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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your 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 China Investment and Finance Group Limited (“Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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## CHINA INVESTMENT AND FINANCE GROUP LIMITED

### 中國投融資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1226)

**I. PROPOSED SHARE CONSOLIDATION;  
II. PROPOSED CHANGE IN BOARD LOT SIZE;  
III. PROPOSED OPEN OFFER ON THE BASIS OF  
EIGHT OFFER SHARES FOR EVERY ONE CONSOLIDATED  
SHARE HELD ON THE RECORD DATE AT HK\$0.25  
PER OFFER SHARE;  
IV. RE-ELECTION OF DIRECTOR; AND  
V. NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company



Underwriter of the Open Offer



Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders



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A letter from the Board is set out on pages 6 to 31 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 32 of this circular. A letter from Opus Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 71 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 11 December 2015 at Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

**The Open Offer is conditional, *inter alia*, upon the fulfillment of the conditions set out under the section headed “Conditions of the Open Offer” in the Letter from the Board of this circular. In particular, the Open Offer is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Open Offer may or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares up to the date when the conditions of the Open Offer are fulfilled will bear the risk that the Open Offer could not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealing in the securities of the Company.**

25 November 2015

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## EXPECTED TIMETABLE

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*The expected timetable for the Share Consolidation, the Change in Board Lot Size and the Open Offer is set out below:*

<b>Event</b>	<b>2015</b>
Latest time for lodging proxy form for the EGM . . . . .	11:00 a.m. on Wednesday, 9 December
Date and time of the EGM . . . . .	11:00 a.m. on Friday, 11 December
Announcement of results of the EGM . . . . .	Friday, 11 December
Effective date of the Share Consolidation . . . . .	Monday, 14 December
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Monday, 14 December
Original counter for trading in Shares . . . . . (in board lots of 8,000 Shares) (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 14 December
Temporary counter for trading in Consolidated Shares, . . . . . in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 14 December
First day for the free exchange of existing certificates . . . . . of the Shares into new share certificates of Consolidated Shares commences	Monday, 14 December
Last day of dealings in Consolidated Shares . . . . . on a cum-entitlement basis	Monday, 14 December
First day of dealings in Consolidated Shares . . . . . on an ex-entitlement basis	Tuesday, 15 December
Latest time for lodging transfers of Consolidated Shares . . . . . in order to qualify for the Open Offer	4:30 p.m. on Wednesday, 16 December
Register of members closes (both dates inclusive) . . . . .	Thursday, 17 December to Wednesday, 23 December
Record Date . . . . .	Wednesday, 23 December
Register of members re-opens . . . . .	Thursday, 24 December

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## EXPECTED TIMETABLE

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**Event** **2015**

Despatch of the Prospectus Documents . . . . . Thursday, 24 December

Original counter for trading in Consolidated Shares . . . . . 9:00 a.m. on Tuesday, 29 December  
in new board lots of 10,000 Consolidated Shares  
(in the form of new share certificates) re-opens

Parallel trading in the Consolidated Shares . . . . . 9:00 a.m. on Tuesday, 29 December  
(in the form of both existing share certificates  
and new share certificates) commences

Designated broker starts to stand in the market to . . . . . 9:00 a.m. on Tuesday, 29 December  
provide matching services for the sale and  
purchase of odd lots of Consolidated Shares

**2016**

Latest time for acceptance of and payment for the Offer Shares . . . . . 4:00 p.m. on Monday, 11 January

Latest time for termination of the Underwriting Agreement . . . . . 4:00 p.m. on Thursday, 14 January

Temporary counter for trading in board lots of . . . . . 4:00 p.m. on Tuesday, 19 January  
1,600 Consolidated Shares (in the form of  
existing share certificates) closes

Parallel trading in Consolidated Shares . . . . . 4:00 p.m. on Tuesday, 19 January  
(in the form of new and existing certificates) ends

Announcement of the results of the Open Offer . . . . . Tuesday, 19 January

Despatch of certificates for the Offer Shares . . . . . Wednesday, 20 January

Despatch of refund cheques if the Open Offer is terminated . . . . . Wednesday, 20 January

Last day of free exchange of existing certificates . . . . . Thursday, 21 January  
for new certificates for Consolidated Shares

Expected first day of dealings in the Offer Shares . . . . . 9:00 a.m. on Thursday, 21 January

Designated broker ceases to stand in the market . . . . . 4:00 p.m. on Tuesday, 26 January  
to provide matching services for the sale and  
purchase of odd lots of Consolidated Shares

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## EXPECTED TIMETABLE

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*All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.*

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES**

The latest time for acceptance of and payment for the Offer Shares will be postponed if there is:

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

If the latest time for acceptance of and payment for the Offer Shares is postponed in accordance with the foregoing, the dates mentioned in the above “EXPECTED TIMETABLE” may be affected. An announcement will be made by the Company in such event.

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 9 September 2015 relating to, among other things, the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Open Offer
“Application Form(s)”	the application form(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements under the Open Offer
“Articles”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning as ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday or any day on which either a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 8,000 Shares to 10,000 Consolidated Shares
“Company”	China Investment and Finance Group Limited (stock code: 1226), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on main board of the Stock Exchange
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Connected Person”	has the meaning as ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company upon the Share Consolidation
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Share Consolidation, the proposed Open Offer and the Re-election
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board (comprising Mr. Tsang Hin Man Terence, Mr. Luk Simon, Mr. Liu Xiaoyin and Mr. Hon Leung, all being independent non-executive Directors) established to advise the Independent Shareholders on the Open Offer
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer
“Independent Shareholder(s)”	any Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Investment Manager”	China Everbright Securities (HK) Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, the investment manager appointed by the Company
“Investment Management Agreement”	the investment management agreement dated 6 November 2012 entered into between the Company and the Investment Manager
“Last Trading Day”	9 September 2015, being the date of the Underwriting Agreement
“Latest Practicable Date”	24 November 2015, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein

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## DEFINITIONS

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“Latest Time for Acceptance”	4:00 p.m. on 11 January 2016, or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of and payment for the Offer Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on 14 January 2016, or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Lerado”	Lerado Group (Holding) Company Limited (stock code: 1225), a company listed on main board of the Stock Exchange and the ultimate holding company of the Underwriter
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Net Asset Value”	the net asset value of the Company calculated in accordance with the provisions of the Articles
“Non-Qualifying Shareholders”	the Overseas Shareholders to whom the Board, based on legal opinions provided by the legal advisers, considers it necessary or expedient not to offer the Offer Shares to such Shareholders on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Offer Share(s)”	1,672,592,000 Consolidated Shares to be issued pursuant to the Open Offer on the basis of eight (8) Offer Shares for every one (1) Consolidated Share in issue on the Record Date
“Open Offer”	the proposed issue of eight (8) Offer Shares for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Parties”	the named parties to the Underwriting Agreement and their respective successors and permitted assignees, and “Party” means each of them
“PRC” or “China”	the People’s Republic of China



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## DEFINITIONS

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“Prospectus”	the prospectus to be despatched to the Shareholders on the Prospectus Posting Date containing details of the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	24 December 2015 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) is/are registered on the register of the members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Re-election”	the proposed re-election of Mr. Hon Leung as an independent non-executive Director
“Record Date”	23 December 2015 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Open Offer are expected to be determined
“Registrar”	the share registrar of the Company in Hong Kong, being Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every five (5) Shares of par value of HK\$0.01 each into one (1) Consolidated Share of HK\$0.05 each
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares or Consolidated Shares, as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.25 per Offer Share

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Black Marble Securities Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity under the SFO
“Underwriting Agreement”	the underwriting agreement dated 9 September 2015 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	1,672,592,000 Offer Shares being underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%” or “per cent”	percentage or per centum

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## LETTER FROM THE BOARD

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### CHINA INVESTMENT AND FINANCE GROUP LIMITED

### 中國投融資集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1226)**

*Executive Director:*

Mr. Chan Cheong Yee

*Non-executive Directors:*

Mr. Liao Jintian

Ms. Lee Kar Ying

Mr. Wu Qi

*Independent Non-executive Directors:*

Mr. Tsang Hin Man Terence

Mr. Luk Simon

Ms. Liu Xiaoyin

Mr. Hon Leung

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

Room 1104, Crawford House

70 Queen's Road Central

Hong Kong

25 November 2015

*To the Shareholders*

Dear Sir or Madam,

**I. PROPOSED SHARE CONSOLIDATION;  
II. PROPOSED CHANGE IN BOARD LOT SIZE;  
III. PROPOSED OPEN OFFER ON THE BASIS OF  
EIGHT OFFER SHARES FOR EVERY ONE CONSOLIDATED  
SHARE HELD ON THE RECORD DATE AT HK\$0.25  
PER OFFER SHARE;  
IV. RE-ELECTION OF DIRECTOR; AND  
V. NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the proposed Share Consolidation, the proposed Change in Board Lot Size and the proposed Open Offer.

The purpose of this circular is to provide the Shareholders, among other things, (i) further details about the Share Consolidation, the Change in Board Lot Size, the Open Offer and the Re-election; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer; (iii) a letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer; and (iv) the notice convening the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five (5) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.05 each.

### Conditions of the Share Consolidation

The Share Consolidation is conditional upon (i) passing of an ordinary resolution to approve the Share Consolidation by the Shareholders by way of poll at the EGM; and (ii) the Listing Committee of the Stock Exchange granting approval to the listing of, and permission to deal in, the Consolidated Shares.

The Share Consolidation will become effective on the next Business Day immediately following the fulfillment of the above conditions.

### Effect of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,200,000,000 divided into 120,000,000,000 Shares of HK\$0.01 each, of which 1,045,370,000 Shares have been issued and fully paid or credited as fully paid.

Assuming that no further Shares will be allotted and issued or repurchased between the Latest Practicable Date and the date of the EGM, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$1,200,000,000 divided into 24,000,000,000 Consolidated Shares of HK\$0.05 each, of which 209,074,000 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable.

Other than the relevant expenses, including but not limited to professional fees and printing charges incurred, the implementation of the Share Consolidation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Group.

### Application for Listing of the Consolidated Shares

An application will be made by the Company to the Listing Division of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

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## LETTER FROM THE BOARD

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Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated 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 Consolidated Shares on the Stock Exchange or such other date as 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

### **Reasons for and benefits of the Share Consolidation**

The Share Consolidation will increase the nominal value of the Shares and it is expected to bring about corresponding upward adjustment in the trading price of the Consolidated Shares. In addition, the Share Consolidation will increase the market value per board lot of the Shares, which will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot. Certain brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced shares or tend to discourage individual brokers from recommending low-priced shares to their customers. Therefore, with a higher trading price of the Consolidated Shares and reduction of the transaction and handling costs as a proportion of the market value of each board lot, the Company believes that the Share Consolidation will make investing in Shares more attractive to a broader range of institutional and professional investors and other members of the investing public. As such, the Board believes that the Share Consolidation may attract more investors and extend the shareholders' base of the Company. In view of the above, the Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

### **Free exchange of Consolidated Shares' certificates and trading arrangement**

Subject to the Share Consolidation becoming effective, Shareholders may, during a period from Monday, 14 December 2015 to Thursday, 21 January 2016, submit share certificates for the existing Shares to the Registrar to exchange, at the expense of the Company, for new certificates of the Consolidated Shares. Thereafter, each share certificate for the existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be from time to time be specified by the Stock Exchange) for each new share certificate issued for the Consolidated Shares or each share certificate for the existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. With effect from Wednesday, 20 January 2016, trading will only be in Consolidated Shares in the form of new share certificates, and the share certificates for the existing Shares will cease to be valid for trading and settlement purpose but they will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares.

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## LETTER FROM THE BOARD

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### **Odd lots arrangement and matching services**

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Black Marble Securities Limited (“**Black Marble**”) to provide matching services for sale and purchase of odd lots of Consolidated Shares at the relevant market price per Consolidated Share on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares from Tuesday, 29 December 2015 to Tuesday, 26 January 2016. The aforesaid duration of odd lots arrangement and matching services for a period of 4 weeks (the “**Odd Lot Arrangement Period**”) is arrived after negotiation between Black Marble and the Company after taking into account (i) the Odd Lot Arrangement Period will ensure that odd lots arrangement and matching services will be provided throughout the parallel trading period of the Consolidated Shares as stipulated in “Guide of Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 3 March 2014 (the “**Guide**”); (ii) the Odd Lot Arrangement Period which lasts for 4 weeks satisfies the guidance as stipulated in the Guide that odd lot arrangement for the Share Consolidation and the Change in Board Lot Size shall last for a period of at least 3 weeks; and (iii) 12 out of 13 recently completed share consolidation exercises in the second and third quarter in 2015 announced by issuers listed on Main Board of the Stock Exchange provided odd lot arrangement for a period of 15 Business Days or less (the “**Odd Lot Comparables**”). In view of the above, the Directors consider the Odd Lot Arrangement Period of 4 weeks which complies with relevant requirements set out in the Guide and is of duration longer than the market practice of the Odd Lot Comparables is sufficient for odd lots arrangement and matching services for the Share Consolidation and the Change in Board Lot Size. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangement, is recommended to consult his/her/its own professional advisers.

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Shares are traded in board lot size of 8,000 Shares. The Company proposes to change the board lot size for trading of the Shares and/or the Consolidated Shares on the Stock Exchange from 8,000 Shares to 10,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.082 per Share (equivalent to HK\$0.41 per Consolidated Share) as at the Latest Practicable Date, the value of each board lot of 10,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$4,100.

The Change in Board Lot Size is expected to bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs for dealings in the Consolidated Shares.

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## LETTER FROM THE BOARD

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### PROPOSED OPEN OFFER

Basis of the Open Offer:	Eight (8) Offer Shares for every one (1) Consolidated Share
Subscription Price:	HK\$0.25 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,045,370,000 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective:	209,074,000 Consolidated Shares
Number of Offer Shares:	1,672,592,000 Offer Shares The aggregate nominal value of the Offer Shares will be approximately HK\$83,629,600.00.
Number of Consolidated Shares in issue immediately upon completion of the Open Offer:	1,881,666,000 Consolidated Shares

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

The Open Offer is fully underwritten by the Underwriter, who shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08(1) of the Listing Rules.

### The Offer Shares

Assuming no further issue of new Shares and/or Consolidated Shares and/or repurchase of Shares and/or Consolidated Shares on or before the Record Date, 1,672,592,000 Offer Shares will be issued and allotted representing approximately 800.0% of the issued share capital of the Company immediately after the Share Consolidation and approximately 88.89% of the issued share capital of the Company as enlarged by the Offer Shares.

### Subscription Price

The Subscription Price of HK\$0.25 per Offer Share will be payable in full upon application by a Qualifying Shareholder. The Subscription Price represents:

- (a) a discount of approximately 64.79% to the theoretical closing price of approximately HK\$0.710 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

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## LETTER FROM THE BOARD

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- (b) a discount of approximately 62.69% to the average theoretical closing price of approximately HK\$0.670 per Consolidated Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (c) a discount of approximately 63.50% to the average theoretical closing price of approximately HK\$0.685 per Consolidated Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 16.94% to the theoretical ex-entitlement price (assuming there is no new Shares and/or Consolidated Shares issued by the Company and there is no Shares and/or Consolidated Shares being repurchased by the Company from the Latest Practicable Date up to the Record Date) of approximately HK\$0.301 per Consolidated Share based on the theoretical closing price of approximately HK\$0.710 per Consolidated Share as quoted on the Stock exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 39.02% to the theoretical closing price of approximately HK\$0.41 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (f) a discount of approximately 90.91% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$2.75 as at 31 October 2015 (based on 209,074,000 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation).

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group and the financial performance of the Group which has been loss making for the years ended 31 March 2014 and 2013 and slightly turnaround for the year ended 31 March 2015. Subsequently, the Group recorded net loss for the six months ended 30 September 2015.

Apart from the aforesaid, in coming up with the current subscription ratio for the Open Offer and the Subscription Price, the Company has also considered the following factors:

- (i) the funding requirements of the Company having regard to the need for setting a Subscription Price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;
- (ii) during the negotiation of the Underwriting Agreement, it has been indicated to the Company that a subscription price with a relatively deep discount to the closing price is necessary to induce the Underwriter to participate in the underwriting of the Underwritten Shares, which is an essential part of the Open Offer. Before arriving at the current structure of the Open Offer, initially, the Company attempted to adopt a lower offer ratio with higher subscription price (the "**Initial Proposal**") and has approached four securities houses. However, the



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## LETTER FROM THE BOARD

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Initial Proposal was rejected by all of the four securities houses (the “**Rejection**”) given the fund raising size and the Company’s business scale. Based on (i) the Directors’ previous experiences in dealing with open offers and fund raising exercises of the Company. In addition, Mr. Chan Cheong Yee, the executive Director, has experiences in two open offer exercises, one rights issue and eight placing exercises for listed companies (excluding the Company) in the past two years; and (ii) the Company’s previous experience in conducting open offer and other fund raising deals, rejection by four different securities houses in providing underwriting and/or placing service in a fund raising exercise indicated that the proposed terms and structure of such fund raising exercise may not be commercially acceptable. Therefore, it rendered the need to revise the terms and structure of such fund raising proposal instead of continuing the Company’s effort in approaching other securities houses based on the same proposal. In view of the Rejection, the Company had to lower the offer price to increase the attractiveness and for inducing underwriter to participate in proposed fund raising exercise. Therefore, after taking into account the anticipated funding requirements of the Group of around HK\$500 million, a higher offer ratio with lower subscription price became essential for the Group’s proposed fund raising exercise. Subsequent to the Rejection, the Company approached another securities house (the “**Agent**”) and the Agent agreed to provide underwriting services for revised structure of fund raising exercise with higher offer ratio and lower subscription price as compared to the Initial Proposal. While the Company continued its effort to liaise with the Agent to agree on the current structure of the Open Offer, the Agent rejected to provide underwriting service for the Open Offer without providing any specific reason. Subsequently, the Company approached the Underwriter, being the only available securities house who agreed to provide underwriting service for the Open Offer.

Moreover, the Company has attempted to obtain loan financing from two principal banks for financing its principal business, however, the two aforesaid principal banks indicated that it was unlikely for the Company to obtain loan financing from them (the “**Banks Rejection**”). The Group has established close collaboration with the two principal banks. The Group has maintained good business relationship with the two principal banks and good credit history and does not have any previous loan default with them. Through recurring transactions with the two principal banks for the Group’s business operation they are familiar with the capital structure, business operations, funding requirements, cash flow pattern, cash management and financial management system of the Group. As such, given familiarity of the Group’s business operations by the two principal banks, the Directors consider that possibility of securing loan financing from the two principal banks is already much higher than from other financial institutions. Therefore, after the Banks Rejection, given the fund raising size and the business scale and investment portfolio of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms;

- (iii) in view of the uncertainties in the financial market in Hong Kong as a result of the uncertainties stemming from fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors consider it will be difficult to attract the Qualifying Shareholders to reinvest in the Company through the Open Offer if the Subscription Price was not set at a relatively deep discount to the historical trading prices of the Shares;

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- (iv) under the Open Offer, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Should the Qualifying Shareholders participate in the Open Offer, they will be subscribing the Offer Shares at a lower price as compared to the historical and prevailing market price of the Shares;
- (v) the relatively deep discount of the Subscription Price has reflected absence of excess application arrangement to Shareholders with an objective to lower the further investment cost of Shareholders to encourage them to take up their entitlements;
- (vi) inherent dilutive nature of open offer in general if the Qualifying Shareholders did not take up their entitlements under the Open Offer in full. However, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Offer Shares; and
- (vii) although the Open Offer has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Open Offer and the Underwriter has also undertaken to the Company that none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer.

As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. In view of the above, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

However, those Qualifying Shareholders who do not take up in full the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted. If all the Qualifying Shareholders do not take up the Offer Shares to which they are entitled and the Underwriter takes up all the Offer Shares, the percentage of shareholding (assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) of the existing public Shareholders will be reduced from 100.0% to approximately 11.1%, representing a dilution effect on the shareholding interests of approximately 88.9% as a result of the Open Offer.

The net price per Offer Share after deducting the related expenses of the Open Offer will be approximately HK\$0.25.

### **Conditions of the Open Offer**

The Open Offer is conditional upon the fulfillment of the following conditions (the “**Conditions**”):

- (a) the passing by the Shareholders at the EGM of the ordinary resolution to approve the Share Consolidation;

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## LETTER FROM THE BOARD

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- (b) the passing by the Independent Shareholders at the EGM of the ordinary resolution to approve the Open Offer;
- (c) the Share Consolidation having become effective;
- (d) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly certified by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Board (and with all other documents required to be attached thereto under the Companies Ordinance) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped “For Information Only” to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (f) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the listing of, and permission to deal in, the Offer Shares, before commencement of dealings in the Offer Shares and such listing and permission not being revoked prior to the Latest Time for Termination;
- (g) the Shares and/or the Consolidated Shares (as the case may be) remaining listed on the Stock Exchange at all times up to and including the Latest Time for Termination and the current listing of the Shares and/or the Consolidated Shares (as the case may be) not having been withdrawn or the trading of the Shares and/or the Consolidated Shares not having been suspended for a consecutive period of more than 10 trading days and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Open Offer or in connection with the terms of the Underwriting Agreement or for any other reason;
- (h) compliance by the Company with all of its undertakings and obligations of the Company under the Underwriting Agreement;
- (i) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (j) the filing of the Prospectus Documents with the Registrar of Companies in Cayman Islands and approval of the Open Offer by the relevant authority of Cayman Islands if so required by the Companies Law (2013 Revision) of Cayman Islands as amended from time to time.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

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If any of the conditions is not fulfilled and/or waived in whole or in part by the Underwriter at or before the Latest Time for Termination (or such later time and/or date as the Company and the Underwriter may agree):

- (1) the Underwriting Agreement, save in respect of the provisions of the relevant sub-clause and clauses under the Underwriting Agreement, shall terminate and the obligations of the parties shall immediately cease and be null and void and none of the parties shall, save in respect of the provisions of the relevant sub-clause and clauses under the Underwriting Agreement and any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement; and
- (2) the Company shall reimburse the Underwriter all such reasonable costs and expenses as have been properly incurred by it in connection with the Open Offer.

The Company agrees and undertakes to notify the Underwriter in writing upon fulfilment of all the conditions.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Consolidated Shares then in issue in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the Offer Shares. Dealings in the Offer Shares, which are registered in the register of members of the Company in Hong Kong, will be subject to payment of stamp duty and other applicable fees and charges in Hong Kong.

### **Qualifying Shareholders**

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, non-registered Shareholders must lodge any transfers of the Shares/Consolidated Shares (together with the relevant share certificates) with the Registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 16 December 2015.

### **Closure of register of members**

The Company's register of members will be closed from Thursday, 17 December 2015 to Wednesday, 23 December 2015, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Open Offer. No transfer of Shares or Consolidated Shares will be registered during this period.

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## LETTER FROM THE BOARD

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### **Rights of Overseas Shareholders**

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

In compliance with Rule 13.36 of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer to the Overseas Shareholders. If, based on legal advice, the Directors consider that it is necessary or expedient not to issue the Offer Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Open Offer will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Open Offer, to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any Application Form to them.

**Overseas Shareholders should note that they may or may not be entitled to the Open Offer. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.**

### **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost in the range of approximately HK\$200,000 to HK\$300,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company. The Group just turnaround in year ended 31 March 2015 with net profit of approximately HK\$0.2 million as compared with net losses in the past two financial years. Furthermore, it recorded net loss for the six months ended 30 September 2015. In addition, the Group recorded net cash outflow from its operating activities which amounted to approximately HK\$60.5 million for year ended 31 March 2015 and approximately HK\$37.8 million for the six months ended 30 September 2015. In view of recent financial performance of the Group and the business nature of the Group which is investment, funding will be employed for generating investment returns. Therefore, it will not be justifiable in incurring additional costs to administer the excess application procedures. It will be preferable and be more cost-effective for utilizing such amount saved for generating investment returns and to improve capital utilization efficiency.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

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### **Fractions of Offer Shares**

On the basis of provisional allotment of eight (8) Offer Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Offer Shares will arise under the Open Offer.

### **Share certificates for the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all Offer Shares are expected to be posted to the Qualifying Shareholders who have applied and paid for the Offer Shares on or before Wednesday, 20 January 2016 by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be posted on or before Wednesday, 20 January 2016 by ordinary post to the applicants at their own risk.

### **Application for listing of the Offer Shares**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer 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 Offer Shares on the Stock Exchange or such other date as 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares to be admitted into CCASS.

Dealings in the Offer Shares which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **Reasons for the Open Offer and the use of proceeds**

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company and its subsidiaries are principally engaged in securities trading and investment holding. The Company has primary objective of achieving medium-term to long-term capital appreciation, and interest incomes and dividends by investing principally in listed and unlisted companies in Hong Kong, the PRC and Taiwan. The principal return of the business is investments return. A sound investment strategy and a meaningful investment portfolio are important for an investment company to generate investment returns for the Shareholders and to support its daily operations.

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At the time of considering the Open Offer, as disclosed in the annual report of the Company for the year ended 31 March 2015, the Group recorded an increase in revenue from approximately HK\$8.3 million to approximately HK\$12.2 million, representing an increase of approximately 46.5%. Furthermore, the Group turned around from loss attributable to owners of the Company of approximately HK\$93.6 million for the year ended 31 March 2014 to profit attributable to owners of the Company of approximately HK\$0.2 million for the year ended 31 March 2015. For year ended 31 March 2015, the Group recorded overall profit on its investments, while in corresponding period in 2014, the Group recorded impairment loss on available-for-sale financial assets of approximately HK\$55.3 million and loss on derecognition of derivative financial instrument of approximately HK\$18.9 million.

The unaudited net asset value per Share of the Company ranged from HK\$0.56 to HK\$0.58 during the period from July 2014 to March 2015 and amounted to approximately HK\$0.57 as at 31 March 2015. After 31 March 2015, the unaudited net asset value per Share of the Company demonstrated growth and reached HK\$0.76 as at 31 July 2015, representing a growth of approximately 33.3%. Based on the foregoing, the Directors considered that the Company was in growth stage when the Open Offer was announced on 30 September 2015. In addition, subsequent to 31 March 2015, the Group recorded unrealized investment gain of over HK\$400 million from listed securities for the three months ended 30 June 2015 and with investment portfolio almost reached HK\$900 million as at 30 June 2015, the Directors consider that it was in the interest of the Company to raise fund for increasing the fund size of the Company to achieve economies of scale when making investments and to allow the Company to have readily available fund for capturing suitable investment opportunities which may arise at any time for generating investment returns to Shareholders.

Although the Company had satisfactory financial performance for the three months ended 30 June 2015, most of the investment gains from listed securities was unrealized capital appreciation and will not bring in immediate cash inflow until disposal.

Subsequent to the Announcement, as disclosed in the interim report for the six months ended 30 September 2015, the Group recorded a net loss of approximately HK\$44.6 million for the six months ended 30 September 2015, which is mainly attributable to the recognition of net unrealized loss on financial assets held for trading of approximately HK\$63.5 million and gain on disposal of subsidiaries of approximately HK\$18.0 million. Despite the overall net loss recorded by the Group in the aforesaid period, net realized gain on disposal of financial assets held for trading amounted to approximately HK\$5.7 million for the six months ended 30 September 2015 as compared with merely approximately HK\$0.9 million in corresponding period in 2014, representing over 5 times growth.

As at 31 August 2015, the cash and bank balances and cash balance held in securities accounts of the Group aggregate to approximately HK\$101.2 million. As at the Latest Practicable Date, the Group has a promissory note with principal amount of HK\$45.0 million (the “PN”) which will be repayable by end of 2015. After taking into account the needs for repayment of the PN, the Group recorded a net cash position of approximately HK\$56.2 million.

Owing to the nature of the Group’s business which is investment, the Group requires extensive cash to grow. Unlike other companies with constant cash income from operations, investments of investment companies under Chapter 21 of the Listing Rules do not necessarily generate extensive cash income. The Company constantly aims to increase and improve its investment portfolio in order to generate returns to the Shareholders. Therefore, it is crucial for the Group to have readily available funds for capturing



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suitable investment opportunities in a timely fashion to provide investment return to the Group and Shareholders and/or increase the size of its investment portfolio to diversify the risks of its investments. Hence, the Directors are of the view that the Company should take the opportunity to increase capital via Open Offer to equip itself with a healthier and stronger capital base and to pursue its business development.

The Company completed an open offer in July 2014 (the “**Previous Open Offer**”). Net proceeds of the Previous Open Offer was approximately HK\$56.6 million, of which approximately HK\$35.0 million was invested in an unlisted equity (the “**Unlisted Equity A**”) which has a total investment sum of HK\$70 million and approximately HK\$21.6 million was invested in certain listed equities (the “**Listed Equities A**”). The Unlisted Equity A was sold during the year ended 31 March 2015 which generated a profit of HK\$7 million, representing 10% return to the Group. Realised and unrealised gain of the Listed Equities A of approximately HK\$3.0 million and HK\$7.1 million was recognized respectively up to 23 October 2015.

Regarding the placing exercise which was completed in December 2014 (the “**December 2014 Placing**”), the net proceeds of approximately HK\$14.8 million was raised, among which, approximately HK\$7.4 million was invested in the Unlisted Equity A and brought 10% return to the Group and approximately HK\$3.4 million was invested in certain listed investments (the “**Listed Investments B**”) and the remaining balance of approximately HK\$4.1 million was used for general working capital. Realised loss on the Listed Investments B of approximately HK\$0.1 million was recognized.

Regarding the placing exercise which was completed in June 2015 (the “**June 2015 Placing**”), the net proceeds of approximately HK\$35.6 million were invested in two listed securities which generated unrealized gain of approximately HK\$30.2 million and realized gain of approximately HK\$0.2 million.

Set out below are (i) investments held by the Company which contributed to 10 largest realized gains; and (ii) investments held by the Company which contributed to 5 largest realized losses during three years ended 31 March 2015.

Each of the sixth to tenth largest realized losses during three years ended 31 March 2015 were less than approximately HK\$0.2 million. Such amount is considered to be relatively insignificant for disclosure purpose. As such, only the top five realized losses are disclosed.



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## LETTER FROM THE BOARD

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### Investments held by the Company contributed to top 10 realized gain

	Name of investee company	Nature of investment	Holding period			Total realized gain/(loss)
			First date of acquired	Last date of disposal	Duration Approx. (Months)	(Note)
						HK\$
1	Evergrande Real Estate Group Limited (Stock code: 3333)	Listed debt securities	August 2011	March 2013	19	6,885,010
2	Next Union Limited	Unlisted securities	August 2014	March 2015	7	6,800,000
3	Yiu Tec Metal Engineering Limited	Unlisted convertible debt securities	February 2014	March 2015	13	4,293,014
4	China Cinda Asset Management Co., Ltd (Stock code: 1359)	Listed securities	December 2013	January 2014	1	3,387,250
5	China SCE Property Holding Limited (Stock code: 1966)	Listed debt securities	August 2011	March 2013	19	3,289,714
6	Hidili Industry International Development Limited (Stock code: 1393)	Listed debt securities	March 2013	March 2015	24	3,233,531
7	Road King Infrastructure Limited (Stock code: 1098)	Listed debt securities	August 2011	February 2013	18	3,169,689
8	BYD Company Limited (Stock code: 1211)	Listed debt securities	August 2011	March 2013	19	2,030,989
9	China Aircraft Leasing Group Holdings Limited (Stock code: 1848)	Listed securities	July 2014	February 2015	7	2,021,000
10	Galaxy Entertainment Group Limited (Stock code: 27)	Listed debt securities	August 2011	February 2013	18	1,345,910

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## LETTER FROM THE BOARD

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### Investments held by the Company contributed to top 5 realized loss

	Name of investee company	Nature of investment	Holding period		Duration Approx. (Months)	Total realized gain/(loss) (Note)
			First date of acquired	Last date of disposal		HK\$
1	Winsway Coking Coal Holdings Limited (now known as Winsway Enterprises Holdings Limited) (Stock code: 1733)	Listed debt securities	March 2013	October 2013	7	(2,943,386)
2	Hao Wen Holdings Limited (Stock code: 8019)	Listed securities	February 2015	March 2015	1	(2,279,000)
3	China Cinda Asset Management Co., Ltd (Stock code: 1359)	Listed securities	February 2014	February 2015	12	(350,000)
4	China Maple Leaf Educational Systems Limited (Stock code: 1317)	Listed securities	November 2014	February 2015	3	(234,000)
5	Kingston Financial Group Limited (Stock code: 1031)	Listed securities	December 2014	February 2015	2	(223,300)

*Note:*

Total realized gain/(loss) comprised of realized gain from disposal of investment and/or bond interest income from relevant investment.

The Board has considered other fund raising alternatives before resolving to the Open Offer, including but not limited to debt financing, placing of new shares and rights issue.

The Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them. Therefore, given the fund raising size and the business scale and investment portfolio of the Company, the Directors consider that it will not be feasible for the Company to obtain the required amount from bank financing at favourable terms.

Assuming that the Group is able to obtain bank loan of approximately HK\$410.8 million (being the estimated net proceeds of the Open Offer) (the “**Proposed Bank Loan**”) which is at a scale comparable to the Open Offer and with reference to the prime lending rate for Hong Kong dollars of approximately 5% per annum as announced by The Hongkong and Shanghai Banking Corporation Limited, the Company is expected to incur interest payment of approximately HK\$20.5 million per annum. As disclosed in the annual report of the Group for the year ended 31 March 2015 (the “**2015 Annual Report**”), the Group

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only recorded revenue of approximately HK\$12.2 million and net profit of approximately HK\$192,000 for the year ended 31 March 2015. The Group recorded a net loss of approximately HK\$44.6 million for the six months ended 30 September 2015. Therefore, the Proposed Bank Loan will increase the interest burden of the Group and will further increase the Group's loss making position. In addition, as at 30 September 2015, the Group already incurred repayment obligation of HK\$45 million in connection with the PN and recorded a gearing ratio of 8% (defined as total debts and borrowings divided by total assets) as compared with nil gearing as at 31 March 2015. Therefore, debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to additional repayment obligations. In addition, debt financing may not be achievable on favourable terms on a timely basis under volatile market conditions.

Placing of new shares would only be available to certain places who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders.

Although rights issue can provide a way out to those Shareholders who do not wish to take up the entitlements by selling nil-paid rights, rights issue will involve extra administrative work and cost of approximately HK\$100,000 for the trading arrangements in relation to the nil-paid rights. In addition, in view of (i) the downward trend of the historical trading price of the Shares, over the past three full calendar months prior to the date of the Underwriting Agreement (9 September 2015). Monthly average closing prices of the Shares declined from approximately HK\$0.346 per Share in June 2015 to approximately HK\$0.180 per Share in August 2015, representing a decrease of approximately 48.0%. Trading price of the Shares further declined after August 2015 which closed at HK\$0.142 as at the date of the Underwriting Agreement, representing a drop of approximately 21.1% from the monthly average closing price in August 2015; and (ii) average daily trading volume of the Shares was thin and also demonstrated a downward trend during June 2015 to August 2015. Average daily trading volume of the Shares in June 2015, July 2015 and August 2015 are approximately 1.62%, 0.63% and 0.46% respectively of the total issued Shares as at the date of the Underwriting Agreement, there is uncertainty of the existence of a market to trade the nil-paid rights. In view of the above, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) considered that raising funds by way of the Open Offer is more cost effective, efficient and beneficial to the Company and its Shareholders as a whole than a rights issue. Furthermore, the Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

The Directors consider that the Open Offer, which is on a fully underwritten basis, provide funding to capture suitable investment opportunities in both listed and unlisted securities when arises. In addition, the Open Offer would give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Therefore, the Directors (including the independent non-executive Directors after seeking the advice from the Independent Financial Adviser) consider that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Company will receive gross proceeds of approximately HK\$418.1 million. The estimated net proceeds of the Open Offer will be approximately HK\$410.8 million. The Company intends to apply net proceeds from the Open Offer in the following manner:

- (i) approximately HK\$111.9 million to facilitate the Group to capture potential investment opportunities which may arise in the following industry sectors (the “**Target Industries**”) namely, (i) businesses of toys and medical care products in the PRC; (ii) media advertising business in the PRC; and (iii) financial services sector, with initial focus at securities brokerage and margin financing businesses in Hong Kong. As at the Latest Practicable Date, no specific investment targets have yet been identified.
- (ii) approximately HK\$50.0 million for investment in shares (the “**Possible Investment**”) in a listed company (“**Potential Investee**”) which is principally engaged in provision of asset advisory services and asset appraisal; corporate services and consultancy; media advertising; and financing services. The Company considers that the identity of the Potential Investee is commercially sensitive information and its disclosure will cause adverse impact to the Group in such potential investment. In estimating the investment amount, reference has been made to the Company’s initial plan to subscribe for shares of the Potential Investee in a placing exercise. However, due to the delay in the Open Offer, the placing exercise of the Potential Investee was completed. As such, the Company was not able to participate in the subscription. The Directors still view that investment in the Potential Investee to be a sound investment with good prospect. Therefore, the Directors will consider to acquire shares of the Potential Investee on the market or to participate in its future fund raising activities should suitable opportunities arise which allow the Group to acquire shares of the Potential Investee at attractive terms. The terms of the Possible Investment, such as the price and number of shares to be acquired, will be determined subject to the prevailing market situations and sentiment, prevailing market price, financial performance and business prospect of the Possible Investee. As at the Latest Practicable Date, no concrete terms have been established nor have any definitive agreements been reached. If the aforesaid Possible Investment does not proceed, the net proceeds which is originally intended to be used for financing the Possible Investment will then be used for capturing potential investment opportunities which may arise firstly in industry sector similar to the Possible Investee and/or other suitable investment opportunities as and when identified by the Group;
- (iii) approximately HK\$50.0 million for unlisted investment in a credit company (the “**Investee 1**”) in the PRC (the “**Potential Investment 1**”) whose principal business involves provision of finance leasing. It specialises in customers and projects in environmental protection sectors which includes renewable energy, including but not limited to solar energy, renewable energy solutions, electric car charging points and electric car sales and rent;
- (iv) approximately HK\$120.0 million for unlisted investment in a degradable polymer manufacturer (the “**Potential Investment 2**”) which specialises in production of a biodegradable green environmental plastic materials which has diverse application (the “**Investee 2**”);

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## LETTER FROM THE BOARD

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- (v) approximately HK\$45.0 million for repayment of the PN which arose as a result of the Group's acquisition of an unlisted company which principally participated in the electronic commerce industry specializing in the provision of integrated application for settlement of part of the consideration for acquiring 25% of the entire share capital of the aforesaid company in July 2015. The PN was issued to the vendor of aforesaid acquisition, being third party(ies) who is/are independent of, and not connected with, the Company and its Connected Persons. The PN bears no interest and has a principal amount of HK\$45 million with prospective maturity by 31 December 2015;
- (vi) approximately HK\$15.0 million for listed investments as long as it is in compliance with its investment restrictions for both listed and unlisted equity investments in various industries including but not limited to agriculture, health and pharmaceutical related businesses, operation of supermarkets and convenience stores, communication technology, advertising, media and entertainment, energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, environmental protection, insurance, financial services, food and beverages, trading of natural resources and commodities, industrial, software, information technology related businesses and distribution of juvenile and infant products; and
- (vii) the remaining of approximately HK\$18.9 million for general working capital of the Group.

In respect of the Target Industries where proceeds from the Open Offer may be applied for making potential investments, the Group has undertaken industry researches and studies for the Target Industries and after taking into account (i) upward trend in turnover of the toys market in the PRC, the medical equipment market in the PRC and media advertising market in the PRC over the past few years; and (ii) growth in total turnover trading value of listed securities in Hong Kong and net income of securities dealers and securities margin financiers in Hong Kong, the Directors consider that the Target Industries have growth potential. Furthermore, the Company has previous experience in investing in the Target Industries for around 1.5 years and recorded profit from its investment in the media sector. Based on the foregoing, the Directors believe that proposed investments in the Target Industries which have growth prospect with the view to provide the Group with satisfactory returns to be justifiable.

The anticipated funding required for each of the Potential Investment 1 and the Potential Investment 2 (collectively, the "**Potential Investments**") are estimated with reference to the proposed scale of investments to be made by the Group during preliminary discussion with the potential investees conducted at arm's length basis. The Company considers that the identity of the aforesaid potential investees are commercially sensitive information and its disclosure will cause adverse impact to the Group in the negotiation for such potential investments. During the negotiation process, the Group has obtained preliminary information from the potential investees regarding their respective maximum scale of investments as determined based on their proposed business development and possible funding requirements. Maximum scale of investments of Investee 1 and Investee 2 will be over HK\$200 million and HK\$2 billion respectively. In estimating the size of each of the Potential Investments, the Group has taken into account, the respective maximum sale of investments of each of Investee 1 and Investee 2, the Group's anticipated investment scale and its investment restriction, anticipated shareholding interest in potential investees and the investment size which the potential investees are willing to invite the Group to participate. Reference is also made to the Group's previous investment experience and historical investment size of unlisted investments in the range of approximately HK\$35 million to HK\$75 million,

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## LETTER FROM THE BOARD

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with an average investment size of approximately HK\$53 million as at 30 September 2015. As at the Latest Practicable Date, negotiation for the Potential Investments is still at a preliminary stage and no concrete terms have been established nor have any definitive agreements been reached. In the course of the preliminary discussion regarding the Potential Investments, it has been indicated to the Group that it has to demonstrate that it has sufficient funding prior to further negotiation with the potential investees. As such, until the Group is able to raise the funds required, it will not be in a position to further negotiate for the Potential Investments. In this connection, readily available funds will be essential to the Group to facilitate negotiation of the Potential Investments.

The Company is an investment company and its principal business is restricted to making investments. Accordingly, net proceeds of the Open Offer will be and can only be used for making investments and for general working capital purpose. Upon receiving proceeds from the Open Offer, the Group will continue to explore suitable investment opportunities actively. In the event that suitable investments with acceptable return are not identified after completion of the Open Offer, the Company will place the proceeds from the Open Offer with financial institution in Hong Kong and such proceeds will be reserved for future investments when suitable investment opportunities arise. As at the Latest Practicable Date, the Directors considered that no fund raising activities will be carried out for at least the next twelve months due to insufficiency of general working capital of the Group. In addition, as at the Latest Practicable Date, based on current information available to the Group, save for the Open Offer, the Company did not have any immediate plan or was not contemplating to have further fund raising for at least the next twelve months for financing its business or investments referred to in this circular and any other potential projects or transactions of the Company.

### **Underwriting Agreement**

Date:	9 September 2015 (after trading hours)
Underwriter:	Black Marble Securities Limited
Number of Offer Shares underwritten:	1,672,592,000 Offer Shares
Commission:	1.5% of the total aggregate Subscription Price for the Underwritten Shares

The terms of the Underwriting Agreement are agreed after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the terms of the Underwriting Agreement are fair and reasonable so far as the Company and the Shareholders are concerned.

Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) or appoint any person to be sub-agent(s) on its behalf for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with such authority and rights as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

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## LETTER FROM THE BOARD

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As disclosed in the Company's announcement dated 26 May 2015, on 31 March 2015, the Group entered into an agreement, pursuant to which a wholly-owned subsidiary of Lerado would acquire from the Group all the shares in the capital of Garron International Strategic Limited ("**Garron International**") (a wholly-owned subsidiary of the Group as at 31 March 2015) together with all obligations, liabilities and debts owed by or due from Garron International to the Company as at date of completion (the "**Transaction**") at a consideration of HK\$39 million (the "**Transaction Consideration**"). The Transaction Consideration would be settled as to HK\$1 million by cash and as to HK\$38 million by issue of 76,000,000 shares of Lerado to the Company at a price of HK\$0.5 per share of Lerado. As a result of completion of the Transaction which took place on 17 April 2015, 76,000,000 shares of Lerado were issued to the Group for settling part of the Transaction Consideration. Subsequently, 4,084,000 shares of Lerado were disposed by the Group through a series of transactions on market. As at the date of the Announcement, the Group is interested in 71,916,000 shares of Lerado, representing approximately 7.49% of its issued share capital, and Wonder Time Holdings Limited ("**Wonder Time**"), the entire issue share capital of which is beneficially owned by Lerado, is interested in 103,392,000 Shares, representing approximately 9.89% of the existing issued share capital of the Company. This acquisition of shares of Lerado resulting from the Transaction was in line with the Company's investment policy. The Group disposed of its entire interest in an aggregate of 71,916,000 shares of Lerado between 5 October 2015 and 6 October 2015 on the market in a series of transactions at selling prices ranged from HK\$0.240 to HK\$0.249. As the aforesaid disposal was made on the market, the Group is not aware of the identity of the buyer of the shares of Lerado. As at the Latest Practicable Date, the Group ceased to have any shares in Lerado and Wonder Time does not hold any Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief, each of the Underwriter and its ultimate beneficial owner is not a Connected Person of the Company.

Pursuant to the Underwriting Agreement, the Company has undertaken not to issue any Shares or Consolidated Shares (save for Consolidated Shares to be issued under Share Consolidation) or issue any options or other securities which carry rights to acquire or convert into Shares or Consolidated Shares or repurchase its own Shares or Consolidated Shares from the date of the Underwriting Agreement until the Latest Time for Acceptance.

The Underwriter has irrevocably undertaken to the Company in the Underwriting Agreement that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.



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## LETTER FROM THE BOARD

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### Conditions of the Underwriting Agreement

The conditions of the Underwriting Agreement have been set out in the section headed “Proposed Open Offer – Conditions of the Open Offer” above.

### Termination of the Underwriting Agreement

Notwithstanding anything contained in the Underwriting Agreement, if at any time prior to the Latest Time for Termination:

- (a) there shall develop, occur, exist or come into effect:
  - i. any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
  - ii. any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
  - iii. any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
  - iv. the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or
  - v. the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- (1) is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Open Offer; or
- (2) has or will have or is likely to have a material adverse effect on the success of the Open Offer or the level of Offer Shares taken up; or
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Open Offer; or



## LETTER FROM THE BOARD

- (b) there comes to the notice of the Underwriter:
- i. any matter or event showing any of representations, warranties and undertakings set out in the Underwriting Agreement was, when given, untrue or misleading or as having been breached in any respect; or
  - ii. any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement; or

then and in such case the Underwriter may, upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

Upon the giving of notice in accordance with the Underwriting Agreement, the Underwriting Agreement shall terminate and the obligations of the parties shall immediately cease and null and void and none of the parties shall, save in respect of the relevant provisions of the Underwriting Agreement and any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structures of the Company (for illustration purpose only) (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Open Offer; and (iii) immediately after completion of the Open Offer:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective but before completion of the Open Offer		Immediately after completion of the Open Offer			
					Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares (Note)	%
Underwriter sub-underwriter(s) and subscribers procured by any of them (Note)	-	-	-	-	-	-	1,672,592,000	88.89%
Other public Shareholders	1,045,370,000	100.00%	209,074,000	100.00%	1,881,666,000	100.00%	209,074,000	11.11%
	<u>1,045,370,000</u>	<u>100.00%</u>	<u>209,074,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>

*Note:*

The Underwriter has irrevocably undertaken to the Company that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected Persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or places to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

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## LETTER FROM THE BOARD

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### FUND RAISING EXERCISES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not carried out any fund raising exercises in the past twelve months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds
19 November 2014	Subscription of 43,000,000 new shares under general mandate	Approximately HK\$14.78 million	Intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company	(i) Approximately HK\$7.36 million was in unlisted equities; (ii) approximately HK\$3.36 million was invested in listed equities; and (iii) approximately HK\$4.06 million was used for general working capital
21 May 2015	Subscription of 130,000,000 new shares under general mandate	Approximately HK\$35.55 million	Intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company	Approximately HK\$35.55 million was invested in listed equities

### WARNING OF THE RISKS OF DEALING IN SHARES AND CONSOLIDATED SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares and/or Consolidated Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares and Consolidated Shares will be dealt in on an ex-entitlement basis commencing from Tuesday, 15 December 2015 and that dealing in the Shares and/or Consolidated Shares will take place while the conditions to which the Underwriting Agreement is subject to remain unfulfilled. Any Shareholder or other person dealing in the Shares and/or Consolidated Shares up to the date on which all conditions to which the Open Offer are

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## LETTER FROM THE BOARD

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subject to are fulfilled (which is expected to be at 4:00 p.m. on Thursday, 14 January 2016), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating to sell or purchase any Shares and/or Consolidated Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

### LISTING RULES IMPLICATIONS

In accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by the Shareholders in general meeting by a resolution on which any Controlling Shareholders of the Company and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer. Since there is no Controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer in accordance with Rule 7.24(5) of the Listing Rules.

As at the Latest Practicable Date, Lerado, Wonder Time, the Underwriter and their associates did not hold any Share.

### RE-ELECTION OF DIRECTOR

As disclosed in the announcement of the Company dated 20 November 2015, Mr. Hon Leung was appointed as an independent non-executive Director.

Pursuant to the code provision of A.4.2 of Appendix 14 to the Listing Rules, Mr. Hon Leung should be subject to election by the Shareholders at the first general meeting of the Company after his appointment.

Information of Mr. Hon Leung, the Director subject to re-election, as required to be disclosed by the Listing Rules is set out in Appendix V – “Re-election of Director” in this circular.

### GENERAL

An independent board committee of the Company, comprising Mr. Tsang Hin Man Terence, Mr. Luk Simon, Ms. Liu Xiaoyin and Mr. Hon Leung, all being the independent non-executive Directors, has been established to make recommendations to the Independent Shareholders in respect of the Open Offer. With the approval of the Independent Board Committee, Opus Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held at 11:00 a.m. on Friday, 11 December 2015 at Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong for the Shareholders and the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the proposed Share Consolidation, the proposed Open Offer and the Re-election by way of poll.

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## LETTER FROM THE BOARD

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The notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. 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 enclosed form of proxy in accordance with the instructions printed thereon to the office of the Registrar, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting should you so wish.

Upon approval of the Open Offer by the Independent Shareholders at the EGM and the Share Consolidation, the Prospectus Documents setting out details of the Open Offer will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

### RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of Opus Capital) are of the opinion that the Open Offer is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. The Directors also believe that the Share Consolidation and the Re-election are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders and/or the Independent Shareholders to vote in favour of all resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on page 32 of this circular and the letter from Opus Capital containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Open Offer, as set out on pages 33 to 71 of this circular.

### ADDITIONAL INFORMATION

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

By Order of the Board of  
**China Investment and Finance Group Limited**  
**Chan Cheong Yee**  
*Executive Director*



**CHINA INVESTMENT AND FINANCE GROUP LIMITED**

**中國投融資集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1226)**

25 November 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED OPEN OFFER**

We refer to the circular of the Company to the Shareholders dated 25 November 2015 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the Open Offer.

Opus Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Open Offer is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 33 to 71 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 31 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, Opus Capital as set out in the “Letter from Independent Financial Adviser” in the Circular, we are of the opinion that the terms of the Open Offer is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Tsang Hin Man Terence      Mr. Luk Simon      Ms. Liu Xiaoyin      Mr. Hon Leung**  
*Independent non-executive Directors*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Opus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer for the purpose of inclusion in this circular.*



18th Floor, Fung House  
19-20 Connaught Road Central  
Central, Hong Kong

25 November 2015

*To: The Independent Board Committee and the Independent Shareholders of  
China Investment and Finance Group Limited*

Dear Sirs,

### **PROPOSED OPEN OFFER ON THE BASIS OF EIGHT (8) OFFER SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE AT HK\$0.25 PER OFFER SHARE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) dated 25 November 2015 issued by the Company to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement whereby the Company announced the proposed Share Consolidation and the Change in Board Lot Size (details of which are highlighted in the Letter from the Board under the section headed “Proposed Share Consolidation” and “Proposed Change in Board Lot Size” respectively). The Company also proposes to raise approximately HK\$418.1 million, before expenses, by way of an open offer of 1,672,592,000 Offer Shares at a subscription price of HK\$0.25 per Offer Share on the basis of eight (8) Offer Share for every one (1) Consolidated Share held on the Record Date.

The Open Offer is fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement. We understand from the Company that the terms of the Underwriting Agreement were agreed after arm’s length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Open Offer, the current and expected market conditions. The Open Offer is conditional upon, amongst other things, the passing of the resolution(s) at the EGM to approve the Open Offer and the Share Consolidation, with the Share Consolidation becoming effective.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Since the Open Offer will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any Controlling Shareholders and their respective associates or, where there are no Controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer and the transactions contemplated thereunder.

Since there is no Controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Open Offer in accordance with Rule 7.24(7) of the Listing Rules. In addition, as at the Latest Practicable Date, Lerado, Wonder Time, the Underwriter and their associates did not hold any Share.

### INDEPENDENT BOARD COMMITTEE

The Independence Board Committee, comprising Mr. Tsang Hin Man Terence, Mr. Luk Simon, Ms. Liu Xiaoyin and Mr. Hon Leung, all being the independent non-executive Directors, has been established by the Company to advise and make recommendations to the Independent Shareholders in respect of the Open Offer. Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders as to: (i) whether the terms of the Open Offer are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote on the relevant resolution(s) in relation to the Open Offer at the EGM.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things, the Underwriting Agreement, the Announcement, the Company's annual reports for the two financial years ended 31 March 2014 (the "2014 Annual Report") and 2015 (the "2015 Annual Report"), the Company's interim report for the six months ended 30 September 2015 (the "2016 Interim Report") and other information as set out in the Circular.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

We have not considered the tax implications, if any, on the Qualifying Shareholders of their acceptances or non-acceptances of the Open Offer since these are particular to their own individual circumstances. Qualifying Shareholders should consider their own tax position with regard to the Open Offer and, if in any doubt, should consult their own professional advisers in due course.

The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts, the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Open Offer, and 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 purpose without our prior written consent.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Open Offer, we have taken into consideration the following principal factors and reasons:

#### Business overview of the Group

The Company is an investment company listed under chapter 21 of the Listing Rules. The Group is principally engaged in securities trading and investment holding.

Set out below are the audited consolidated financial results of the Group for the two financial years ended 31 March 2014 and 2015, as extracted from the 2015 Annual Report:

**Table 1: Highlights of the financial results of the Group**

	Audited	
	Year ended 31 March	
	2015	2014
	(HK\$ million)	(HK\$ million)
Gross proceeds from disposal of securities	349.29	301.05
Revenue	12.19	8.32
Profit/(Loss) after taxation	0.19	(93.56)

*Source: 2015 Annual Report*

The revenue of the Group comprised of gains from securities trading.

For the financial year ended 31 March 2015 (“**FY2015**”), the Group recorded revenue of approximately HK\$12.19 million, representing an increase of approximately 46.51% as compared to the financial year ended 31 March 2014 (“**FY2014**”). For FY2015, the Group recorded profit after taxation of approximately HK\$0.19 million as compared to a loss in FY2014 amounted to approximately HK\$93.56 million.

As stated in the 2014 Annual Report and as discussed with the Management, the loss of the Group in FY2014 was mainly due to an impairment loss amounting to approximately HK\$55.28 million, which was fully provided for the principal amount of approximately HK\$80 million of a five-year convertible bond (the “**Convertible Bond**”) issued by Double Sky Holdings Limited (“**Double Sky**”) during FY2014. As stated in the announcement of the Company dated 28 April 2014, World Fame Investment Limited (“**World Fame**”), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Double Sky and Mr. Ying, who is beneficially interested in the entire issued share capital of Double Sky, to subscribe for the Convertible Bond on 12 December 2011. As stated in the announcement of the Company dated 28 April 2014, World Fame filed legal proceedings against Double Sky and Mr. Ying on 31 March 2014 for breach of the Convertible Bond subscription agreement (supplemented by two other supplemental agreements), in relation to: (i) failure to procure the transfer of the trademarks of

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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“Kaisa Weideng”; (ii) failure to repay the principal amount of HK\$80 million; and (iii) failure to pay the outstanding interests of approximately HK\$891,163 (calculated up to 31 March 2014). As stated in the 2015 Annual Report, the conversion option embedded in the Convertible Bond issued by Double Sky had lapsed and a loss of approximately HK\$18.92 million was incurred during FY2014.

As discussed with the Management, the increase in revenue in FY2015 was mainly due to the increase in interest income from debt securities from approximately HK\$7.47 million in FY2014 to approximately HK\$10.53 million in FY2015.

As stated in the 2015 Annual Report, on 31 March 2015, the Company entered into an agreement with Perfect Scheme Limited, pursuant to which the Company has conditionally agreed to sell the entire issued share capital of Garron International Strategic Limited (the “**Disposal Group**”), a wholly-owned subsidiary of the Company, at a consideration of HK\$39 million (the “**Disposal**”). The Disposal was not classified as discontinued operation, as the Disposal Group was not a separate major line of business or geographical area of operation. The transaction was completed on 17 April 2015.

For the six months ended 30 September 2015, the Group recorded revenue of approximately HK\$1.86 million, representing a decrease of approximately 65.50% as compared to the six months ended 30 September 2014. This was mainly due to the decrease in interest income from debt securities from approximately HK\$5.25 million for the six months ended 30 September 2014 to approximately HK\$1.50 million for the six months ended 30 September 2015.

The Group recorded a loss of approximately HK\$44.58 million for the six months ended 30 September 2015, representing an increase in loss of approximately 648.69% as compared to the six months ended 30 September 2014. This was mainly due to the recognition of net unrealised loss on financial assets held for trading of approximately HK\$63.47 million and offset by a gain on disposal of subsidiaries of approximately HK\$18.03 million for the six months ended 30 September 2015.

Set out below are highlights of the financial position of the Group as at 31 March 2014 and 2015 and 30 September 2015, which is extracted from the 2015 Annual Report and the 2016 Interim Report:

**Table 2: Highlights of the financial position of the Group**

	<b>Unaudited</b>	<b>Audited</b>	
	<b>Six months ended 30 September 2015</b>	<b>Year ended 31 March 2015</b>	<b>2014</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Cash and cash equivalent	93.21	75.23	59.27
Current assets	487.29	382.61	147.21
Current liabilities	45.20	1.15	0.75
Net current assets	442.08	381.46	146.46
Net assets	514.58	522.17	448.50

*Source: 2015 Annual Report and 2016 Interim Report*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As discussed with the Management and as stated in Appendix IV of the Circular, as at 31 March 2015, the Company had nine investments in its investment portfolio, which consist of five unlisted companies and four listed companies. Details are set out in Appendix IV of the Circular under the section headed “Investment portfolio”.

The net assets of the Group increased by approximately 16.43% from approximately HK\$448.50 million as at 31 March 2014 to approximately HK\$522.17 million as at 31 March 2015. This was mainly attributable to the increase in available-for-sale financial assets and the increase in other receivables, prepayments and deposits. The net assets of the Group then decreased to approximately HK\$514.58 million as at 30 September 2015, which was mainly due to the loss made during the interim period ended 30 September 2015.

As discussed with the Management, the increase in available cash and cash equivalent of the Group from approximately HK\$59.27 million as at 31 March 2014 to approximately HK\$75.23 million as at 31 March 2015 was mainly due to the completion of: (i) an open offer, under which the Company raised net proceeds of approximately HK\$56.60 million in July 2014; and (ii) a placing exercise under general mandate, under which the Company raised net proceeds of approximately HK\$14.78 million in December 2014. As at the Latest Practicable Date, the proceeds raised have been fully utilised. The further increase in available cash and cash equivalent of the Group to approximately HK\$93.21 million as at 30 September 2015 was mainly due to the disposal of some unlisted investments.

As stated in the Letter from the Board, the unaudited net asset value per Share of the Company ranged from HK\$0.56 to HK\$0.58 during the period from July 2014 to March 2015 and amounted to approximately HK\$0.57 as at 31 March 2015. After 31 March 2015, the unaudited net asset value per Share of the Company demonstrated growth and reached HK\$0.76 as at 31 July 2015, representing a growth of approximately 33.3%. As discussed with the Management, the Directors are of the view that the Company is in a growth stage when the Open Offer was announced on 30 September 2015. In addition, subsequent to 31 March 2015, the Group recorded unrealised investment gains of over HK\$400 million from listed securities for the three months ended 30 June 2015 and with its investment portfolio almost reaching approximately HK\$900 million as at 30 June 2015.

Although the Company recorded satisfactory financial performance for the three months ended 30 June 2015, most of the investment gains from listed securities was unrealised capital appreciation and will not bring in immediate cash inflow until disposal.

As at 30 September 2015, the cash and bank balances of the Group was approximately HK\$93.21 million. As discussed with the Management, the Group has a promissory note with a principal amount of HK\$45.0 million which will be repayable by end of 2015. After taking into account of the needs for repayment of the PN (as defined in the Letter from the Board), the Group will record a net cash position of approximately HK\$48.21 million.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

As stated in the Letter from the Board, the Group has a primary objective of achieving medium-term to long-term capital appreciation, and interest income and dividends by investing principally in listed and unlisted companies in Hong Kong, the PRC and Taiwan. The principal returns of the business is investments return. As discussed with the Management, the Directors consider that the investments of the Group do not necessarily generate extensive cash income, as the Company is an investment company under Chapter 21 of the Listing Rules and unlike other companies with constant cash income from operation. Therefore it is crucial for the Group to have readily available funds for capturing suitable investment opportunities in a timely fashion to provide potential investment returns to the Group and the Shareholders and/or increase the size of its investment portfolio to diversify the risks of its investments since the Company constantly aims to increase and improve its investment portfolio in order to generate returns. Although the Group recorded an increasing trend in revenue for the previous three consecutive financial years ended 31 March 2015, the Group was still in a loss making position for two consecutive financial years ended 31 March 2014 and for the six months ended 30 September 2015. Therefore, the Company needs to conduct fund raising exercise to meet the current funding requirements as stated below. Taking into consideration of the financial position of the Group mentioned above and bearing in mind the Company's primary objective of being an investment company, we concur with the Director's view that the Company should take the opportunity to increase capital via the Open Offer, to equip itself with a stronger capital base to pursue its business development. Therefore it is in the interest of the Company to raise funds to increase the fund size of the Company when making investments. This will allow the Company to have readily available funds to capture suitable investment opportunities which may arise anytime to generate investment returns to the Shareholders.

The net proceeds to be raised from the Open Offer, being approximately HK\$410.8 million, are intended to be applied as follows:

- (i) approximately HK\$111.9 million to facilitate the Group to capture potential investment opportunities which may arise in the following industry sectors namely, (i) businesses of toys and medical care products in the PRC; (ii) media advertising business in the PRC; and (iii) financial services sector, with initial focus at securities brokerage and margin financing businesses in Hong Kong (collectively, the "**Target Industries**"). As at the Latest Practicable Date, no specific investment targets have yet been identified;
- (ii) approximately HK\$50.0 million for investment in shares (the "**Possible Investment**") in a listed company ("**Potential Investee**") which is principally engaged in provision of asset advisory services and asset appraisal; corporate services and consultancy; media advertising; and financing services. The terms of the Possible Investment, such as the price and number of shares to be acquired, will be determined subject to the prevailing market situations and sentiment, prevailing market price, financial performance and business prospect of the Potential Investee. As at the Latest Practicable Date, no concrete terms have been established nor have any definitive agreements been reached. If the aforesaid Possible Investment does not proceed, the net proceeds which is originally intended to be used for financing the Possible Investment will then be used for capturing potential investment opportunities which may arise firstly in industry sector similar to the Potential Investee and/or other suitable investment opportunities as and when identified by the Group;

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (iii) approximately HK\$50.0 million for unlisted investment in a credit company (the “**Investee 1**”) in the PRC (the “**Potential Investment 1**”) whose principal business involves provision of finance leasing. It specialises in customers and projects in environmental protection sectors which include renewable energy, including but not limited to solar energy, renewable energy solutions, electric car charging points and electric car sales and rental;
- (iv) approximately HK\$120.0 million for unlisted investment in a degradable polymer manufacturer (the “**Potential Investment 2**”) which specialises in the production of a biodegradable green environmental plastic materials which has diverse application (the “**Investee 2**”);
- (v) approximately HK\$45.0 million for repayment of the PN, which arose as a result of the Group’s acquisition of an unlisted company which principally participated in the electronic commerce industry specialising in the provision of integrated application, for settlement of part of the consideration for acquiring 25% of the entire share capital of the aforesaid company in July 2015. The PN was issued to the vendor of the aforesaid acquisition, being third party(ies) who is/are independent of, and not connected with, the Company and its Connected Persons. The PN bears no interest and has a principal amount of HK\$45 million with a prospective maturity date by 31 December 2015;
- (vi) approximately HK\$15.0 million for listed investments as long as it is in compliance with the Group’s investment restrictions for both listed and unlisted equity investments in various industries including but not limited to agriculture, health and pharmaceutical related businesses, operation of supermarkets and convenience stores, communication technology, advertising, media and entertainment, energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, environmental protection, insurance, financial services, food and beverages, trading of natural resources and commodities, industrial, software, information technology related businesses and distribution of juvenile and infant products; and
- (vii) the remaining balance of approximately HK\$18.9 million for general working capital of the Group.

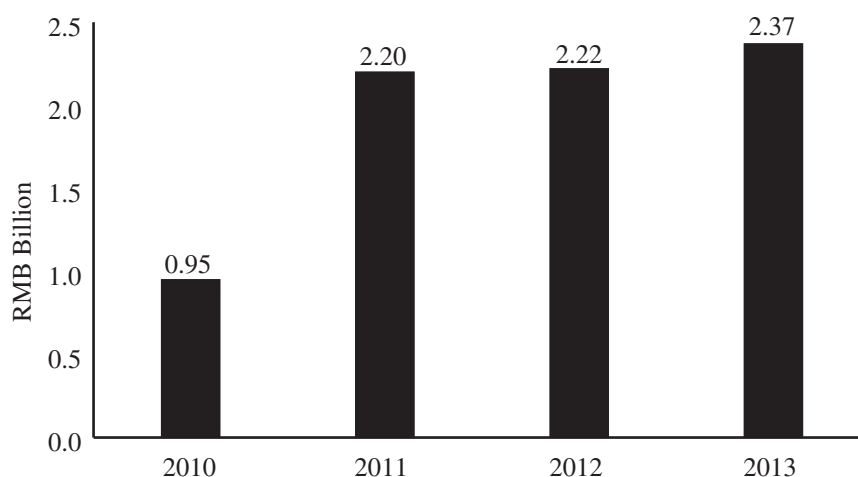
As discussed with the Management and with reference to Appendix IV, the above investments are in accordance with the Company’s investment objectives and policies.

As stated in the Letter from the Board, as at the Latest Practicable Date, negotiation for the Potential Investments is still at a preliminary stage and no concrete terms have been established nor have any definitive agreements been reached. We also note that in the course of the preliminary discussion regarding the Potential Investments, it has been indicated to the Group that it has to demonstrate that it has sufficient funding prior to further negotiation with the potential investees. As such, until the Group is able to raise the funds required, it will not be in a position to further negotiate for the Potential Investments. In this connection, readily available funds will be essential to the Group to facilitate negotiation of the Potential Investments.

**Potential investments in the Target Industries**

Set out below is the total turnover of the China toy market as stated in the National Bureau of Statistics of China:

**Chart 1: Total turnover of China toy market**

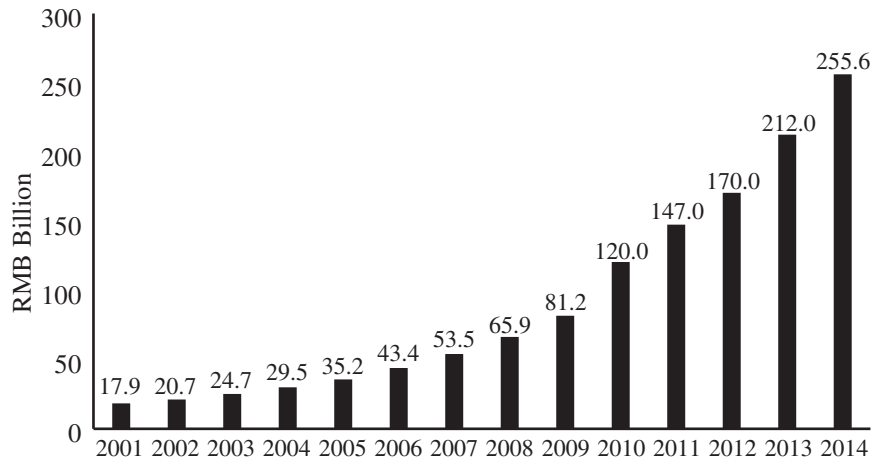


*Source: National Bureau of Statistics of China*

As shown in the chart above, the total turnover of the China toy market increased from approximately RMB0.95 billion in 2010 to approximately RMB2.37 billion in 2013, representing a compound annual growth rate (“CAGR”) of approximately 35.63%. The chart indicates an upward trend in turnover of the toy market in China, reflecting a positive market outlook of the toy market.

Set out below is the turnover of China medical equipment market as stated in the 2014年中國醫療器械行業發展狀況藍皮書 (2014 Blue Paper for Medical Equipment Industry Development in China) issued by China Medical Pharmaceutical Material Association:

**Chart 2: Turnover of China medical equipment market**



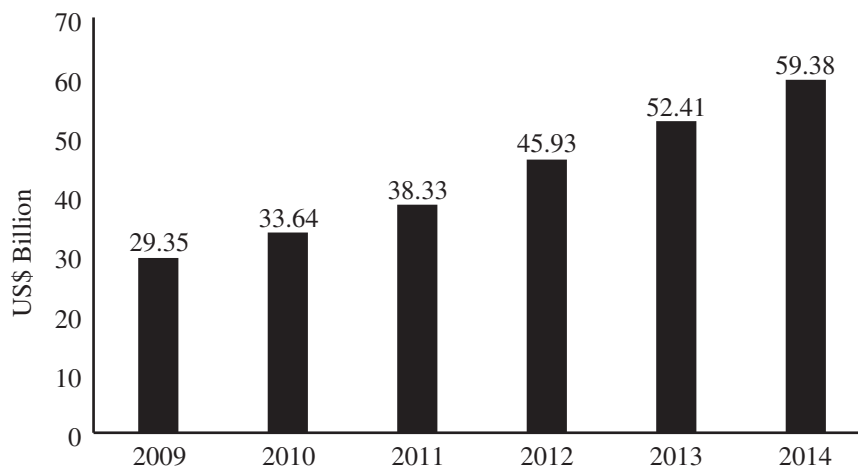
Source: 2014年中國醫療器械行業發展狀況藍皮書

As shown in the chart above, the turnover of China medical equipment market increased from approximately RMB17.9 billion in 2001 to approximately RMB255.6 billion in 2014, representing a CAGR of approximately 22.69%. The chart indicates that the performance of the China medical equipment market has strengthened considerably during the last five years. The increasing turnover trend in China medical equipment market represents a positive market outlook of the medical product industry.

In view of the positive market outlook of both the toy and the medical care products industries in China, we concur with the Directors' view that it is fair and reasonable to invest in the toy and medical care products industry in China.

Set out below is the total media advertising spending in China from 2009 to 2014:

**Chart 3: Total media advertising spending in China**



Source: eMarketer

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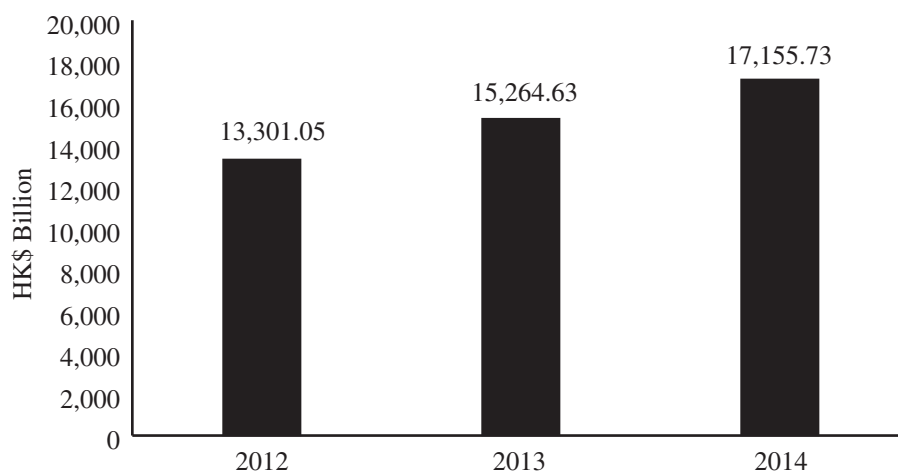
## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As shown in the chart above, the total media advertising spending in China increased from approximately US\$29.35 billion in 2009 to approximately US\$59.38 billion in 2014, representing a CAGR of approximately 15.13%. The chart demonstrated a healthy growth in the media advertising market in China, which is in favourable to the business development of the media advertising business in the PRC.

Set out below is the total turnover value of trading of listed securities in Hong Kong as stated in *the HKEx Fact Book 2014*:

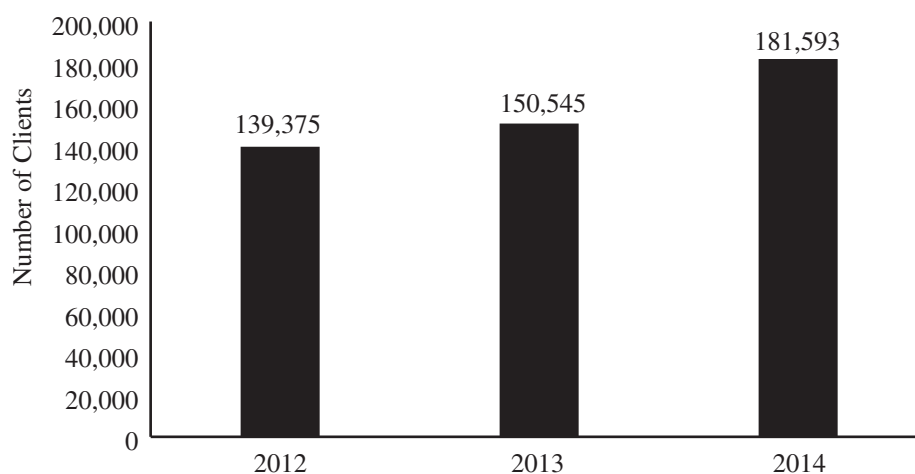
**Chart 4: Total turnover trading value of listed securities in Hong Kong**



Source: Stock Exchange

As shown in the chart above, the total turnover trading value of listed securities in Hong Kong increased from approximately HK\$13,301.05 billion in 2012 to approximately HK\$17,155.73 billion in 2014, representing a CAGR of approximately 13.57%. This increasing trend provides a supportive and healthy environment of the Hong Kong stock market for the securities brokerage business.

**Chart 5: Total number of active margin clients**



Source: SFC



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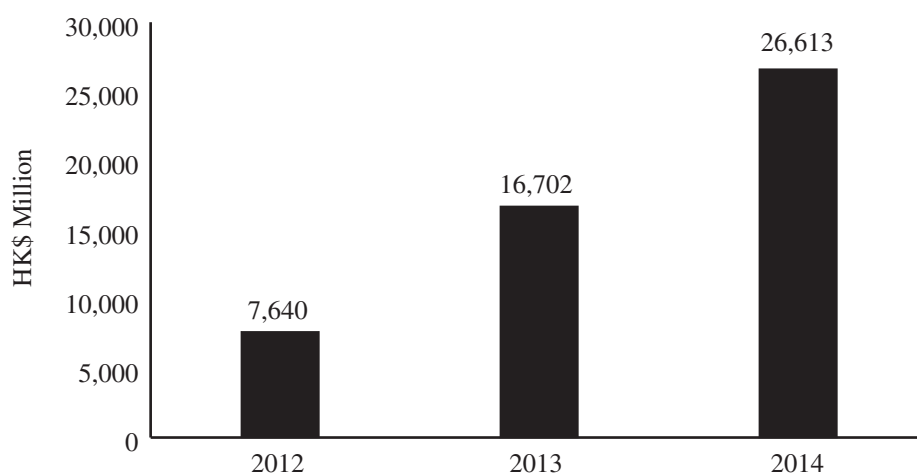
## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As shown in the chart above, the total number of active margin clients has increased from 139,375 in 2012 to 181,593 in 2014, representing a CAGR of approximately 14.15%.

Set out below is the net income of securities dealers and securities margin financiers:

**Chart 6: Net income of securities dealers and securities margin financiers**



Source: SFC

As shown in the chart above, the net income of securities dealers and securities margin financiers has increased from approximately HK\$7,640 million in 2012 to approximately HK\$26,613 million in 2014, representing a CAGR of approximately 86.64%. With the positive growth in active margin clients that resulted in a significant increase in net income of securities deals and securities margin financiers, we are of the view that the margin financing business in Hong Kong shows a positive market outlook.

In addition, as discussed with the Management, the Board has considered: (i) the Group's previous investment experience; and (ii) historical investment size of listed investments in the range of approximately HK\$309 to HK\$57.1 million with an average investment size of approximately HK\$17 million as at 30 September 2015.

Accordingly, with the positive market outlook of: (i) the toy industry in China; (ii) the medical products industry in China; (iii) media advertising industry in China; and (iv) financial services sector in Hong Kong, we are of the view that it is reasonable to allocate approximately HK\$111.9 million to capture potential investment opportunities which may arise in the above industry sectors.

### **Possible Investment in the Potential Investee**

As discussed with the Management, in view of the positive growth in the business of the Potential Investee, which is principally engaged in the provision of asset advisory services and asset appraisal services; corporate services and consultancy; media advertising; and financing services in Hong Kong and the PRC, the Group intends to subscribe for new shares in the said company.

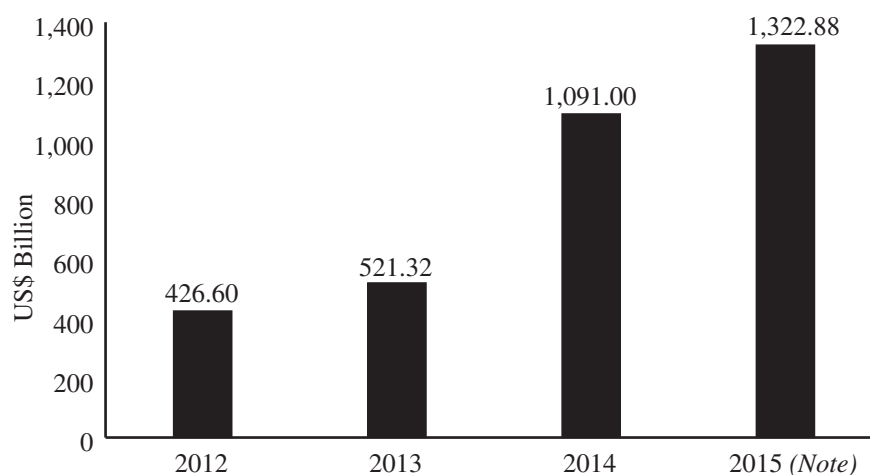
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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As asset advisory and asset appraisal services are mainly required for potential mergers and acquisitions transactions (“M&A”) undertaken by companies, the M&A market in Hong Kong and the PRC will be one of the main drivers in the growth of such industry. Set out below are the total transaction sizes of the M&A market in Hong Kong and the PRC respectively:

**Chart 7: Total transaction sizes of the M&A market in Hong Kong**



*Source: Bloomberg*

*Note: The 2015 data represents a 9-month period.*

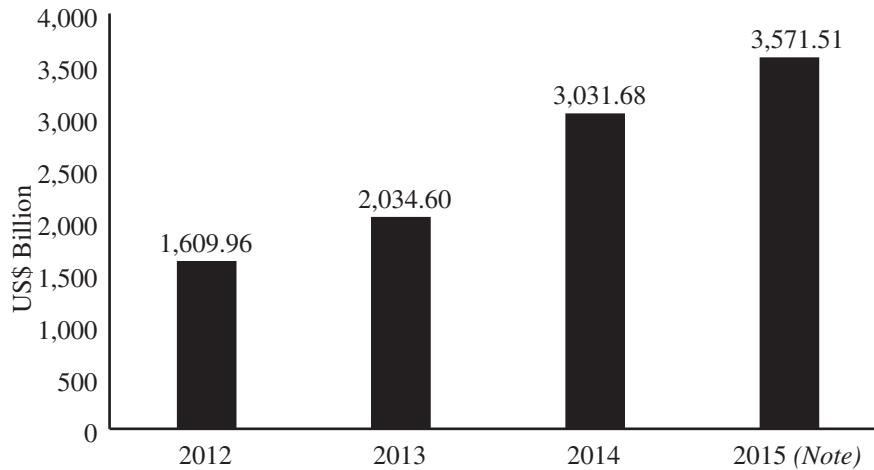
As shown in the chart above, the total transaction sizes of the M&A market in Hong Kong increased from approximately US\$426.60 billion in 2012 to approximately US\$1,091.00 billion in 2014, representing a CAGR of approximately 59.92%. Furthermore, the total transaction sizes of the M&A market in Hong Kong for the nine-month period ended 30 September 2015 was approximately US\$1,322.88 billion, which already exceeded the full year amount in 2014.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**Chart 8: Total transaction sizes of the M&A market in the PRC**



*Source: Bloomberg*

*Note: The 2015 data represents a 9-month period.*

As shown the chart above, the transaction sizes of the M&A market in the PRC increased from approximately US\$1,609.96 billion in 2012 to approximately US\$3,031.68 billion in 2014, representing a CAGR of approximately 37.23%. Furthermore, similar to Hong Kong, the transaction sizes of the M&A market in the PRC for the nine-month period ended 30 September 2015 of approximately US\$3,571.51 billion also already exceeded the full year amount in 2014.

With the rapid growth in the M&A markets in Hong Kong and the PRC, it is expected that the growth would provide more business opportunities and expansion in the asset advisory and asset appraisal services sector, which would benefit the business of the Potential Investee.

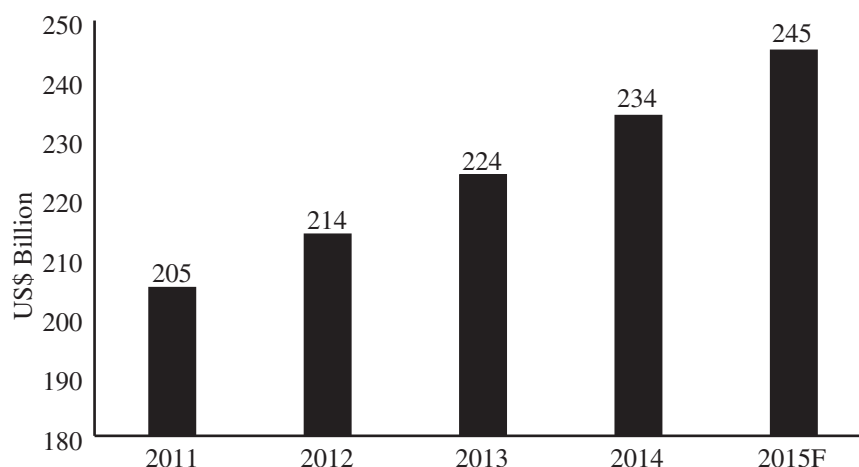
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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Set out below is the global management consulting market size as stated in Consultancy.uk, an online platform for the consulting industry:

**Chart 9: Global management consulting market size**



*Source: Consultancy.uk*

As shown in the chart above, the global management consultancy market size increased from approximately US\$205 billion in 2011 to approximately US\$234 billion in 2014, representing a CAGR of approximately 4.51%. In addition, 2015 is forecasted to reach approximately US\$245 billion. The chart indicates an increasing trend in the global management consulting industry, which would be positive to the corporate services and consultancy business of the Potential Investee.

In view of the positive data above, we concur with the Directors' view that the allocation of approximately HK\$50 million of the net proceeds from the Open Offer for the Possible Investment in the Potential Investee which is principally engaged in the provision of asset advisory services and asset appraisal services; corporate services and consultancy; media advertising; and financing services in Hong Kong and the PRC.

### **Unlisted investment in a credit company in the PRC**

As stated in the Letter from the Board, the Company intends to allocate approximately HK\$50 million in a credit company in the PRC whose principal business involves provision of finance leasing. It specialises in customers and projects in environmental protection sectors which include renewable energy, including but not limited to solar energy, renewable energy solutions, electric car charging points and electric car sales and rent.

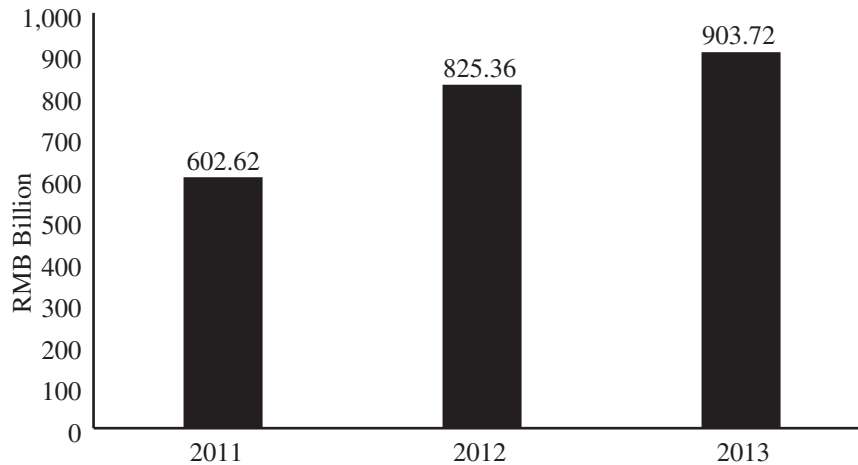
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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Set out below is the total investments in governance of environmental pollution in the PRC as stated in the *2013 annual report for environmental statistics* issued by the Ministry of Environmental Protection of the PRC:

**Chart 10: Total investments in governance of environmental pollution in the PRC**



*Source: Ministry of Environmental Protection of the PRC*

*Note: Total investments in governance of environmental pollution in the PRC for 2014 are not publicly available as the data is not disclosed on the website of the Ministry of Environmental Protection of the PRC. We have searched for the information, to the best of our endeavours, through other public information, but this is not available.*

As shown in the chart above, the total investment amount in governance of environmental pollution in the PRC has increased from approximately RMB602.62 billion in 2011 to approximately RMB903.72 billion in 2013, representing a CAGR of approximately of 22.46%.

The PRC Government has been focusing on environmental protection by implementing various policies and regulations. In 2014, Chinese legislators have passed the first amendments to the country's environmental protection law, promising greater powers for environmental authorities and harsher punishments for polluters. Furthermore, the Ministry of Environmental Protection of the PRC has spent more effort in formulating the national 13th five-year plan for environmental protection to strengthen reform in the environmental protection and to improve the quality of the environment.

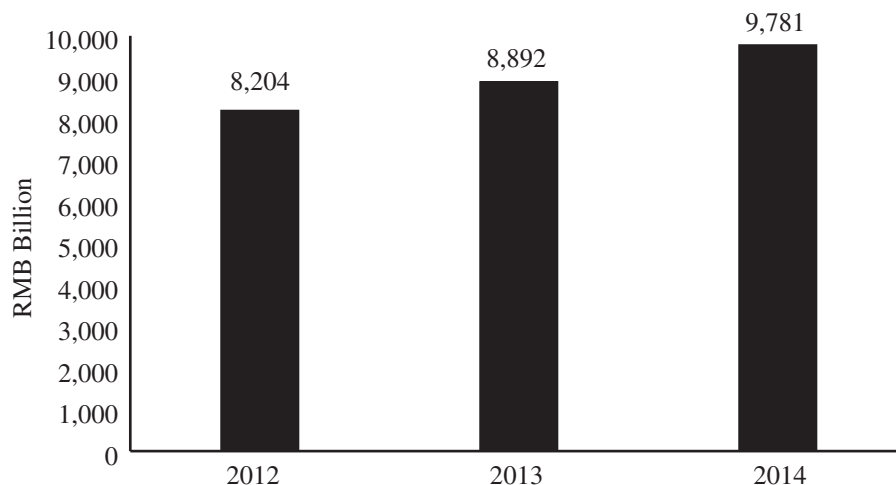
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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Set out below is the total loans in RMB in China:

**Chart 11: Total loans in RMB in China**



*Source: The People's Bank of China*

As shown in the above chart, the total loans in RMB in China as disclosed by the People's Bank of China has increased from approximately RMB8,204 billion in 2012 to approximately RMB9,781 billion in 2014, representing a CAGR of approximately 9.19%. The increasing trend of total loans in RMB in China indicated a growing demand for RMB loan facilities, which augurs for the credit market in China.

As discussed with the Management, the Directors has considered: (i) the Group's previous investment experience and historical investment size of unlisted investments in the range of approximately HK\$35 million to HK\$75 million with an average investment size of approximately HK\$53.3 million as at 30 September 2015; (ii) the maximum sale of investment of Investee 1; (iii) the Group's anticipated investment scale and its investment restriction, anticipated shareholding interest in Investee 1; and (iv) the investment size which Investee 1 is willing to invite the Group to participate.

With the supporting laws and policies imposed by the PRC Government and the increasing trend of investment in the environmental protection sector, we are of the view that it is acceptable to allocate approximately of HK\$50.0 million for investment in an unlisted credit company in the PRC whose principal business involves provision of finance leasing which specialises customers and projects in environmental protection sectors.

### **Unlisted investment in a degradable polymer manufacturer**

As stated in the Letter from the Board, the Company intends to allocate approximately HK\$120 million in an unlisted degradable polymer manufacturer which specialises in production of a biodegradable green plastic materials which has diverse application.

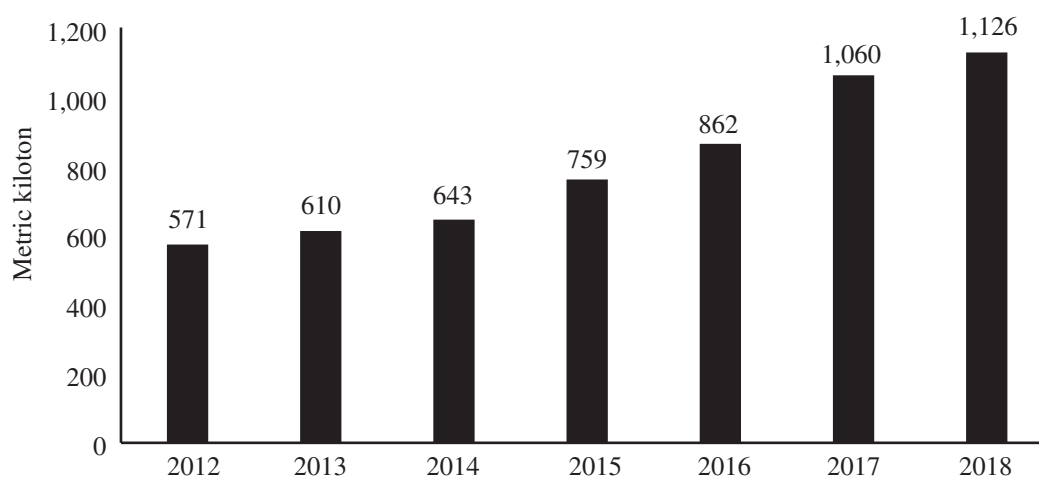
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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Degradable plastics are plastics capable of degrading in natural or compost environments in accordance with international standards and can be categorised into biodegradable, oxo-biodegradable, photo-degradable, and water soluble plastics. Biodegradable plastics can be decomposed in natural aerobic (composting) or anaerobic (landfill) environments, which are less harmful to the environment.

**Chart 12: Global production capacities of biodegradable plastics**



Source: *European Bioplastics, Institute for Bioplastics and Biocomposites, nova-institute (2014)*

As shown in the chart above, the global production capacities of biodegradable plastics is projected to increase from approximately 571 metric kilotons in 2012 to approximately 1,126 metric kilotons in 2018, representing a CAGR of approximately 11.98%. This increasing trend indicated growth in the supply of biodegradable plastics in a global scale, which would support the development of the biodegradable plastics sector.

Biodegradable plastics are currently experiencing strong market growth. Their primary drivers are the increasing public awareness of traditional plastic pollution, the desire of manufacturing companies to develop more sustainable plastic resins and the support from worldwide governments for eco-friendly plastic products. As stated in the *Biobased Biodegradable Plastics Market: Global Industry Analysis and Opportunity Assessment 2014 – 2020* issued by Future Market Insights, consumption of biobased degradable plastics is projected to reach from approximately 665.7 thousand tonnes in 2014 to approximately 1,356.9 thousand tonnes in 2020, representing a CAGR of approximately 12.6%.

Legislation in Western Europe, China and the United States has helped to spur demand for degradable material. For example, Italy has banned the use of non-degradable plastic shopping bags starting from January 2011. In China, a ban on supplying free plastic bags by the State Administration Council was imposed in 2008 to help preserve the environment. Aiming to further relieve the acute environmental and resource strains, the PRC Government has also released sustainable development plans such as Energy Saving and Emission Reduction Plan (ESER) and The 12th Five Year Plan, in which degradable plastics was one of the development focus for high-end petrochemical industry.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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In light of the above, we concur with the Director's view that business related to environmental protection can potentially benefit from the positive market outlook of the environmental protection industry.

As discussed with the Management, the Directors has considered: (i) the maximum sale of investment of Investee 2; (ii) the Group's anticipated investment scale and its investment restriction, anticipated shareholding interest in Investee 2; and (iii) the investment size which Investee 2 is willing to invite the Group to participate.

With the potential growth in the environmental protection industry, we concur with the Directors' view that the allocation of approximately HK\$120.0 million for an unlisted investment in a degradable polymer manufacturer is fair and reasonable.

### **Repayment of the PN**

As at the Latest Practicable Date, the Group has a zero coupon PN with an outstanding amount of approximately HK\$45.0 million. As discussed with the Management and as stated in the sale and purchase agreement dated 2 July 2015, New Express Investment Limited, a subsidiary of the Company, agreed to acquire 25% of the issued share capital of an unlisted company which is engaged in electronic commerce industry specialising in the provision of integrated application for a total consideration of HK\$75.0 million. HK\$45.0 million of the total purchase consideration was settled in the form of a PN upon completion of the transaction. As discussed with the Management, the PN will be repayable by 31 December 2015. As it is the intention of the Directors to increase the liquidity of the Group, we are of the view that the Group's allocation of approximately HK\$45.0 million of the net proceeds from the Open Offer for repayment of the PN is reasonable.

### **Listed investments**

As stated in the Letter from the Board, approximately HK\$15.0 million will be allocated for listed investments as long as it is in compliance with its investment restrictions for both listed and unlisted equity investments in various industries including but not limited to agriculture, health and pharmaceutical related businesses, operation of supermarkets and convenience stores, communication technology, advertising, media and entertainment, energy and resources, movie distribution and film right licensing, money lending, properties investments, building construction, environmental protection, insurance, financial services, food and beverages, trading of natural resources and commodities, industrial, software, information technology related businesses and distribution of juvenile and infant products.

As discussed with the Management and making reference to the investment policies adopted by the Company as stated in Appendix IV of the Circular, we are of the view that the proposed investments are in line with the Company's investment policies.

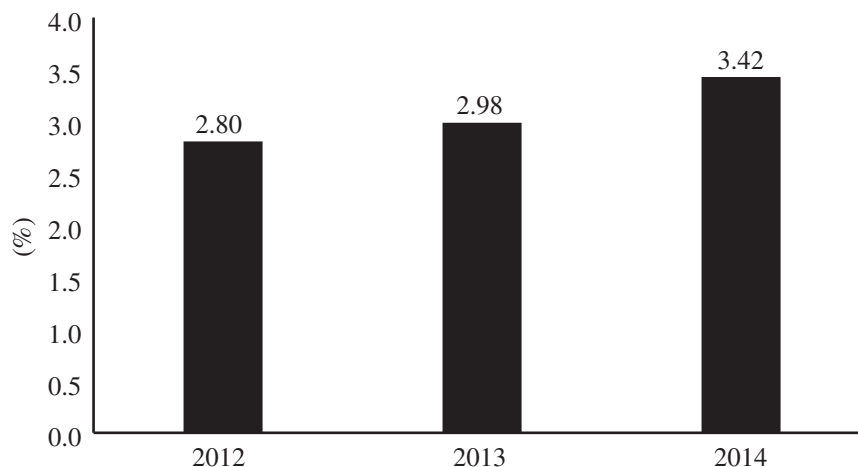


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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**Chart 13: Average dividend yield of listed stocks in Hong Kong**



*Source: Stock Exchange*

*Note: Calculations are based on year-end figures of all listed stocks on the Stock Exchange.*

As shown in the chart above, the average dividend yield of listed stocks in Hong Kong increased from approximately 2.80% in 2012 to approximately 3.42% in 2014, representing a CAGR of approximately 10.52%. This increasing trend indicated a general higher rate of return from dividend income for investments in the Hong Kong stock market.

As discussed with the Management, one of the main contributor of the Group's turnover is dividend income from its investment holding. Furthermore as discussed with the Management, as the recent securities market has been volatile, which may result in possible investment opportunities for the Company, we understand that it is the current investment strategy of the Group to have readily available funds to capture suitable investment opportunities and maximise the potential investment return to the Group and Shareholders as and when they arise. Therefore, with the increasing trend in dividend yield in Hong Kong stock market and the current market conditions mentioned above, we are of the view that the allocation of approximately of HK\$15.0 million for listed investments is reasonable.

### **General working capital of the Group**

As stated in the Letter from the Board and as discussed with the Management, the Group plans to set aside the remaining portion of the net proceeds of the Open Offer amounting to approximately HK\$18.9 million for general working capital, such as directors' remunerations, staff costs, investment managers' fee and operating lease payments in respect of office premise. As the yearly administrative expenses amounted to approximately HK\$24.8 million for FY2015, as discussed with the Management and after reviewing the working capital forecast of the Company, we are of the view that the amount allocated is reasonable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **Other financing alternatives available to the Group**

As highlighted in the Letter from the Board, when formulating the structure of the Open Offer, the Directors have considered various fund raising alternatives for the Group including but not limited to debt financing, placing of new shares and rights issue. Taking into account the benefits and costs of each of the alternatives, the Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it gives the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and participate in the growth of the Company in proportion to their shareholdings.

As discussed with the Management, the Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. As stated in the Letter from the Board and as discussed with the Management, the Company has attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them. As discussed with the Management and as stated in the Letter from the Board, the Group has maintained good business relationship with the two principal bankers and they are familiar with the capital structure, business operation, funding requirements of the Group. We understand and concur with the Directors' view that the possibility of securing loan financing from the two principal bankers is already much higher than from other financial institutions. Therefore, we concur with the Directors' view that it will not be feasible for the Company to obtain the required financing amount from banks at favourable terms in a timely manner under volatile market conditions. In addition, as at 30 September 2015, the Group has incurred repayment obligation of HK\$45 million in connection with the PN and recorded a gearing ratio (defined as total debts and borrowings divided by total assets) of approximately 8% as compared with nil gearing as at 31 March 2015. Therefore, we concur with the Board's view that debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. Placing of new shares would only be available to certain placees who were not necessarily the existing Shareholders of the Company and would dilute the shareholding of the existing Shareholders.

The Open Offer will be fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement. We consider that entering into the Underwriting Agreement will ensure the Group to raise the required funding under the Open Offer and remove a certain degree of uncertainty as compared to best-efforts placements, which is in the interest of the Company and the Shareholders as a whole.

Although rights issue is similar to open offer, the rights issue enables the Qualifying Shareholders to trade in the nil-paid rights in the market for economic benefits. However, the arrangement for trading of the nil-paid rights arise from the rights issue would involve additional administration work and costs of approximately HK\$100,000 to the Group for the trading arrangement of nil-paid rights. As stated in the Letter from the Board, in view of the general downward trend of the historical trading price of the Shares, there is uncertainty of the existence of a market to trade the nil-paid rights. The Board intends to invest the resources for the extra administrative work and cost for the trading arrangements in relation to the nil-paid rights to the business development of the Company. In view of the above, we concur with the Directors' view that raising funds by way of the Open Offer is more cost effective and efficient and beneficial to the Company and its Shareholders as a whole as compared to a rights issue.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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In addition, we have discussed with the Management regarding the current structure of the Open Offer. The Management are of the view that in the event the Subscription Price is increased and the allotment ratio is lowered, the attractiveness for the Qualifying Shareholder to subscribe for the Offer Shares will likely decrease. Given that a deep discount of the Subscription Price: (i) can provide an incentive for the Qualifying Shareholders to subscribe for the Offer Shares as the Company has funding needs to raise such amount of proceeds to finance the required funding needs as stated in this letter under the section headed “Reasons for the Open Offer and use of proceeds”; and (ii) is in line with the market practice as discussed in the section headed “Comparison with the Open Offer Comparables” below, we are of the view that the current structure of the Open Offer is fair and reasonable.

Having taken into account the financial needs of the Group, the possible benefits of the Open Offer and the availability of and comparison with other financing alternatives, we concur with the Directors that the Open Offer is in the interests of the Company and the Shareholders as a whole.

### PRINCIPAL TERMS OF THE OPEN OFFER

The Company propose to raise approximately HK\$418.1 million, before expenses, by way of an open offer of 1,672,592,000 Offer Shares at a subscription price of HK\$0.25 per Offer Share on the basis of eight (8) Offer Share for every one (1) Consolidated Share held on the Record Date. The following table summarises the major terms of the Open Offer:

Basis of the Open Offer:	Eight (8) Offer Shares for every one (1) Consolidated Share
Subscription Price:	HK\$0.25 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,045,370,000 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation having become effective:	209,074,000 Consolidated Shares
Number of Offer Shares:	1,672,592,000 Offer Shares
	The aggregate nominal value of the Offer Shares will be approximately HK\$83,629,600.00.
Number of Consolidated Shares in issue immediately upon completion of the Open Offer:	1,881,666,000 Consolidated Shares
Underwriting Commission:	1.50%

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

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The Open Offer is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 8.08(1) of the Listing Rules.

The Subscription Price of HK\$0.25 per Offer Share will be payable in full upon application by a Qualifying Shareholder. The Subscription Price represents:

- (a) a discount of approximately 64.79% to the theoretical closing price of HK\$0.710 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (b) a discount of approximately 62.69% to the average theoretical closing price of approximately HK\$0.670 per Consolidated Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (c) a discount of approximately 63.50% to the average theoretical closing price of approximately HK\$0.685 per Consolidated Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (d) a discount of approximately 16.94% to the theoretical ex-entitlement price (assuming there is no new Shares and/or Consolidated Shares issued by the Company and there is no Shares and/or Consolidated Shares being repurchased by the Company from the Latest Practicable Date up to the Record Date) of approximately HK\$0.301 per Consolidated Share based on the theoretical closing price of HK\$0.710 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (e) a discount of approximately 39.02% to the theoretical closing price of approximately HK\$0.41 per Consolidated Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation; and
- (f) a discount of approximately 90.91% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$2.75 as at 31 October 2015 (based on 209,074,000 Consolidated Shares in issue as at the Last Trading Day and adjusted for the effect of the Share Consolidation).

As stated in the Letter from the Board, the Subscription Price was arrived at arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares under the prevailing market conditions and the financial position of the Group.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### ANALYSIS ON THE SUBSCRIPTION PRICE

For the purpose of assessing the fairness and reasonableness of the Subscription Price, we compared the Subscription Price with reference to: (i) the recent price performance of the Shares (adjusted for the effect of the Share Consolidation) of the Company; and (ii) the market comparables analysis, as follows:

#### Review on Share price performance

The following table illustrates the highest and lowest adjusted closing prices and the average adjusted closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 10 September 2014 up to and including the Last Trading Day (the “**Review Period**”). For illustrative purpose, we have adjusted the closing price of the Shares and assumed that the Share Consolidation took effect from the beginning of the Review Period.

**Table 3: Historical daily adjusted closing prices of the Shares during the Review Period**

Month	Highest daily adjusted closing price of the Shares (HK\$)	Lowest daily adjusted closing price of the Shares (HK\$)	Average daily adjusted closing price of the Shares (HK\$)	Number of trading days in each month (days)
<b>2014</b>				
September	2.025	1.650	1.775	15
October	2.050	1.750	1.908	21
November	1.875	1.775	1.836	20
December	1.900	1.600	1.768	21
<b>2015</b>				
January	1.675	1.400	1.542	21
February	1.800	1.525	1.649	18
March	1.775	1.120	1.418	22
April	1.600	1.115	1.368	19
May	2.000	1.250	1.591	19
June	2.025	1.500	1.730	22
July	1.525	0.840	1.163	22
August	1.040	0.655	0.899	21
September (up to and including the Last Trading Day)	0.710	0.640	0.675	6

*Source: Stock Exchange*

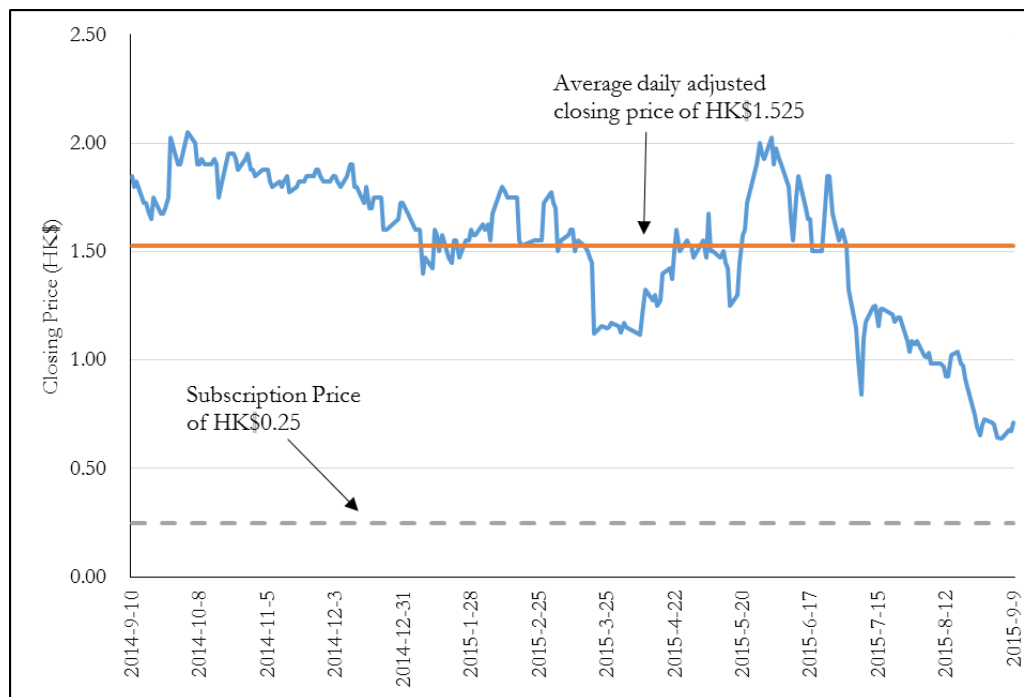
During the Review Period, the adjusted daily closing price of the Shares ranged from HK\$0.640 to HK\$2.050 per Share. In addition, the following chart highlights the movements of the daily adjusted closing price of the Shares as quoted on the Stock Exchange during the Review Period.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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**Chart 14: Historical daily adjusted closing prices of the Shares during the Review Period**



Source: Stock Exchange

We note that the Subscription Price of HK\$0.25 falls below the daily adjusted closing prices of the Shares throughout the Review Period and represents: (i) a discount of approximately 87.80% from the highest adjusted closing price of HK\$2.050; (ii) a discount of approximately 60.94% from the lowest adjusted closing price of HK\$0.640; and (iii) a discount of approximately 83.61% from the average daily adjusted closing price of the Shares of HK\$1.525 during the Review Period.

As all Qualifying Shareholders are entitled to subscribe for the Offer Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors consider that the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. We concur with the Directors' view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### Comparison with the Open Offer Comparables

In order to reflect the general trend of open offer transactions in the recent market, we have, on a best effort basis, conducted a search of all recent open offers announced within the six-month period from 10 March 2015 up to the Last Trading Day (the “**Comparison Period**”). We are of the opinion that due to the volatility of the share prices of the companies listed on the Stock Exchange, the Comparison Period reflects a fair and recent period of comparison for the Open Offer. As the capital market changes rapidly, we consider that the Open Offer Comparables (as defined below) reflects the latest market conditions of open offer. During the Comparison Period and based on our research conducted, we identified a total of 41 open offers announced by companies listed on the Stock Exchange (the “**Open Offer Comparables**”). To the best of our knowledge, effort and endeavor and based on the information disclosed on the Stock Exchange’s website (<http://www.hkexnews.hk/index.htm>) and Bloomberg, the list of the Open Offer Comparables is an exhaustive list of comparable open offers for comparison purpose. We also noted that the business activities of the Open Offer Comparables are not directly comparable to those carried out by the Group and the terms of the open offer of the Open Offer Comparables may vary from companies with different financial standings, business performance and future prospects. Since the Open Offer Comparables are the most recent open offer transactions announced to the public, we consider that the Open Offer Comparables could represent the recent trend of the open offer transactions in the prevailing market condition and could provide a general reference in respect of the common market practice on open offers conducted by listed companies in Hong Kong. The details are set out below:

**Table 4: Comparable analysis of the Open Offer Comparables**

Company Name	Stock Code	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Underwriting commission (%)	Excess application
Kingwell Group Limited	1195	8/9/2015	46.67	44.06	3.00	No
Flying Financial Service Holdings Limited	8030	7/9/2015	48.05	38.18	2.50	Yes
Megalagic Technology Holdings Limited	8242	1/9/2015	29.82	9.50	3.00	No
Legend Strategy International Holdings Group Company Limited	1355	28/8/2015	36.51	31.62	1.50	No

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER**

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Company Name	Stock Code	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Underwriting commission (%)	Excess application
Group Sense (International) Limited	601	20/8/2015	44.44	28.57	1.00	No
SEEC Media Group Limited	205	19/8/2015	62.96	30.07	2.00	No
Lerado Group (Holding) Company Limited	1225	14/8/2015	68.09	34.78	2.00	No
Huili Resources (Group) Limited	1303	12/8/2015	57.26	47.20	3.40	Yes
Neo Telemedia Limited	8167	11/8/2015	77.51	69.67	1.50	No
U-Home Group Holdings Limited	2327	4/8/2015	17.46	12.36	2.00	Yes
International Standard Resources Holdings Limited	91	30/7/2015	34.12	29.29	2.50	Yes
Golden Meditech Holdings Limited	801	27/7/2015	7.41	4.76	2.00	Yes
China 33 Media Group Limited	8087	24/7/2015	75.61	28.57	1.50	No
Ding He Mining Holdings Limited	705	21/7/2015	54.95	44.75	2.50	No
China Environmental Resources Group Limited	1130	17/7/2015	41.41	32.08	2.00	No
Sau Sun Tong Holding Limited	8200	7/7/2015	12.28	6.54	2.50	No
IRC Limited	1029	29/6/2015	38.20	32.80	5.00	No
Fujian Holdings Limited	181	29/6/2015	59.60	49.37	2.50	Yes
Wuling Motors Holdings Limited	305	18/6/2015	15.66	13.37	0.00	Yes



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Company Name	Stock Code	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Underwriting commission (%)	Excess application
Tai Shing International (Holding) Limited	8103	17/6/2015	59.68	49.66	3.00	No
China National Culture Group Limited	745	8/6/2015	76.40	61.80	2.00	No
New City Development Group Limited	456	3/6/2015	24.32	20.45	0.00	No
APAC Resources Limited	1104	27/5/2015	50.74	40.72	2.00	Yes
National United Resources Holdings Limited	254	22/5/2015	53.57	43.48	1.50	No
Wealth Glory Holdings Limited	8269	22/5/2015	34.00	25.50	3.00	No
Hailiang International Holdings Limited	2336	15/5/2015	34.07	25.60	0.75	Yes
China Kingstone Mining Holdings Limited	1380	14/5/2015	61.50	51.70	3.50	No
Mastermind Capital Limited	905	13/5/2015	59.50	28.10	2.44	No
Merdeka Mobile Group Limited	8163	8/5/2015	76.62	52.13	2.50	Yes
China Vehicle Components Technology Holdings Limited	1269	4/5/2015	86.80	76.60	2.00	Yes
Hua Han Bio-Pharmaceutical Holdings Limited	587	28/4/2015	43.48	33.91	2.50	Yes
RCG Holdings Limited	802	24/4/2015	78.40	37.80	2.00	No
China Culiangwang Beverages Holdings Limited	904	17/4/2015	77.80	53.80	2.50	No

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Company Name	Stock Code	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/ on the date of announcements in relation to the respective open offer (%)	Underwriting commission (%)	Excess application
Century Sunshine Group Holdings Limited	509	14/4/2015	47.37	37.50	1.50	No
Jun Yang Solar Power Investments Limited	397	13/4/2015	25.71	18.75	2.50	No
Seamless Green China (Holdings) Limited	8150	8/4/2015	17.14	12.12	1.50	No
EPI (Holdings) Limited	689	31/3/2015	45.10	35.30	1.00	No
Powerwell Pacific Holdings Limited	8265	31/3/2015	24.73	17.94	2.00	No
Chinese Energy Holdings Limited	8009	24/3/2015	40.48	25.37	2.50	No
Celebrate International Holdings Limited	8212	18/3/2015	92.90	29.70	3.00	Yes
Capital VC Limited	2324	13/3/2015	76.60	28.60	1.00	No
Average			49.14	34.00	2.12	
Maximum			92.90	76.60	5.00	
Minimum			7.41	4.76	0.00	
<b>The Company</b>	<b>1226</b>	<b>9/9/2015</b>	<b>64.79</b>	<b>16.94</b>	<b>1.50</b>	<b>No</b>

*Source: Stock Exchange and Bloomberg*

*Notes:*

1. Based on the shareholding on the date of the announcements in relation to the respective open offers and assuming there was no new share being issued and no share being repurchased by the listed companies on or before the respective record dates.
2. The values of the discount of the subscription price to the theoretical closing price on the last trading day and the theoretical ex-entitlement price per share for the Company are based on the Consolidated Shares basis as shown in the sub-section headed "Principal Terms of the Open Offer" of this letter.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the subscription prices of the Open Offer Comparables represented discounts ranging from approximately 7.41% to approximately 92.90% with an average of approximately 49.14% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. Although we note that the discount of approximately 64.79% to the adjusted closing price of the Consolidated Shares on the Last Trading Day is higher than the average of the Open Offer Comparables, the discount of approximately 64.79% to the adjusted closing price of the Consolidated Shares on the Last Trading Day as represented by the Subscription Price nevertheless falls within the range. We consider that the Open Offer offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata entitlement of the Open Offer and hence avoids dilution. We also consider that the net proceeds of the Open Offer will be used by the Group for: (i) capturing potential investment opportunities which may arise in the industry sectors of businesses of toys and medical care products in the PRC, media advertising business in the PRC and financial services sector, with initial focus at securities brokerage and margin financing businesses in Hong Kong; (ii) the Possible Investment; (iii) the Potential Investment 1; (iv) the Potential Investment 2; (v) repayment of the PN; (vi) potential listed investments; and (vii) general working capital as elaborated under the section headed “*Reasons for the Open Offer and use of proceeds*”. In view of the above, we are of the view that the discount of approximately 64.79% to the adjusted closing price of the Consolidated Shares on the Last Trading Day is acceptable.

Furthermore, the subscription prices of the Open Offer Comparables represented discounts ranging from approximately 4.76% to approximately 76.60% with an average of approximately 34.00% to the respective theoretical ex-entitlements prices of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. The discount of approximately 16.94% to the adjusted ex-entitlements price as represented by the Subscription Price falls within the range of the Open Offer Comparables, and such discount is lower than the average of the Open Offer Comparables. In addition, as discussed with the Management, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Underwriter.

## LETTER FROM INDEPENDENT FINANCIAL ADVISER

We note that the above Open Offer Comparables provide a general trend of recent open offer transactions in the market. In order to compare the Subscription Price with more direct comparables, we have, on a best effort basis, conducted further analysis on the Open Offer Comparables whose (i) businesses are similar to that of the Company (the “**Direct Open Offer Comparables**”); and (ii) market capitalisation was between HK\$48.44 million to HK\$248.44 million (the “**Market Open Offer Comparables**”) as the market capitalisation of the Company was approximately HK\$148.44 million as at the date of the Announcement (the “**Announcement Date**”). We have identified two Direct Open Offer Comparables and the details are set out below:

**Table 5: Comparable analysis of the Direct Open Offer Comparables - Business**

Company Name	Stock Code	Principal business	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the latest unaudited consolidated net asset value per share (Note 1) (%)	Underwriting commission (%)
Mastermind Capital Limited	905	Investment	13/5/2015	59.50	28.10	48.63	2.44
Capital VC Limited	2324	Investment	13/3/2015	76.60	28.60	96.90	1.00
Average				68.05	28.35	72.77	1.72
Maximum				76.60	28.60	96.90	2.44
Minimum				59.50	28.10	48.63	1.00
<b>The Company</b>	<b>1226</b>	<b>Investment</b>	<b>9/9/2015</b>	<b>64.79</b>	<b>16.94</b>	<b>90.91</b>	<b>1.50</b>

Source: Stock Exchange

Note:

- The unaudited net asset value represents the net asset value of the respective companies as at the month end prior to the respective date of the circulars of the companies.

As shown in the above table, the subscription prices of the Direct Open Offer Comparables represented discounts ranging from approximately 59.50% to approximately 76.60% with an average of approximately 68.05% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. We note that the discount of approximately 64.79% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price falls within the range and is below the average of the discount of the Direct Open Offer Comparables.

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In addition, the subscription prices of the Direct Open Offer Comparables represented discounts ranging from approximately 48.63% to approximately 96.90% to the respective consolidated net asset value per share. Although we note that the discount of 90.91% to the unaudited consolidated net asset value of the Company as represented by the Subscription Price is above the average discount of the Direct Open Offer Comparables, it nevertheless falls within the range. In addition, we also consider the utilisation of the net proceeds of the Open Offer by the Group for the various investment opportunities, which is elaborated under the section headed “Reasons for the Open Offer and use of proceeds”. In view of the above, we are of the view that the discount of approximately 90.91% to the net assets value of the Company as at 31 October 2015 is acceptable.

Furthermore, the subscription prices of the Direct Open Offer Comparables represented discounts ranging from approximately 28.10% to approximately 28.60% with an average of approximately 28.35% to the respective theoretical ex-entitlements prices of their shares on the last trading days prior to/ on the date of the release of the respective open offer announcements. We note that the discount of approximately 16.94% to the theoretical ex-entitlement price as represented by the Subscription Price is below the minimum discount of the Direct Open Offer Comparables.

We have also identified six Market Open Offer Comparables and the details are set out below:

**Table 6: Comparable analysis of the Market Open Offer Comparables – Market Capitalisation**

Company Name	Stock Code	Announcement date	Discount of the subscription price to the closing price per share on the last trading days prior to/on the date of announcements in relation to the respective open offer (%)	Discount of the subscription price to the theoretical ex-entitlements price per share on the last trading days prior to/on the date of announcements in relation to the respective open offer (%)	Underwriting commission (%)	Market Capitalisation as at Announcement Date (HK\$ million)
Megalogic Technology Holdings Limited	8242	1/9/2015	29.82	9.50	3.00	76.38
Lerado Group (Holding) Company Limited	1225	14/8/2015	68.09	34.78	2.00	239.92
Tai Shing International (Holding) Limited	8103	17/6/2015	59.68	49.66	3.00	64.47
Merdeka Mobile Group Limited	8163	8/5/2015	76.62	52.13	2.50	218.07
Seamless Green China (Holdings) Limited	8150	8/4/2015	17.14	12.12	1.50	161.35
Celebrate International Holdings Limited	8212	18/3/2015	92.90	29.70	3.00	155.33
Average			57.38	31.32	2.50	152.58
Maximum			92.90	52.13	3.00	239.92
Minimum			17.14	9.50	1.50	64.47
<b>The Company</b>	<b>1226</b>	<b>9/9/2015</b>	<b>64.79</b>	<b>16.94</b>	<b>1.50</b>	<b>148.44</b>

Source: Stock Exchange and Bloomberg

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As shown in the above table, the subscription prices of the Market Open Offer Comparables represented discounts ranging from approximately 17.14% to approximately 92.90% with an average of approximately 57.38% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. Although we note that the discount of approximately 64.79% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price is higher than the average of the Direct Open Offer Comparables, the discount of approximately 64.79% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price nevertheless falls within the range.

In addition, as the discount of approximately 64.79% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price is higher than the average discount of the Direct Open Offer Comparables by 7.41% only, we are of the view that the discount is acceptable.

Furthermore, the subscription prices of the Market Open Offer Comparables represented discounts ranging from approximately 9.50% to approximately 52.13% with an average of approximately 31.32% to the respective theoretical ex-entitlements prices of their shares on the last trading days prior to/on the date of the release of the respective open offer announcements. We note that the discount of approximately 16.94% to the theoretical ex-entitlements price as represented by the Subscription Price is within the range and below the average discount of the Market Open Offer Comparables.

Based on the above and having considered in particular that:

- (i) the Company has funding needs for potential investment opportunities which may arise in the Target Industries, Possible Investment, Potential Investment 1, Potential Investment 2, repayment of the PN, potential listed investments and general working capital as discussed in the sub-section in this letter headed “Reasons for the Open Offer and use of proceeds”;
- (ii) the Subscription Price was arrived at after arm’s length negotiations between the Company and the Underwriter;
- (iii) it is a common market practice that the subscription prices of an open offer is normally set at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of an open offer and to encourage the existing Shareholders to participate in the open offer;
- (iv) the discounts represented by the Subscription Price to the adjusted closing price of the Shares on the Last Trading Day and the theoretical adjusted ex-entitlement price falls within the corresponding discounts range of the Open Offer Comparables;
- (v) the discount represented by the Subscription Price to the consolidated net asset value of the Company falls within the discount range of the Direct Open Offer Comparables;
- (vi) the Subscription Price falls below the daily adjusted closing price of the Shares for the most time of the Review Period;

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- (vii) after considering the benefits and drawbacks of other fund raising alternatives, the Open Offer seems to be an appropriate means for the Company to raise funds, in particular as the Open Offer offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata entitlement of the Open Offer and hence avoids dilution; and
- (viii) the entering into the Underwriting Agreement will ensure the Group to raise the required funding under the Open Offer,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we also note that shareholding of the Qualifying Shareholders who choose not to participate will be diluted. However, as discussed with the Management, the Company attempted to adopt a lower offer ratio with a higher subscription price (the “**Initial Proposal**”) and has approached four securities houses for underwriting arrangement. However, the Initial Proposed was rejected by all of the four securities houses (the “**Rejection**”) given the fund raising size and the Company’s business scale. The Company has also attempted to obtain loan financing from its two principal bankers for financing its principal business, however, those bankers indicated that it was unlikely for the Company to obtain loan financing from them.

In light of the above and the funding needs of the Company, we are of the view that the current structure of the Open Offer is fair and reasonable.

### **Underwriting commission**

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares not subscribed for by the Qualifying Shareholders on a fully underwritten basis, subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 1.5% of the aggregate Subscription Price in respect of the number of Underwritten Shares (the “**Underwriting Commission**”). As confirmed by the Directors, the Underwriting Commission was determined after arm’s length negotiations between the Company and the Underwriter with reference to, among other things, the size of the Open Offer and the market rate.

Based on the table under the sub-section in this letter headed “Comparison with the Open Offer Comparables”, we noted that the Underwriting Commission is in line with common market practice and falls within the range of underwriting commissions of 0% to 5% with an average of 2.12%. We note that the Underwriting Commission is also lower than the average of 2.12%. Accordingly, we consider that the Underwriting Commission is on normal commercial terms and is fair and reasonable.

### **Termination of the Underwriting Agreement**

It should be noted that the Open Offer would not proceed if the Underwriter exercises its termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriter such termination rights are included in the Letter from the Board section headed “Termination of the Underwriting Agreement”. After reviewing the announcements and/or circulars of the Open Offer Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **No application for excess Offer Shares**

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Non-Qualifying Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

If application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs including preparing and arranging the excess application, reviewing the relevant documents, liaising with professional parties and printing of application forms, etc. It is estimated that an additional cost in the range of approximately HK\$200,000 to HK\$300,000 to administer the excess application procedures will be incurred, which is not cost effective from the viewpoint of the Company.

The Directors are of the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholding in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the Offer Shares which have not been taken up by the Qualifying Shareholders.

After reviewing the announcements and/or circulars of the Open Offer Comparables in relation to the open offer, we noted that the above practice: (i) is in line with the market practice (i.e. 28 out of 41 Open Offer Comparables had no excess application for their open offer exercises); (ii) is able to lower the related administration costs in the absence of excess applications; and (iii) allows the Qualifying Shareholders to maintain their respective pro rata shareholding, we are of the view that such arrangement is fair and reasonable to the Company and the Shareholders as a whole.

Taking into account the above principal terms of the Open Offer and the Underwriting Agreement, we consider that the terms of the Open Offer and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### POSSIBLE DILUTION EFFECT OF THE OPEN OFFER

The table below depicts the shareholding structures of the Company (for illustrative purpose only): (i) as at the Latest Practicable Date; (ii) immediately upon after the Share Consolidation becoming effective but before completion of the Open Offer; (iii) immediately after completion of the Open Offer assuming (a) full acceptance by the Qualifying Shareholders; and (b) nil acceptance by the Qualifying Shareholders:

	As at the Latest Practicable Date		Immediately after completion of the Open Offer					
			Immediately after the Share Consolidation becoming effective but before completion of the Open Offer		Assuming all the Offer Shares are subscribed for by the Qualifying Shareholders		Assuming none of the Offer Shares are subscribed for by the Qualifying Shareholders	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>	<i>Number of Consolidated Shares</i>	<i>%</i>
Underwriter, sub-underwriter(s) and subscribers procured by any of them <i>(Note)</i>	-	-	-	-	-	-	1,672,592,000	88.89%
Other public Shareholders	1,045,370,000	100.00%	209,074,000	100.00%	1,881,666,000	100.00%	209,074,000	11.11%
	<u>1,045,370,000</u>	<u>100.00%</u>	<u>209,074,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>	<u>1,881,666,000</u>	<u>100.00%</u>

*Note:*

The Underwriter has irrevocably undertaken to the Company that (i) the Underwriter will not trigger a mandatory offer obligation under Rule 26 of Takeovers Code on the part of the Underwriter in respect of performing its obligations under the Underwriting Agreement; (ii) the Underwriter shall use its reasonable endeavours to ensure that the subscribers for Underwritten Shares shall be third parties independent of and not connected with the Company and its Connected persons and their respective associates and the subscribers for Underwritten Shares are not acting in concert with the Underwriter and its associates; (iii) none of the persons to be procured by the Underwriter to subscribe for the Underwritten Shares will be a substantial Shareholder as a result of the Open Offer; and (iv) the Underwriter shall and shall cause the sub-underwriters to procure independent subscribers and/or placees to take up such number of Offer Shares as necessary to ensure that the Company will comply with the public float requirement under the Listing Rules upon completion of the Open Offer.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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For Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer should note that their shareholdings in the Company will be diluted upon completion of the Open Offer. As shown in the table above, assuming that none of the Qualifying Shareholders has subscribed for the Open Offer, the percentage of shareholding of the public Shareholders will be reduced from approximately 100.00% as at the Latest Practicable Date to approximately 11.11%.

The Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer.

Notwithstanding the potential dilution to the Independent Shareholders' proportional shareholding interests in the Company as discussed above, having taking into account that:

- (a) the Independent Shareholders are given the opportunity to express their view on the terms of the Open Offer and the Underwriting Agreement through their votes at the EGM;
- (b) the Qualifying Shareholders have their choice of whether to accept the Open Offer or not;
- (c) the Open Offer offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- (d) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer,

we are of the view that the potential dilution effect on the existing shareholding interest of the Independent Shareholders, which may only result when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, is acceptable.

As discussed with the Management and the Underwriter, we note that in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Open Offer solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### POSSIBLE FINANCIAL EFFECTS OF THE OPEN OFFER

#### Effect on net tangible asset

With reference to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets value of the Group attributable to the owners of the Company was approximately HK\$514.58 million as at 30 September 2015. After taking into account the net proceeds from the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets value of the Group attributable to the owners of the Company will be increased to approximately HK\$925.43 million.

The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 30 September 2015 was approximately HK\$2.461 per Share after the Share Consolidation. Upon completion of the Open Offer, the total number of Consolidated Shares shall be increased to 1,881,666,000 Shares. The unaudited pro forma adjusted consolidated net tangible assets per Share attributed to the owners of the Company will be approximately HK\$0.492 per Share immediately after the Open Offer. This represents a decrease of approximately 80.01%.

#### Effect on working capital and liquidity

The net proceeds from the Open Offer is estimated to be approximately HK\$410.8 million and the working capital will be increased by HK\$410.8 million, which will improve the Group's liquidity position.

Based on the foregoing, although the net tangible assets value per Share of the Group attributed to the equity shareholders of the Company will be diminished, the Open Offer will enhance the net assets value of the Group and improve the liquidity position of the Group. Hence, we are of the view that the Open Offer is in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the Open Offer including:

- (a) The net proceeds of the Open Offer will be used by the Group for: (i) capturing potential investment opportunities which may arise in the industry sectors of businesses of toys and medical care products in the PRC, media advertising business in the PRC and financial services sector, with initial focus at securities brokerage and margin financing businesses in Hong Kong; (ii) the Possible Investment; (iii) the Potential Investment 1; (iv) the Potential Investment 2; (v) repayment of the PN; (vi) potential listed investments; and (vii) general working capital;
- (b) the Open Offer would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Group;

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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- (c) the discount of the Subscription Price falls within the range of the discount of the subscription prices of the Open Offer Comparables;
- (d) the major terms and conditions of the Underwriting Agreement is in line with the market practice;
- (e) the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Offer Shares under the Open Offer; and
- (f) the Open Offer will enhance the net assets value of the Group and improve the liquidity position of the Group,

we are of the view that the terms of the Open Offer are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Open Offer.

Yours faithfully,  
For and on behalf of  
Opus Capital Limited

**Alvin Lai**                      **Koh Kwai Yim**  
*Chief Executive Officer*      *Executive Director*

Mr. Alvin Lai is the Chief Executive Officer of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Lai has over 15 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has acted as financial adviser and/or independent financial adviser to many companies and transactions involving fundraising and/or mergers and acquisition in Asia.

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 15 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

**1. THREE-YEAR FINANCIAL INFORMATION**

Financial information of the Group for the year ended 31 March 2013, the year 31 March 2014, the year ended 31 March 2015 and six months ended 30 September 2015 are disclosed on pages 22-87 of the 2013 annual report published on 19 July 2013, pages 22-89 of the 2014 annual report published on 9 July 2014, pages 22-89 of the 2015 annual report published on 29 July 2015 and pages 13-24 of the 2015/16 interim report published on 17 November 2015 respectively, which are published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.chnif.com](http://www.chnif.com)). Please refer to the hyperlinks as stated below:

2013 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0719/LTN20130719264.pdf>

2014 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0709/LTN20140709451.pdf>

2015 annual report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0729/LTN20150729380.pdf>

2015/16 interim report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1117/LTN20151117632.pdf>

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Circular, the Group had the following outstanding indebtedness:

**Promissory note**

As at the close of business on 30 September 2015, the Group had outstanding promissory notes of approximately HK\$45,000,000.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank drafts, loans, debt securities or other similar indebtedness, foreign exchange liabilities, liabilities under acceptance or acceptances credits, finance lease, or hire purchase commitments guarantees or other material contingent liabilities at the close of business on 30 September 2015.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds and the available credit facilities the Group has sufficient working capital for at least the next twelve months from the date of this circular.

**4. WORKING CAPITAL MANAGEMENT POLICY**

Cash is required to pay for all assets and services subscribed by the Company and to meet future obligations as they come due. A sufficient level of cash should be kept available for daily operating expenses. It is the Company's practice to place its general working capital in bank to meet anticipated day-to-day expenditures and provide reasonable cushion for emergency spending.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group was made up.

**6. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The Company is an investment company and its shares are listed on the main board of the Stock Exchange since 19 September 2002, pursuant to Chapter 21 of the Listing Rules. The Group will remain principally engaged in securities trading, investment holding and rendering of consultancy service.

The Company expects the global market will continue to face greater challenges and is full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment. Meanwhile, China is also facing a slowdown in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist.

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the Group will still be based mainly on Chinese economy, the Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the Group.

The Company would consider investing in certain unlisted securities and listed securities with high potential in order to diversify further market risk.

The unaudited pro forma financial information of the Group (the “Unaudited Pro Forma Financial Information”) has been prepared in accordance with paragraph 4.29(1) of the Listing Rules set out below to illustrate the effect of the proposed Share Consolidation and the proposed Open Offer on the consolidated net tangible assets of the Group as if they had taken place on 30 September 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the proposed Share Consolidation and the proposed Open Offer been completed as at 30 September 2015 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2015, extracted from the published interim report of the Company for the six months ended 30 September 2015, with adjustment described below:

Taking into account 1,045,370,000 Shares in issue as at the Latest Practicable Date, and there will be no change in the issued share capital of the Company from the Latest Practicable Date to the date of the Record Date, 1,672,592,000 Offer Shares will be issued under the Open Offer after the Share Consolidation becoming effective.

	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015	Unaudited estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 September 2015	Unaudited consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after completion of the Open Offer
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)
Based on 1,672,592,000 Offer Shares at subscription price of HK\$0.250 per Offer Share	514,579	410,848	925,427	2,461	0.492

*Notes:*

- 1) The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 has been extracted from the published interim report of the Company for the six months ended 30 September 2015.
- 2) The estimated net proceeds from the Open Offer is approximately HK\$410,848,000 are based on the 1,672,592,000 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Open Offer, of approximately HK\$7,300,000.
- 3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Open Offer is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 of approximately HK\$514,579,000 as disclosed in note 1 above, divided by 209,074,000 Consolidated Shares (assuming the Share Consolidation become effective on 30 September 2015) of the Company in issue as at 30 September 2015.
- 4) The unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Open Offer per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 for the Open Offer of approximately HK\$925,427,000 divided by 1,881,666,000 shares which comprise 209,074,000 Consolidated Shares (assuming the Share Consolidation became effective on 30 September 2015) in issue as at 30 September 2015 and 1,672,592,000 Offer Shares to be issued after the completion of the Open Offer.
- 5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2015.



*The following is the text of a report, prepared for the sole purpose of inclusion in this circular from the independent reporting accountants of the Company, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong.*



開元信德會計師事務所有限公司  
ELITE PARTNERS CPA LIMITED  
Certified Public Accountants

The Board of Directors  
China Investment and Finance Group Limited  
Room 1104, Crawford House  
70 Queen's Road Central  
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Investment and Finance Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company ("Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets of the Group attribution to the owners of the Company as at 30 September 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix II of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed share consolidation on the basis that every five issued and unissued ordinary shares of HK\$0.01 each of the Company will be consolidated into one consolidated share of HK\$0.05 each and proposed open offer of 1,672,592,000 new shares to be issued by the Company at a subscription price of HK\$0.25 per offer share on the basis of eight offer shares for every one existing share (the "Open Offer") as if the transaction had taken place as at 30 September 2015. As part of this process, information about the unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2015 has been extracted from the published interim report of the Company for the six months ended 30 September 2015 dated 11 November 2015.

#### **Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountants' Responsibilities**

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

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 accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on consolidated net tangible assets of the Group as if the event 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 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information 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 Unaudited Pro Forma Financial Information 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 Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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 Unaudited Pro Forma Financial Information has been properly compiled by the Directors 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,  
**Elite Partners CPA Limited**  
*Certified Public Accountants*  
**Yip Kai Yin**  
Practising Certificate Number: P05131

Hong Kong, 25 November 2015



**(iii) Immediately following completion of the Open Offer**

<i>Authorised:</i>	<i>HK\$</i>
<u>24,000,000,000</u> Consolidated Shares of HK\$0.05 each	<u>1,200,000,000.00</u>
<i>Issued and fully paid or credited as fully paid:</i>	
209,074,000 Consolidated Shares of HK\$0.05 each in issue as at the Record Date	10,453,700.00
<u>1,672,592,000</u> Offer Shares to be issued	<u>83,629,600.00</u>
<u>1,881,666,000</u> Total	<u>94,083,300.00</u>

No capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date. All the Offer Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Open Offer.

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

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

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

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

### 3. DISCLOSURE OF INTERESTS

#### Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers contained in the Listing Rules (the "Model Code") were as follows:

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
Liao Jintian	25,000,000	–	25,000,000	2.39%

Save as disclosed above, none of the directors and chief executives had any interests in equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and the Stock Exchange as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

#### Interest of substantial shareholders

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

Name	Capacity and nature of interest	Number of Shares/underlying Shares held	Approximate percentage of the Company's issued share capital
Classictime Investments Limited ( <i>Note</i> )	Beneficial owner	66,240,000	6.34%
Jun Yang Solar Power Investments Limited ( <i>Note</i> )	Interest in a controlled corporation	66,240,000	6.34%

*Note:*

Classictime Investments Limited is a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited), a company listed on main board of the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**4. OTHER INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 March 2015 (being the date to which the latest published audited accounts of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the Latest Practicable Date and is significant in relation to the business of the Group.

**5. LITIGATION**

As at the Latest Practicable Date, the Group was not involved in any litigation, arbitration or claim of material importance which is known to the Directors to be pending or threatened against any member of the Group.

**6. SERVICE CONTRACTS**

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

**7. COMPETING INTERESTS**

As at the Latest Practicable Date, Mr. Chan Cheong Yee, the executive Director, is also the executive directors of several investment companies listed on the Stock Exchange, namely, (i) China Innovation Investment Limited (stock code: 1217); (ii) China Investment Development Limited (stock code: 204); (iii) Capital VC Limited (stock code: 2324); and (iv) China New Economy Fund Limited (stock code: 80); and the executive director of an investment company listed on AIM of London Stock Exchange, namely, Alpha Returns Group PLC.

Saved as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling Shareholder or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflict of interest with the Group.

## 8. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

- (1) the underwriting agreement dated 9 June 2014 entered into between the Company and Emperor Securities Limited, as the underwriter, in relation to the underwriting and certain other arrangements in respect of the open offer of the Company completed on 23 July 2014. The amount of commission was 2.0% of the aggregate subscription price of the maximum number of 290,790,000 underwritten shares, which amounted to approximately HK\$1.2 million;
- (2) the subscription agreement dated 19 November 2014 entered into between the Company and Cashcow Development Limited relating to the subscription of 43,000,000 new shares at the subscription price of HK\$0.345 per subscription share;
- (3) the subscription agreement dated 21 May 2015 entered into between the Company and Wonder Time Holdings Limited relating to the subscription of 130,000,000 new shares at the subscription price of HK\$0.275 per subscription share; and
- (4) the Underwriting Agreement.

## 9. EXPERTS AND CONSENTS

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

<b>Name</b>	<b>Qualification</b>
Elite Partners CPA Limited ("Elite Partners")	Certified Public Accountants
Opus Capital Limited ("Opus Capital")	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer

(collectively, the "Experts")



As at the Latest Practicable Date, each of Elite Partners and Opus Capital had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, in any assets which have been, since 31 March 2015, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Elite Partners and Opus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and/or its letters dated 25 November 2015 and/or references to its name and/or its advice in the form and context in which they respectively appear.

#### **10. EXPENSES**

The expenses in connection with the Open Offer, including underwriting commission, printing, registration, legal, accounting and financial adviser fees, are estimated to be approximately HK\$7.3 million and will be payable by the Company.

#### **11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER**

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Company secretary	Mr. Chan Kwan Pak who is a member of the Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in company secretarial practices in respect of listed companies.
Investment Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Authorised representatives	Mr. Chan Cheong Yee Room 1104, Crawford House 70 Queen's Road Central Hong Kong
	Mr. Liao Jintian Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Share registrar and transfer office in Hong Kong	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Industrial and Commercial Bank of China (Asia) Limited 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong
Auditors	Elite Partners CPA Limited <i>Certified Public Accountants</i> Suites 2B-4A, 20th Floor, Tower 5 China Hong Kong City 33 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
Reporting accountants	Elite Partners CPA Limited <i>Certified Public Accountants</i> Suites 2B-4A, 20th Floor, Tower 5 China Hong Kong City 33 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong

Legal advisers to the Company in relation to the Open Offer	Hau, Lau, Li & Yeung Solicitors & Notaries Unit 1303, 13th Floor, Tower 1, Admiralty Centre 18 Harcourt Road Admiralty, Hong Kong
Underwriter	Black Marble Securities Limited Block A-C, 10th Floor Man Lok Building 89-93 Bonham Strand East Hong Kong

## 12. PARTICULARS OF THE DIRECTORS

### (a) Name and address of the Directors

<b>Name</b>	<b>Address</b>
<i>Executive Director</i>	
Mr. Chan Cheong Yee	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
<i>Non-executive Directors</i>	
Mr. Liao Jintian	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Ms. Lee Kar Ying	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Wu Qi	Room 1104, Crawford House 70 Queen's Road Central Hong Kong

*Independent Non-executive Directors*

Mr. Tsang Hin Man Terence	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Luk Simon	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Ms. Liu Xiaoyin	Room 1104, Crawford House 70 Queen's Road Central Hong Kong
Mr. Hon Leung	Room 1104, Crawford House 70 Queen's Road Central Hong Kong

**(b) Profile of the Directors***Executive Director*

**Mr. Chan Cheong Yee** (“**Mr. Chan**”), aged 51, was appointed as an executive Director on 8 March 2011. He is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. Chan is currently a licensed person to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading) and Type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules of Hong Kong Stock Exchanges. Since June 2003, Mr. Chan joined China Innovation Investment Limited (stock code: 1217), an investment company listed on the Stock Exchange, as executive director. Mr. Chan was appointed as an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Growth Enterprise Market of the Stock Exchange, in August 2007, and was re-designated as an executive director of Bingo Group Holdings Limited in April 2009. Mr. Chan was appointed as an executive director of China Investment Development Limited (stock code: 204), an investment company listed on the Stock Exchange, in May 2012. Mr. Chan was appointed as an executive director of Capital VC Limited (stock code: 2324), an investment company listed on the Stock Exchange, in November 2012. Mr. Chan was appointed as an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, in May 2013. Mr. Chan was also appointed as an executive director of China New Economy Fund Limited (stock code: 80), an investment company listed on the Stock Exchange, in June 2013. Mr. Chan resigned as an independent non-executive director of Agritrade Resources Limited (stock code: 1131), a company listed on the Stock Exchange, with effect from 26 October 2015.

*Non-Executive Directors*

**Mr. Liao Jintian** (“**Mr. Liao**”), aged 47, has been a non-executive Director since 23 March 2012. Mr. Liao is a council member of the China National Furniture Association (中國家具協會), an executive committee member of Shunde Gong Shan Lian (順德工商聯(總商會)), a vice-president of Shunde Furniture Association (順德家具協會), a vice-president of Shunde Longjiang Chamber (順德龍江商會) and a director of the Longjiang Charity Association. Mr. Liao is also the executive director and legal representative of Guangdong Xie Feng Financial Guarantee Co., Ltd. (廣東協豐融資擔保有限公司), the chairman and legal representative of Guangdong Jingongzi Trading and Economic Development Co., Ltd. (廣東金公子經貿發展有限公司). Mr. Liao has over 10 years of experience in wide scope of businesses including trading, finance, property development and project investment.

**Ms. Lee Kar Ying** (“**Ms. Lee**”), aged 27, was appointed as a non-executive Director on 20 March 2015. She holds a Bachelor of Arts degree in Arts and Science in Sociology of University of Southern California in the United States of America. Ms. Lee has over 3 years’ experience in hospitality industry.

**Mr. Wu Qi** (“**Mr. Wu**”) aged 32, was appointed as a non-executive Director on 3 July 2015. He is a famous securities analyst in China. He has many years’ solid experience in the financial industries. He has often been interviewed by many Chinese media and has been invited by a number of financial programs as a guest. He is also a financial columnist of sina.com, yicai.com and other famous websites. Mr. Wu specializes in the stock market analysis and his choice of stocks also has outstanding insights.

*Independent Non-Executive Directors*

**Mr. Tsang Hin Man Terence** (“**Mr. Tsang**”), aged 53, has been an independent nonexecutive Director since 1 April 2014. He was admitted as a solicitor in Hong Kong in 1993 and he is currently the sole proprietor of H. M. Tsang & Co. Mr. Tsang obtained a bachelor’s degree in science (BSc.) from the University College London, the University of London. He also holds a bachelor’s degree in law (LLB.) from the University of Westminster, United Kingdom. Mr. Tsang serves as a non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238), and an independent non-executive director in Lee & Man Handbags Holding Limited (Stock Code: 1488) and Differ Group Holding Company Limited (Stock Code: 6878).

**Mr. Luk Simon** (“**Mr. Luk**”), aged 50, was appointed as an independent non-executive Director on 2 July 2014. He is a responsible officer for the regulated activities of asset management (Type 9) under the Securities and Futures Ordinance since 2003. Mr. Luk has over 10 years’ experience in asset management and investment advising. Mr. Luk worked in various investment advising companies. Since November 2013, Mr. Luk is the responsible officer of W. Falcon Asset Management (Asia) Limited. During the period from 2011 to November 2013, Mr. Luk was a responsible officer of Capital Focus Asset Management Limited. Before that, Mr. Luk was a founder and responsible officer of Money Concepts (Asia) Ltd. During the period of 2000 to 2009, Mr. Luk managed various funds and private equity portfolios. Mr. Luk was appointed as a non-executive director of Shaanxi Northwest New Technology Industry Company Limited (Stock code: 8258) since September 2012 until 12 August 2014. Mr. Luk was appointed as an independent non-executive director of Infinity Chemical Holdings Company Limited (Stock code: 640) since November 2013.

**Ms. Liu Xiaoyin** (“**Ms. Liu**”), aged 30, was appointed as an independent non-executive Director on 20 March 2015. She is currently the assistant to the general manager of a China based investment company. She has over 5 years solid investment and management experience.

**Mr. Hon Leung** (“**Mr. Hon**”), aged 33, has been appointed as an independent non-executive Director on 20 November 2015. He is the founder of William Hon & Co, and a certified public accountant (practising) in Hong Kong, with 8 years of professional practice experience. He possess solid finance and accounting knowledge.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday (except for public holidays) at the principal place of business of the Company in Hong Kong at Room 1104, Crawford House 70 Queen’s Road Central 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 annual reports of the Company for the year ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (c) the interim report of the Company for the six months ended 30 September 2015;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 32 of this circular;
- (e) the letter of advice from Opus Capital, the text of which is set out on pages 33 to 71 of this circular;
- (f) the accountants’ report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (g) the letters of consent referred to under the paragraph headed “Experts and Consents” in this Appendix;
- (h) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix; and
- (i) this circular.

### 14. MISCELLANEOUS

- i. As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- ii. The English text of this circular shall prevail over the Chinese text.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of the Listing Rules in connection with the listing document of investment companies. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company. This appendix, for which the Directors and the directors of the Investment Manager collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the directors of the Investment Manager, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this appendix 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 appendix misleading.

#### INFORMATION ON THE INVESTMENT MANAGER AND THE CUSTODIAN

Investment Manager	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Directors of the Investment Manager	Cheung Pang To 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	So Hin Pong 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	Li Bingtao 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
	Ho Chi Ho 36/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

#### The Investment Manager

China Everbright Securities (HK) Limited (“CES”) is a company incorporated in Hong Kong on 4 January 1991 with limited liability and is a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

The biographical details of the directors of the Investment Manager are set out as follows:

***Mr. Cheung Pang To***

Mr. Cheung Pang To (“**Mr. Cheung**”) is the managing director and one of the responsible officers of the CES. Mr. Cheung is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO accredited to CES. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited.

Mr. Cheung has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

***Mr. So Hin Pong***

Mr. So Hin Pong (“**Mr. So**”) is a director and one of the responsible officers of CES. Mr. So is currently licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO accredited to CES. He is also licensed to carry out Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities accredited to China Everbright Forex & Futures (HK) Limited, and Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities accredited to China Everbright Securities Asset Management Limited.

Mr. So has over twenty years of experience in the finance and investment industry. In the past, he has been working in dealing, marketing and portfolio management and operations and has also been actively involved in the investment management industry for the last ten years.

***Mr. Li Bingtao***

Mr. Li Bingtao (“**Mr. Li**”) is the Director of CES. He joined CES on 13 October 2014. Mr. Li holds several degrees including a Master of Arts from New York University. Mr. Li started his financial career at Lianhe Securities in 2001, and worked for Washington Mutual and JP Morgan Chase Bank later on. From April 2009 to March 2014, Mr. Li served at China Securities Regulation Committee, and joined Everbright Securities Company Limited in April 2014. Since September 2014, Mr. Li has been the Executive Director and Chief Executive Officer of China Everbright Securities International Limited. Mr. Li also holds the CFA and FRM designation.



**Mr. Ho Chi Ho**

Mr. Ho Chi Ho (“**Mr. Ho**”) is the Director of China Everbright Capital Limited and CES. He joined China Everbright Capital Limited on 20 June 2005. Mr. Ho graduated from the Chinese University of Hong Kong in 1996 with a bachelor degree in Business Administration. Mr. Ho has been in the corporate finance industry for over 16 years. Mr. Ho is the Principal and the Responsible Officer for carrying on types 1, 4, 6 regulated activities pursuant to the SFO of China Everbright Capital Limited and CES. Prior to joining China Everbright Capital Limited, Mr. Ho worked for Guotai Junan Capital Limited and First Shanghai Capital Limited as their senior management.

**The Custodian**

Since all the available-for-sale assets held by the Company are listed and unlisted equity and debt securities or unlisted convertible debt securities, the Company did not appoint any custodian bank to provide custodian services.

**RISKS RELATING TO THE COMPANY**

The Company is an investment company and its funds will be invested in listed and unlisted companies mainly in Hong Kong and the PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company’s income and its Net Asset Value are liable to be adversely affected by the prevailing market conditions as well as external factors beyond the control of the Company. The Company is also exposed to financial assets price risks as investments held by the Company are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. Investors should be aware of these risks when investing in the Company. Save as disclosed above, the Directors are of the view that an investment in the Company is not subject to other abnormal risks.

**INVESTMENT OBJECTIVES AND POLICIES**

The Company’s investment objective is to achieve medium to long term (i.e. generally more than one year) capital appreciation, and interest incomes and dividends by investing principally in listed and unlisted companies in Hong Kong, the PRC and Taiwan.

The Company has adopted the following investment policies:

- i. The Company’s investments will normally be made in the form of equity or equity-related securities and debt instruments in listed and unlisted companies engaged in different industries including (but not limited to information technology, telecommunications, manufacturing, pharmaceutical, service, property, infrastructure, life and environmental sectors to maintain a balance in the Company’s exposure to different industry sectors in order to minimise the impact on the Company of any downturn in any particular sector;

- ii. the Company's investments will normally be made in enterprises which are established in their respective fields and in which the Board believes that there are prospectus of earnings growth and/or capital appreciation. In particular, the Company will seek to identify businesses or entities with a potential or record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long-term growth of such companies;
- iii. the Company may invest in companies or other entities which are considered by the Board and/or the Investment Manager as being special or in recovery situations on a case-by-case basis, e.g. companies under restructuring or liquidation, which may have extensive growth in shorter period and provide attractive returns;
- iv. where possible, the Board and the Investment Manager will seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other; and
- v. the Company's investments are intended to be held for medium to long term (i.e. generally more than one year) capital appreciation and there is no present intention to realise any of such investments in any specific period or by any specific date. Nevertheless, the Company will realise investments from time to time where to do so is in the opinion of the Board to be in the best interests of the Company or where the terms on which such realisation can be achieved are in the opinion of the Board to be particularly favourable to the Company.

The Investment Manager shall have discretion over the assets of the Company, including acquisition and disposals of assets provided that the value of each transaction will not exceed 20% of the Net Asset Value (or such other amount as may be determined by the Board from time to time). Approval by the Board is required if the value of a transaction has exceeded such limit.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as soon as practicable, due to the market and other investment consideration, it may take some time before the funds of the Company are fully invested.

The Company shall engage in transactions in options and futures which are traded on recognised securities or futures exchanges and shall issue or purchase derivative financial products for hedging purpose only.

Before suitable investment projects are identified:

- i. the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in Hong Kong in any currency, bonds or treasury securities issued by the government of the United States of the government of Hong Kong, their respective agencies; or securities or other instruments denominated in any currency issued by various governments or international development agencies; and

- ii. the Company may enter into forward interest rate agreements, interest rates and bond futures contracts and interest rate swaps or purchase or write (sell) put or call options on interest rates and put or call options on futures on interest rates for the purpose of hedging interest rate risks and currency risks only.

The Company's investment objectives and policies above may be altered with Shareholders' approval.

#### **INVESTMENT RESTRICTIONS**

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. To abide by such restrictions, the Board has resolved that the Company may not:

- i. either itself or through its wholly owned subsidiaries, if any, or in conjunction with any Connected Person (as defined in the Listing Rules) take legal, or effective, management control of underlying investments and in no event will the Company itself or through its wholly-owned subsidiaries, if any, own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity, except in relation to such wholly-owned subsidiaries of the Company;
- ii. invest in any company or entity other than wholly-owned subsidiaries of the Company if such investment will result in more than 20% of the Company's Net Asset Value being invested in such company or entity as at the date the investment is made in such company or entity;
- iii. buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; and
- iv. invest more than 20% of its assets outside the PRC, Hong Kong and Taiwan.

Pursuant to Rules 21.04 (3)(a) and (b) of the Listing Rules, the Company has to comply with investment restrictions (i) and (ii) above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules. Such restrictions are contained in the Articles and cannot be changed so long as the Shares remain listed on the Stock Exchange under Chapter 21 of the Listing Rules. Investment restrictions (iii) and (iv) can be changed subject to Shareholders' approval.

#### **BORROWING POWER**

Pursuant to the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of the latest available Net Asset Value at the time the borrowing is made. In the event that the borrowing should exceed 50% of the latest available Net Asset Value, the Company must obtain prior approval of the Shareholders at a general meeting. The Company's assets may be charged or mortgaged as security for borrowings. Subject to the provisions of

the memorandum of association, the Articles and the investment management agreement entered with the Investment Manager, the Company may from time to time borrow for the purposes of providing liquidity or taking advantage of investment opportunities.

### **DISTRIBUTION POLICY**

Interest income, dividend income and other incomes of the Company will be used first to meet expenses. The Investment Manager will then assess whether it is reasonable to make provisions for future expenses and/or any possible diminution of investments, and will consider the amount of cash which should be retained by the Company for future investments. It is the Board's intention to distribute any excess balance after such provisions by way of dividend to the extent permitted by law and the Articles. Dividends will be declared and paid only to the extent that they are covered by net income received from underlying investments. Distributions (if any) will be made annually after the annual audited financial statements of the Company are approved by the Shareholders at the annual general meeting but interim distributions may be made from time to time to the Shareholders if it appears to the Board to be justified by the financial position of the Company and permissible by law and the Articles. Distributions by way of cash dividends will be made in Hong Kong dollars.

### **FOREIGN EXCHANGE POLICY**

The Company's investment may be denominated in currencies other than Hong Kong dollars, and there is accordingly an exchange risk. In spite of this, the Board believes that foreign exchange risks are minimal as the Group mainly uses Hong Kong dollars to carry out its business transactions. Therefore, no financial instrument was made to hedge such exposures.

### **TAXATION**

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

### **FEES AND EXPENSES**

The Company will pay the fees of the Investment Manager, as described below. In addition, the Company will pay certain other costs and expenses incurred by the Investment Manager in the proper performance of its duties.

#### **Investment management fees**

Pursuant to the agreement entered into between the Investment Manager and the Company dated 6 November 2012, China Everbright Securities (HK) Limited agreed to act as the investment manager for a period of three years. The Company will pay the Investment Manager an annual management fee of HK\$960,000, payable monthly in arrears.

As the management fee to be payable by the Company to the Investment Manager shall not exceed HK\$960,000 per annum, which is less than HK\$10,000,000 and 25% in respect of each of the percentage ratios prescribed under Rule 14.07 of the Listing Rules, the payment of management fees is therefore subject to reporting and announcement requirements but exempt from independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(b) of the Listing Rules.

Save for the fees mentioned hereinabove, the Investment Manager is not entitled to receive any other fees from the Company.

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

### INVESTMENT PORTFOLIO

The following are the details of the ten largest investments of the Group as at 31 March 2015, which include all listed investments and all other investments with a value of more than 5% of the Company's gross assets as at the respective dates.

As at 31 March 2015

Note	Name of investee companies	Percentage of effective interest held	Cost HK\$'000	Fair value HK\$'000	Dividend/ Coupons/ Interest received HK\$'000	Dividend cover HK\$'000	Underlying earnings HK\$'000	Net assets attributable to investment HK\$'000
(i)	IGOSEATING Limited*	N/A	50,000	54,565	398	N/A	N/A	N/A
(ii)	Yuet Join Industrial Limited*	N/A	50,000	52,977	2,500	N/A	N/A	N/A
(iii)	Plexson Limited	15%	45,000	38,750	-	N/A	5,239	33,762
(iv)	Full Ever Industrial Company Limited*	N/A	35,000	35,311	1,750	N/A	N/A	N/A
(v)	Forest Investment Company Limited	29%	34,800	35,645	-	N/A	4,593	35,358
(vi)	Town Health International Medical Group Limited	0.22%	15,630	28,590	-	0.22	186	10,127
(vii)	Hao Wen Holdings Limited	0.68%	8,180	2,644	-	N/A	(107)	3,825
(viii)	WLS Holdings Limited	0.72%	4,053	6,641	-	N/A	(70)	2,147
(ix)	China New Economy Fund Limited	0.52%	1,201	824	-	N/A	709	2,677

\* No dividend cover, underlying earnings and net assets attributable to the investments are presented above as these are investments in debt securities.

\*\* As at 31 March 2015, the Group only held nine investments which have been listed above.

*Notes:*

- (i) A 5-year convertible bond issued by IGOSeating Limited (“IGO”), a private company with limited liability which business is principally engaged in furniture related doings, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries fixed interest rate at 0.8% per annum, paid annually, with date of maturity on 11 December 2016 and is guaranteed by the beneficial owners of IGO. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

The Group has not been in a position to exercise any significant influence over the financial and operating policies of IGO. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$38,097,000 and HK\$11,903,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (ii) A 3-year (extendible for 2 years) convertible bond issued by Yuet Join Industrial Limited (“Yuet Join”), a private company with limited liability which business is principally engaged in manufacturing of electronic generator and related business, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries at fixed interest rate at 5% per annum, paid semi-annually, with date of maturity on 10 March 2016 (extendible to 10 March 2018 upon the agreement by both parties) and is guaranteed by the shareholders of Yuet Join. The Group has the option to convert the convertible bond to 29.79% of the equity interest of the issuers at any time and from time to time before the maturity date.

The Group has not been in a position to exercise any significant influence over the financial and operating policies of Yuet Join. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$47,424,000 and HK\$2,576,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (iii) Plexson Limited (“Plexson”), a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Plexson. Accordingly, investment in Plexson has been designated upon initial recognition as an available-for-sale financial asset.
- (iv) A 2-year bond issued by Full Ever Industrial Company Limited (“Full Ever”), a private company with limited liability which business is principally engaged in trading of knitted gloves, was acquired at a face value of HK\$35,000,000 during the year ended 31 March 2014. The bond carries fixed interest rate at 5% per annum, paid quarterly, with date of maturity on 8 December 2015, extendible for 3-year upon agreement by both parties. The Group was designated the bond issued by Full Ever as available-for-sale financial asset.
- (v) Forest Investment Company Limited (“Forest”), a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC. The Group has not been in a position to exercise any significant influence over the financial and operating policies of Forest. Accordingly, investment in Forest has been designated upon initial recognition as an available-for-sale financial asset.
- (vi) Town Health International Medical Group Limited (stock code: 3886) (“Town Health”) is principally engaged in healthcare, dental and pharmaceutical business in PRC and Hong Kong and also securities and properties investments. The audited net profit attributable to shareholders for the year ended 31 December 2014 was approximately HK\$84.6 million, and its unaudited net asset value as at 30 June 2015 was approximately HK\$4,603.2 million.
- (vii) Hao Wen Holdings Limited (stock code: 8019) (“Hao Wen”) is principally engaged in trading of biodegradable containers, money lending business, manufacturing and sale of biomass fuel. The audited net loss attributable to shareholders for the year ended 31 December 2014 was approximately RMB12.6 million, and its unaudited net asset value was approximately RMB\$450.0 million as at 30 June 2015.
- (viii) WLS Holdings Limited (stock code: 8021) (“WLS”) is principally engaged in construction business including scaffolding and fitting out, management contracting services and equipment installation and maintenance services. The audited net loss attributable to shareholders for the year ended 30 April 2015 was approximately HK\$9.7 million, and its audited net asset value as at 30 April 2015 was approximately HK\$298.2 million.

- (ix) China New Economy Fund Limited (stock code: 0080) is principally engaged in direct investments, including securities trading and equity fund. The audited net profit attributable to shareholders for the year ended 31 December 2014 approximately HK\$136.3 million, and its unaudited net asset value was approximately HK\$514.8 million as at 30 June 2015.

The Group reviews the fair value of its unlisted equity investments to determine whether there is any indication that those investment has required to make provision. As at 31 March 2015, the Group is not aware that any provision should be made for those investments.

**RE-ELECTION OF DIRECTOR**

The following is the information required to be disclosed by the Listing Rules on the Director proposed to be re-elected at the EGM:

**Mr. Hon Leung (“Mr. Hon”)**

Mr. Hon, aged 33, was appointed as an independent non-executive Director with effect from 20 November 2015. He is the founder of William Hon & Co, and a certified public accountant (practising) in Hong Kong with 8 years of professional practice experience. He possess solid finance and accounting knowledge.

Mr. Hon has entered into a service contract as an independent non-executive Director with the Company and he is not appointed for a fixed term but will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the Company’s articles of association.

Mr. Hon is entitled to director’s fee of HK\$120,000 per annum, which is determined based on his duties and responsibilities with the Company, the prevailing market rate and the remuneration policy of the Company.

Save for the appointment of independent non-executive Director, Mr. Hon has not held any appointment and qualification or directorship in other listed company in the last three years, nor does he have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company as at the Latest Practicable Date. Save as mentioned above, Mr. Hon does not hold any other position in the Company or any of its subsidiaries.

As at the Latest Practicable Date, Mr. Hon does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Furthermore, there is no information that is required to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules, or need to be brought to the attention of the shareholders of the Company.



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## NOTICE OF EGM

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### CHINA INVESTMENT AND FINANCE GROUP LIMITED

### 中國投融資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1226)

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of China Investment and Finance Group Limited (the “Company”) will be held at 11:00 a.m. on Friday, 11 December 2015 at Best Western Plus Hotel Hong Kong, 308 Des Voeux Road West, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and condition upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, the Consolidated Shares (as defined below), with effect from the business day (as defined below) immediately following the date on which this resolution is passed:
  - (a) every five (5) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.05 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”);
  - (b) the Consolidated Shares shall rank *pari passu* in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
  - (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.01 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and
  - (d) the directors of the Company be and are hereby generally authorised to do all such acts, deeds and things and execute all such documents, including under the seal of the Company, where applicable, as they may consider necessary or expedient to complete, implement and give effect to any and all the arrangements set out in this resolution.

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## NOTICE OF EGM

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For the purpose of this resolution, “business day” means a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business.”

2. **“THAT** conditional upon fulfilment of the conditions of the Underwriting Agreement (as defined below):
  - (a) the allotment and issue of 1,672,592,000 Consolidated Shares in the share capital of the Company (the **“Offer Shares”**) by way of open offer (the **“Open Offer”**) at a subscription price of HK\$0.25 per Offer Share to the qualifying holders of the Shares (the **“Qualifying Shareholders”**) of the Company whose names appear on the register of members of the Company on Wednesday, 23 December 2015 (or such other date as the Underwriter (as defined below) may agree in writing with the Company to be the record date for such Open Offer) (the **“Record Date”**) other than those shareholders with addresses on the Record Date are outside Hong Kong to whom the Board, based on legal opinions provided by the legal advisers, considers it necessary or expedient not to offer the Offer Shares on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the **“Non-qualifying Shareholders”**) as described in further details in the Company’s circular dated 25 November 2015 and on and subject to such terms and conditions as may be determined by the Directors and otherwise pursuant to and subject to the fulfillment of the conditions set out in the underwriting agreement (the **“Underwriting Agreement”** including all supplemental agreement(s) relating thereto, if any) (a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) dated 9 September 2015 and made between the Company and Black Marble Securities Limited as underwriter (the **“Underwriter”**), and the transactions contemplated thereunder, be and are hereby approved;
  - (b) any one Director be and is hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong;

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## NOTICE OF EGM

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- (c) the entering into of the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Offer Shares, if any, by the Underwriter) be and are hereby approved;
- (d) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder or in this resolution.”
3. **“THAT** Mr. Hon Leung be re-elected as an independent non-executive Director.”

By Order of the board of Directors  
**China Investment and Finance Group Limited**  
**Chan Cheong Yee**  
*Executive Director*

Hong Kong, 25 November 2015

*Notes:*

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy thereof, must be deposited at the Company’s share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appoint a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the extraordinary general meeting is attached herewith.
6. Any voting at the extraordinary general meeting shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

*As at the date of this notice, the Board comprises Mr. Chan Cheong Yee as executive Director; Mr. Liao Jintian, Ms. Lee Kar Ying and Mr. Wu Qi as non-executive Directors; and Mr. Tsang Hin Man Terence, Mr. Luk Simon, Ms. Liu Xiaoyin and Mr. Hon Leung as independent non-executive Directors.*