completion of the world's top three countries from 2008 to 2012.

Figure 5 – Annual Gross Tonnage of World Fleet Completion of the World's Top Three Countries from 2008 to 2012 (in Million Gross Tons)

	2008	2009	2010	2011	2012
Japan	18.7	19.0	20.2	19.4	17.4
South Korea	26.4	28.8	31.7	35.9	31.4
China	14.1	22.0	36.4	39.6	38.9

Source: IHS Fairplay "World Fleet Statistics 2012"

Note: Ship size coverage of no less than 100 gross tons

Media reported that suppliers such as Caterpiller, General Electric and Finland's Wärtsilä Oyj are stepping up their development of natural gas fueled engines and conversion kits for the marine industry as reported in Wall Street Journal. LNG-fueled ships are expected to make their first appearance in China this year, as CNOOC Limited has an order with Wärtsilä for two tugboat dual-fuel engines that can run on oil or natural gas.

There are hurdles facing the industry. The primary concern is cost involved in acquiring LNG enabled vessels or converting existing equipment to run LNG, according to a study at MIT, in certain case dual fuel diesel electric ("**DFDE**") can cost 1.7 times than that of diesel vessels, LNG tanks can be 1.5 times heavier, in some cases the additional space taken up by the components poses challenges to retrofit LNG on some diesel vessels. Another concern is its dependency for infrastructure for refueling, this could be conducted from existing LNG terminals which requires no additional infrastructures, China already has plans to extend its network of LNG terminals; amongst other options, another alternative is the construction of bunkering tanks, other options include tanker trucks and mobile tanks.

5. BACKGROUND OF THE BUSINESS ENTERPRISE

According to the joint venture agreement dated 6 September 2013 (hereinafter referred to as the "**JV Agreement**"), the Business Enterprise is joint venture company to be established as a limited liability company in the People's Republic of China ("**PRC**") by the Company, Zhongyou Yingtai and 中外建工程建設有限責任公司 (Zhongwaijian Engineering Construction Limited (hereinafter referred to as "**Zhongwaijian**"). The Business Enterprise will have a term of 30 years commencing from the obtaining of the business license. The term of the JV Agreement may be extended at the discretion of the board of directors of the Business Enterprise at six months prior to the expiry of the term of the JV Agreement.

Zhongyou Yingtai, a company incorporated in the PRC, is an enterprise located in Nanchang, Jiangxi Province, the PRC. It is principally engaged in the clean energy business, including but not limited to the provision of LNG via city gas pipeline network, provision of LNG for vessels and motor vehicles, provision of compressed natural gas ("**CNG**") for taxis and conversion of traditional oil fuel utilization to LNG utilization in vessels.

Zhongwaijian is a company established in the PRC with limited liability located in Beijing. It is principally engaged in the business of provision of construction and renovation services.

The Business Enterprise will be principally engaged in the proposed business of, inter alia, the development of LNG, CNG and related clean energy business, including but not limited to the conversion of traditional oil fuel utilization to LNG utilization in the water transportation vessels, after the conversion, LNG will be the fuel of vessels. During the subsistence of the Business Enterprise, the Business Enterprise will procure the vessels to source LNG from Zhongyou Yingtai, which is engaged in the business of provision of LNG, in consideration of Zhongyou Yingtai paying the Business Enterprise RMB0.35 per Nm^3 of LNG supplied to the vessels as procured by the Business Enterprise (hereinafter referred to as the "**Arrangement**").

6. BACKGROUND OF THE TECHNOLOGY

Pursuant to the JV Agreement, Zhongyou Yingtai shall inject the Technology into the Business Enterprise. After vessel conversion by the Technology, the vessel owners will sign LNG supply contracts with Zhongyou Yingtai as the sole LNG supplier and the Business Enterprise will share RMB0.35 per Nm^3 of LNG supplied to the vessels. The Technology can be applied to the vessels by technical staff with basic engineering knowledge. Zhongyou Yingtai will provide training to the staff on the application of the Technology.

As advised by the Management, the Technology involves components that aim to enable conventional diesel engines to run LNG. The system of the Technology involves a storage unit, a gasifier which converts the LNG into its gaseous state for combustion, engine control unit ("**ECU**"), pressure control, a control valve, fuel injector, various sensors and control units and a computer-controller. This system utilizes a micro-controller which controls the flow of diesel and LNG to regulate the ratio of diesel and LNG in the mixture which is then fed to the engine. The engine can switch between pure diesel or diesel-LNG for fuel. The computer with user interface in Chinese allows the user to monitor and control the system in real-time.

After the conversion by using the Technology, nitrogen oxides can be reduced by around 85% to 90%; carbon dioxide can be reduced by around 15% to 20%; and the emission of sulfides can be completely reduced.

7. BASIS OF VALUATION

Our valuation was conducted on a fair value basis. **Fair value** is defined as "the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".

8. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the LNG vessel industry in China, and the development, operations and other relevant information of the Business Enterprise and the Technology. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and the LNG vessel industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise and the Technology provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of the Technology requires consideration of all pertinent factors, which may or may not affect the fair value. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise and the Technology;
- The financial condition of the Business Enterprise;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar intangible assets.

9. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the fair value of the Technology, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing intangible assets that are similar in nature.

9.1 Market-Based Approach

The Market-Based Approach values an intangible asset by comparing prices at which other intangible assets in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar intangible assets in companies that have been sold recently.

The transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

9.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the intangible asset. The underlying theory of this approach is that the value of an intangible asset can be measured by the present worth of the economic benefits to be received over the useful life of the intangible asset. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the intangible asset will continue to maintain stable economic benefits and growth rate.

9.3 Asset-Based Approach

The Asset-Based Approach values an intangible asset by aggregating the costs of developing the asset to its current condition, or replacing that asset.

9.4 Technology Valuation

In the process of valuing the Technology, we have taken into account of the uniqueness of operation and the industry the Business Enterprise is participating. The Market-Based Approach was not adopted because there were insufficient similar and relevant comparable transactions of intangible assets. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Technology and therefore it could not reflect the fair value of the Technology. We have therefore considered the adoption of the Income-Based Approach and adopted the multi-period excess earning method in particular to obtain the fair value of the Technology in present value term.

9.4.1 Multi-Period Excess Earning Method

The multi-period excess earning method is a method under the income approach. In applying this form of analysis, the starting point is generally a forecast of expected future cash flows for the entity that owns the subject intangible asset. From this, a stream of revenue and expenses are identified as those associated with a particular group of assets. This group of assets includes the subject intangible asset as well as other assets (contributory assets) that are necessary to support the earnings associated with the subject intangible asset. The prospective earnings of the single subject intangible asset are isolated from those of the group of assets by identifying and deducting portions of the total earnings that are attributable to the contributory assets to estimate the "excess earnings" attributable to the subject intangible asset. These excess earnings are then discounted to present value at an appropriate rate of return to estimate the fair value of the subject intangible asset.

9.4.2 Discount Rate

To adopt the multi-period excess earning method, we must first obtain the weighted average cost of capital ("**WACC**") plus additional risk premium for the Technology as the discount rate. WACC of the Business Enterprise is the minimum required return that the Business Enterprise must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \text{ x } R_e + W_d \text{ x } R_d \text{ x } (1 - T_c)$$

In which

R_e = Cost of equity;
R_d = Cost of debt;
W_e = Weight of equity value to enterprise value;
W_d = Weight of debt value to enterprise value; and
T_c = Corporate tax rate.

As advised by the Management, the Company is principally engaged in manufacture and sale of raw cables, power and data cords. Since the business nature and operations of the Company are different from those of the Business Enterprise, the WACC of the Company has not taken into consideration of this valuation.

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of the Business Enterprise as comparable companies. We noticed that there are not any listed companies operating LNG vessel conversion business in the PRC. In order to simulate the business risks associated with such business, we have adopted a mix of the listed companies with vessel-related business and those with LNG sales business, such that the effect regarding the difference in business nature would be minimized. The major selection criteria of the comparable companies were listed as follows:

- The comparable companies selected are principally engaged in vessel-related business or LNG sales business;
- The major geographic segmentation of the companies is in China;
- The companies have sufficient listing and operating histories; and
- The financial information of the companies is available to the public.

According to the aforementioned selection criteria and under best-effort basis, details of the exhaustive list of the comparable companies adopted were illustrated as follows:

Vessel-related Business

Company Name	Stock Code	Listing Location	Major Geographic Segmentation	Business Description
Sainty Marine Corporation Limited	002608.CH	China	Asia including China	Sainty Marine Corporation Limited is a ship builder, designer, ship trader and heavy cargo ocean transporter. The company is based in Nanjing, China. The company is also involved in financing support and technical services.
Sunbird Yacht Company Limited	300123.CH	China	China	Sunbird Yacht Company Limited designs, develops, produces, and sales composite yachts and vessels. The company also provides maintenance services for the composite yachts and vessels. The company's products include private yachts, commercial yachts, and special purpose vessels.
China CSSC Holdings Ltd.	600150.CH	China	Asia including China	China CSSC Holdings Ltd. offers shipbuilding, ship components, ship repairing and diesel engines manufacturing. The company distributes its products within the domestic market and to overseas markets.
Guangzhou Shipyard International Company Ltd.	600685.CH	China	China	Guangzhou Shipyard International Company Ltd. manufactures and markets ships, containers, plastic lifeboats, jetfoils, metal structures, castings, ball bearings, cutting tools through its subsidiaries. The company also provides services such as the scrapping, repairing and leasing of ships and boats.

Source: Bloomberg

LNG Sales Business

Company Name	Stock Code	Listing Location	Major Geographic Segmentation	Business Description
China Oil and Gas Group Ltd.	603.HK	Hong Kong	China	China Oil and Gas Group Ltd. is engaged in the investments in, and the operation and management of the natural gas and energy related business. Gas operations include city piped gas business, natural gas vehicle refilling stations, pipeline construction and operation, as well as transportation, delivery and distribution of compressed natural gas (CNG) and liquefied natural gas (LNG).
Towngas China Company Ltd.	1083.HK	Hong Kong	China	Towngas China Company Ltd. distributes and markets gas. The company sells LPG (liquefied petroleum gas) in bulk and in cylinder, provides piped LPG and natural gas, constructs gas pipelines, operates city gas-pipeline networks and gas stations, and sells LPG and natural gas household appliances.
China Resources Gas Group Ltd.	1193.HK	Hong Kong	China	China Resources Gas Group Ltd distributes natural gas and petroleum gas in the cities of Chengdu, Fuyang, Huaibei, Linhai, Suzhou and Wuxi in the PRC. The company also operates compressed natural gas filling stations in Chengdu, Nanjing and Wuxi. The company also is involved in bottled liquefied petroleum gas distribution in cities of Fuyang, Suzhou and Wuxi.
ENN Energy Holdings Ltd.	2688.HK	Hong Kong	China	ENN Energy Holdings Ltd. distributes natural gas in China. The company, through its subsidiaries, invests in, operates, and manages gas pipelines, and sells and distributes piped and bottled gas in China.

Source: Bloomberg

To account for the difference in company size between the Business Enterprise and the eight abovementioned comparable companies adopted, a size premium was considered in the following WACC computation.

Below is the summary of the key parameters of the WACC of the Business Enterprise adopted as at the Date of Valuation:

	Key Parameters	**As at 31 August 2013**
a)	Risk-Free Rate	4.04%
b)	Market Expected Return	14.58%
c)	Market Risk Premium	10.54%
d)	Beta Coefficient	0.92
e)	Size Premium	3.81%
f)	Firm Specific Risk Premium	1.00%
g)	Cost of Equity	18.52%
h)	Cost of Debt	6.55%
i)	Weight of Equity Value to Enterprise Value	67.19%
j)	Weight of Debt Value to Enterprise Value	32.81%
k)	Corporate Tax Rate	25.00%
	WACC	14.06%

Notes:

a) The risk-free rate adopted was the yield rate of China 10-year government bond as at the Date of Valuation as extracted and sourced from Bloomberg.

b) In order to reflect the fact that the target market of the Business Enterprise would be in China and minimize the short-term fluctuation of China stock market, the market expected return adopted was the average historical 10-year market return in China stock market (in trading-day basis) as extracted from Bloomberg.

c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.

d) The beta coefficient adopted was the average adjusted beta of the eight abovementioned comparable companies as extracted from Bloomberg.

e) Stocks of smaller companies usually have lower valuations for the same cash flows because they have a higher cost of capital and higher returns on average due to higher size premiums.

The size premium adopted was the size premium for micro-cap companies as sourced from 2013 Ibbotson SBBI Valuation Yearbook. This is a size premium study conducted by Ibbotson Associates, Inc. to analyze the relationship between size premium and company size on companies listed in the New York Stock Exchange, American Stock Exchange and National Association of Securities Dealers Automated Quotations. Pursuant to the JV Agreement, the registered capital of the Business Enterprise is RMB100 million (equivalent to approximately USD 16.34 million), such that the Business Enterprise should fall into the range of micro-cap companies with market capitalization between USD 1.139 million and USD 514.209 million, and the average size premium for them was 3.81%.

Based on our understanding, it is a common market practice to adopt the aforementioned size premium study to estimate size premium of the valuation targets. The United States market is considered as a broad market that well reflects the behavior of the market participants as a whole. Also, we were not aware of any representative size premium study related to China stock market available as at the Date of Valuation. In building up the cost of equity using CAPM, returns on equity market should match the systematic risks to be faced by the Business Enterprise. Thus, the market return on China equity market was adopted. Empirically small company stocks have returns in excess of those implied by systematic risk, but only systematic risk is rewarded in CAPM. Therefore, excess return attributable to size should be added to the return predicted by CAPM. According to Ibbotson SBBI 2013 Valuation Yearbook, the size premium of a stock, being the stock's return in excess of the CAPM return, is estimated based on the difference between the actual return of a stock in excess of the risk-free rate and the CAPM return in excess of the risk-free rate. Though the size premium study is conducted based on companies listed in the United States, the size premium only reflects the excess return due to size; and country risk factor is eliminated when the CAPM return is subtracted from the actual return in estimating the size premium. Therefore, we are of the opinion that it is fair and reasonable to adopt the aforementioned size premium study conducted by Ibbotson Associates, Inc. and it is applicable to companies in China.

f) The firm specific risk premium adopted was to reflect the unsystematic risk specific to the Business Enterprise as a whole. This was determined based on our experience and professional judgments after discussing the current status and development of the Business Enterprise with the Management.

One of the factors considered includes the fact that the Business Enterprise would be a start-up company that has not yet been set up and in operation as at the Date of Valuation (represented by 0.5% premium). As described in the section "Letter From The Board" of the Company's circular, the Management stated that the technical staff required for the operation can be recruited in the local labor market and the Business Enterprise can also engage local companies for contract labor services. However, the Business Enterprise has not yet commenced any operation and employed any staff as at the Date of Valuation, such that it may encounter uncertainties in recruiting labor, securing sufficient shipyards, and obtaining sufficient units and parts to conduct its conversion business by using the Technology.

Furthermore, the Business Enterprise would rely on the LNG supply operation of Zhongyou Yingtai pursuant to the Arrangement after vessel conversion by the Technology (represented by another 0.5% premium). In particular, the revenue of the Business Enterprise would be generated from the Arrangement, which is dependent on the term of the Sourcing Agreement to be entered into between Zhongyou Yingtai and the vessel owners. The Business Enterprise would be subject to the uncertainty whether the term of the Sourcing Agreement would be shorten than expected and the vessel owners would fully comply with the provisions of the Sourcing Agreements with respect to sourcing LNG from Zhongyou Yingtai as the sole LNG supplier.

g) The cost of equity was determined based on Capital Asset Pricing Model ("**CAPM**").

h) The cost of debt adopted was the China above 5-year best lending rate as at the Date of Valuation as extracted from Bloomberg.

i) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the eight abovementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

j) The weight of debt value to enterprise value adopted was derived from the average debt-to-equity ratio of the eight abovementioned comparable companies as at the Date of Valuation as extracted from Bloomberg.

k) The corporate tax rate adopted was the corporate tax rate in China.

As mentioned in section 9.4.2 of this report, WACC represents the required rate of return of a business entity. It is generally viewed that an intangible asset is riskier than its business entity. Regarding the additional premium for the Technology, one of the factors considered includes the fact that intangible assets (including the Technology) are generally not as easily and actively traded as equity shares (represented by 0.5% premium). Hence, the Technology would be subject to higher illiquidity risk. Furthermore, the JV Company has not yet applied for patent in the PRC in relation to the Technology, such that the Technology did not obtain any legal protection from patent registration to avoid plagiarism (represented by another 0.5% premium). Since only the Technology subject to these factors but not the JV Company as a whole, we considered that the additional premium for the Technology of 1.0% on the WACC should be adopted. Hence, we arrived at the discount rate of 15.06% for the Technology as at the Date of Valuation.

10. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- With reference to the JV Agreement, the Business Enterprise would have a term of 30 years commencing from the obtaining of its business license. Since the Technology would be the major asset of the Business Enterprise for its proposed business operation, the economic life of the Technology is assumed to be 30 years from the Date of Valuation which is consistent with the term of the JV Agreement;

- As advised by the Management, the number of vessels to be converted in 2014 would be 450, with reference to the business plan and the amount of capital available for the Business Enterprise. Please refer to the section "Letter From The Board" of the Company's circular for details;

- According to the JV Agreement, the Business Enterprise will share RMB0.35 per Nm^3 of LNG supplied to the vessels after conversion. Please refer to the section "Letter From The Board" of the Company's circular for details;

- After conversion, the annual LNG consumption per vessel would be 120,000 Nm^3, with reference to the Management's experience and estimate over the vessel routes. Please refer to the section "Letter From The Board" of the Company's circular for details;

- Based on the Management's estimate and past experience, the total conversion expense would be about RMB210,000 per vessel. It includes the purchase costs of LNG gas storage system, dual-fuel engines and propulsion system and fire safety system, and engineering costs. Please refer to the section "Letter From The Board" of the Company's circular for details;

- Based on the Management's experience and estimate, the annual overhead costs of the Business Enterprise would be around RMB1.4 million, including staff cost, utilities and rental expense. These overhead costs would be subject to the long-term inflation rate in China of 3%;

- With reference to the section "Letter From The Board" of the Company's circular, the Business Enterprise does not require any special approvals or licenses for the operation of the conversion business, apart from the usual approvals and registrations for setting up the Business Enterprise. As advised by the Management, all these approvals and registrations to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- The valuation was mainly based on the projections of the future cash flows as provided by the Management. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise; and

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing.

11. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the fair value of the Technology. The factors considered included, but were not necessarily limited to, the following:

- The business nature and operation of the Business Enterprise;
- Governmental policies related to the LNG vessel industry in China;
- Market trends of the LNG vessel industry in China;
- General description in relation to the Technology; and
- Economic outlook in China.

We have discussed the details with the Management. We have also conducted research from various sources in relation to the development, prospect and governmental policies of the LNG vessel industry in China to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

12. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Technology, and have assumed no responsibility for the title to the Technology valued.

We would particularly point out that our valuation were based on the information such as the projections made by the Business Enterprise, company background and business nature of the Business Enterprise provided to us.

Our conclusion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Technology, the Company, the Business Enterprise, their associate companies, subsidiaries or the values reported herein.

14. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the fair value of the Technology as at the Date of Valuation, in our opinion, was reasonably stated as RMB32,000,000 (RENMINBI THIRTY TWO MILLION ONLY).

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Kelvin Luk
CVA
Director

Note:

Mr. Kelvin Luk is a member of the International Association of Consultants, Valuators and Analysts (IACVA). He has over eight years of experience in business valuation and consultation.

Contributors:

Mr. Terry S. W. Hui, Ms. Angela N.C. Kwan and Mr. Chris F. Tan

Set out below are the reports from SinoPac Securities (Asia) Limited and RSM Nelson Wheeler in connection with the profit forecast underlying the valuation on the Technology and prepared for the purpose of inclusion in this circular.

永豐金證券(亞洲)有限公司
SinoPac Securities (Asia) Limited

Date: 28 February 2014

The Board of Directors
Fairson Holdings Limited
Suites 707-9, 7th Floor,
Prudential Tower,
The Gateway, Harbour City,
Kowloon,
Hong Kong

Dear Sirs,

Fairson Holdings Limited (the "Company")

All capitalized terms used herein, except for stated otherwise, shall have the same meanings as defined in the circular of the Company dated 28 February 2014.

Valuations in relation to the Technology injection of Zhongyou Yingtai to the JV Company based on discounted cash flow approach as contained in the Company's circular dated 28 February 2014 (the "Circular")

We refer to the valuation of the Technology which is prepared based on discounted cash flow approach by the Valuer and is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

We have viewed the forecast upon which the valuation has been made for which you as the Directors are solely responsible, and have discussed with you and the Valuer on the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from RSM Nelson Wheeler dated 28 February 2014 addressed to yourselves as set out in Appendix IV of the Circular regarding the calculations upon which the forecasts have been made.

On the basis of the foregoing, we are satisfied that the forecast upon which the valuation has been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
SinoPac Securities (Asia) Limited
Tony Tse
Director

RSM
Audit • Tax • Advisory

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

28 February 2014

The Board of Directors
Fairson Holdings Limited

Dear Sirs,

We have examined the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") underlying the valuation of the technology in relation to the conversion of traditional oil fuel utilization to liquefied natural gas utilization in vessels (the "**Asset**") performed by Roma Appraisals Limited in respect of the appraisal of the fair value of the Asset as at the reference date of 31 August 2013 in connection with the circular of Fairson Holdings Limited (the "**Company**") dated 28 February 2014 (the "**Circular**").

Respective responsibilities of directors and RSM Nelson Wheeler

The directors of the Company are responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the "**Assumptions**").

It is our responsibility to form an opinion based on our reasonable assurance engagement, so far as the arithmetical accuracy of the calculations is concerned, on whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our work was performed solely to assist the directors of the Company to evaluate, so far as the arithmetical accuracy of the calculations is concerned, whether the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

We planned and performed our reasonable assurance engagement so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give our opinion. Our reasonable assurance engagement included:

a. obtaining an understanding of the Forecast through inquiry of persons responsible for the preparation of the Forecast;

b. checking the arithmetical calculations relating to the amounts presented in the Forecast; and

c. such other procedures that we considered necessary.

We believe that our reasonable assurance engagement provides a reasonable basis for our opinion.

Our reasonable assurance engagement does not constitute an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or a review opinion on the Forecast.

Because the Forecast relates to cash flows, no accounting policies of the Company have been adopted in its preparation.

Opinion

In our opinion, based on the foregoing, so far as the arithmetical accuracy of the calculations is concerned, the Forecast has been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

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

(i) Long positions in the ordinary shares of the Company or any of its associated corporations of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares held	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Interest in a controlled corporation	295,000,000	40.61%

(ii) Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of securities held	Percentage of shareholding in the Company
Mr. Yeung Tin Hung	Race Champion Holdings Limited	Interests in a controlled corporation	2 shares	100%

(iii) Share option of the Company

The Company has adopted a share option scheme on 27 April 2011 (the "**Share Option Scheme**"), under which the Board may, at its discretion, invite any persons who satisfies the criteria of the Share Option Scheme to take up options to subscribe for the Shares.

The Share Option Scheme will remain valid for a period 10 years commencing from 27 April 2011, subject to terms and conditions thereof. Particulars of the options to subscribe for Shares granted to the Directors and directors of any subsidiary of the Company pursuant to the Share Option Scheme as at the Latest Practicable Date are set out below:

Name of Directors/ directors of subsidiary of Company	Capacity/Nature of interest	Date of grant	Exercise price	Exercise period of share options	Maximum number of Shares subject to the outstanding options
Mr. Yeung Shing Wai	Beneficial owner/ personal	17 September 2013	HK$2.18	17 September 2013 – 16 September 2023	5,500,000
Mr. Ho Chun Kit Gregory	Beneficial owner/ personal	17 September 2013	HK$2.18	17 September 2013 – 16 September 2023	5,500,000
Mr. Zheng Sirong	Beneficial owner/ personal	17 September 2013	HK$2.18	17 September 2013 – 16 September 2023	5,500,000

Notes: As at the Latest Practicable Date, all the options referred to in the table above remain outstanding and have not been exercised.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, so far as is known to the Directors or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed taken to have, an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were 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 meeting of any member of the Group:

(i) Long positions in the Shares

Name of Shareholders	Capacity/Nature of Interest	Number of Shares held	Percentage of shareholding in the Company
Race Champion Holdings Limited	Interest in a controlled corporation	295,000,000	40.61%
Fairson Holdings (BVI) Limited	Registered owner	295,000,000	40.61%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executives of the Company, there was no substantial Shareholder of the Company (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had direct or indirect interests amounting to 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company and/or any other member of the Group, or were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

(ii) Interest of other persons in the Company

So far as is known to any Directors or chief executive of the Company, as at the Latest Practicable Date, no person other than the Directors and substantial Shareholders, whose interests are set out above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

4. MATERIAL CONTRACTS

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

(a) the provisional sale and purchase agreements dated 21 September 2012 entered into between Sun Fair Electric Wire & Cable (HK) Company Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, and Fine Sun Investment Limited, Sunny Cleansing Services Limited and Sun Leader Development Limited, as the purchasers respectively, in relation to the disposal of the properties of the Group in Hong Kong, details of which were disclosed in the announcement of the Company dated 21 September 2012;

(b) the sale and purchase agreement dated 1 March 2013 entered into between Brave Champ Holdings Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, and Mr. Chen Wei-Chuan, as the purchaser, in relation to the disposal of 70% equity interest of an indirect subsidiary of the Group, Zing Fair Electrical Supplies Limited, details of which were disclosed in the announcement of the Company dated 1 March 2013;

(c) the memorandum of understanding dated 24 April 2013 (the "**April 2013 MOU**") entered into between MK Assets Management Limited, as the vendor, and the Company, as the purchaser, in relation to the sale and purchase of 51% of the issued shares of United Success Global Limited, details of which were disclosed in the announcement of the Company dated 24 April 2013;

(d) the placing agreement dated 26 April 2013 entered into between the Company and Yuanta Securities (Hong Kong) Company Limited in relation to the placing of an aggregate of 110,000,000 placing shares at HK$0.12 each, details of which were disclosed in the announcements of the Company dated 26 April 2013 and 4 July 2013;

(e) the placing agreement dated 31 May 2013 entered into between the Company and ChangJiang Securities Brokerage (HK) Limited in relation to the placing of promissory notes up to an aggregate principal amount of HK$50,000,000, details of which were disclosed in the announcements of the Company dated 31 May 2013 and 30 August 2013;

(f) the placing agreement dated 2 August 2013 entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of an aggregate of 66,000,000 placing shares at HK$1.36 each, details of which were disclosed in the announcements of the Company dated 5 August 2013 and 2 October 2013;

(g) the memorandum of understanding dated 15 August 2013 (the "**August 2013 MOU**") entered into between the Company, as the purchaser, and Mr. Chung Wai Sum, as the vendor, in relation to the sale and purchase of a majority interest in 3 Dynamics (Asia) Limited, details of which were disclosed in the announcement of the Company dated 15 August 2013;

(h) the letter of termination dated 15 August 2013 signed by the Company relating to the termination of the April 2013 MOU, details of which were disclosed in the announcement of the Company dated 15 August 2013;

(i) the placing agreement dated 5 September 2013 entered into between the Company and KGI Asia Limited in relation to the placing of 66,000,000 warrants at the issue price of HK$0.01 per warrant, details of which were disclosed in the announcements of the Company dated 5 September 2013 and 7 October 2013;

(j) the JV Agreement;

(k) the placing agreement dated 3 October 2013 entered into between the Company and RHB OSK Securities Hong Kong Limited in relation to the placing of an aggregate of 66,000,000 placing shares at HK$1.56 each, details of which were disclosed in the announcements of the Company dated 3 October 2013 and 2 December 2013;

(l) the supplemental memorandum of understanding dated 25 October 2013, supplementing the August 2013 MOU, entered into between the Company, as the purchaser, and Mr. Chung Wai Sum, as the vendor, setting out a further deposit to be paid by the Company;

(m) the placing agreement dated 20 December 2013 (the "**December 2013 Placing Agreement**") entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of convertible bonds in the aggregate principal amount of up to HK$155,000,000 to be issued by the Company convertible up to a maximum of 65,400,843 conversion shares;

(n) the supplemental agreement dated 6 January 2014, supplementing the December 2013 Placing Agreement, entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited, setting out the amendment to the placing period of the December 2013 Placing Agreement;

(o) the memorandum of understanding dated 10 January 2014 entered into between the Company, as the purchaser, and Mr. Wu Zhi Qiang, as the vendor, in relation to the sale and purchase of the entire issued share capital of Jian Long Da Holdings Limited, details of which were disclosed in the announcement of the Company dated 10 January 2014; and

(p) the placing agreement dated 19 February 2014 entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited in relation to the placing of convertible bonds in the aggregate principal amount of up to HK$99,000,000 to be issued by the Company convertible up to a maximum of 41,772,151 conversion shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. LITIGATION

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

7. EXPERTS

The following is the qualification of the professional advisers who have given their opinion or advice which is contained in this circular:

Name	Qualification
Chanceton Capital Partners Limited	a licenced corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
SinoPac Securities (Asia) Limited	a licenced corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
RSM Nelson Wheeler	Certified Public Accountants
Roma Appraisals Limited (collectively, the "**Experts**")	an independent valuer

As at the Latest Practicable Date, each of the Experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the Experts has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter of advice and references to its names and its advice in the form and context in which they appear.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect interests in any assets which have been acquired disposed of or leased to, or which are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. COMPETING INTEREST

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

9. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or 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 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

10. DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

11. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business in Hong Kong is at Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong.

(b) The branch share registrar and transfer agent of the Company in Hong Kong is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road Central East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Fok, Joyce Sing Yan, who is an associate member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

(d) The compliance officer of the Company is Mr. Yeung Shing Wai, an executive Director of the Company.

(e) The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financing reporting process and internal control system of the Group. The audit committee comprises three members, all are independent non-executive Directors. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

(i) Mr. Lau Sung Tat, Vincent, aged 56, is a visiting Professor of Accounting and Finance by the Research Institute of Economics of Shenzhen University in Shenzhen, China. His professional qualification includes fellow member of Association of Taxation and Management Accountants in Australia, fellow member of Institute of Cost and Executive Accountants in United Kingdom, honorary fellow member of The American Management Institute in United States, fellow member of Association of Certified Public Accountants, fellow member of The American Computer Society, and associate member of Montana Society of Certified Public Accountants in United States.

(ii) Ms. Eugenia Yang, aged 38, is a practicing barrister in Hong Kong. She is a member of HKICPA and a member of CPA Australia. She graduated from The University of Melbourne, Australia with a Bachelor Degree in Commerce, Postgraduate Diploma in Finance and a Masters Degree in Commerce (Finance). She is also a graduate of Monash University, Australia with a Bachelor of Laws Degree. From August 2005 to May 2006, Ms. Yang was an independent non-executive director of Nority International Group Limited (currently known as Wai Chun Mining Industry Group Co. Ltd. (stock code: 660)), a company listed on the Stock Exchange.

(iii) Mr. Chan Lung Ming, aged 37, holds a Bachelor of Business Administration degree from The Open University of Hong Kong and a Bachelor of Laws degree from The University of London. He has several years of experience in the areas of corporate finance, regulatory and compliance. Mr. Chan is currently a senior executive at a corporation licenced to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(f) The English version of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suites 707-9, 7th Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the annual reports of the Company for each of the two financial years ended 31 March 2012 and 31 March 2013;

(d) the letter from the Independent Financial Adviser, the text of which is set out in pages 52 to 85 of this circular;

(e) the report on the unaudited pro forma financial information of the enlarged Group, the text of which is set out in Appendix II of this circular;

(f) valuation report issued by the Valuer, the text of which is set out in in Appendix III;

(g) the reports on forecasts underlying the valuation of the Technology prepared by SinoPac Securities (Asia) Limited and RSM Nelson Wheeler, the texts of which are set out in Appendix IV of this circular;

(h) the written consent from the experts referred to in the paragraph headed "Experts"; and

(i) this circular.

Fairson Holdings Limited
鉦皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8132)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Fairson Holdings Limited (the "**Company**") will be held at Fung Shui Room II, Marco Polo Hong Kong Hotel, Harbour City, 3 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, on 24 March 2014 at 11:30 a.m. for the following purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as resolutions of the Company. Unless otherwise indicated, terms defined in the Company's circular dated 28 February 2014 shall apply to this notice of EGM:

ORDINARY RESOLUTIONS

1. "**THAT** the Arrangement contemplated under the JV Agreement and the proposed caps thereof be and are hereby approved, and any one Director be and is hereby authorized to do all such acts and things and execute all such documents or make such arrangements for and on behalf of the Company which he/she considers necessary or expedient to give effect to the Arrangement."

2. "**THAT** subject to and conditional upon the GEM Listing Committee of The Stock Exchange approving the listing of, and granting the permission to deal in, shares of HK$0.0001 each in the issued share capital of the Company on the Stock Exchange, on the Business Day following the day on which this resolution is passed by the Shareholders, each of the issued and unissued shares of HK$0.001 each in the share capital of the Company be subdivided into ten (10) shares of HK$0.0001 each so that the authorized share capital of the Company will be HK$1,000,000 divided into 10,000,000,000 Subdivided Shares upon the Share Subdivision becoming effective, and any one Director be and is hereby authorized to do all such acts and things and execute all such documents or make such arrangements for and on behalf of the Company which he/she considers necessary or expedient to give effect to the Share Subdivision."

SPECIAL RESOLUTION

3. "**THAT** subject to and conditional upon: (i) the JV Agreement having become effective; and (ii) the issue of a certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands, the English name of the Company be changed from "Fairson Holdings Limited" to "China Oil Gangran Energy Group Holdings Limited", and a new dual foreign name in Chinese "中油港燃能源集團控股有限公司" be adopted to replace its existing Chinese name "鉦皓控股有限公司" and any one Director be and is hereby authorized to do all such acts and things and execute all such documents or make such arrangements for and on behalf of the Company which he/she considers necessary or expedient to give effect to the Change of Name."

By Order of the Board
Fairson Holdings Limited
Yeung Tin Hung
Chairman

Hong Kong, 28 February 2014

Notes:

1. 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.

2. 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 Hong Kong branch share registrar and transfer agent in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. The enclosed form of proxy must be signed by the appointer or by his attorney authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an office, attorney or other person duly authorized to sign the same.

4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, then one of the said persons so present being the most, or as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holder stand on the register in respect of the relevant joint holding.

6. Any voting at the EGM or any adjournment thereof should be taken by poll.

As at the date of this notice, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai and Mr. Ho Chun Kit Gregory; the non-executive Director is Mr. Tse Yee Hin, Tony; and the independent non-executive Directors are Ms. Eugenia Yang, Mr. Chan Lung Ming, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.

This notice, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Notice 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 Notice misleading.

This notice will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting and on the websites of the Company at http://www.sunfairw.com.hk and http://www.irasia.com/listco/hk/fairson.