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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Mastermind Capital Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MASTERMIND CAPITAL LIMITED****慧德投資有限公司\****(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 905)****REFRESHMENT OF GENERAL MANDATE  
TO ISSUE AND ALLOT SHARES  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders****粵海證券有限公司****GUANGDONG SECURITIES LIMITED**

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A letter from the Independent Board Committee (as defined in this circular) is set out on page 13 of this circular. A letter from Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders (as defined in this circular), is set out on pages 14 to 21 of this circular.

A notice convening the EGM (as defined in this circular) to be held at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong on Monday, 31 January 2011, at 11:00 a.m., Hong Kong is set out on pages 22 to 24 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company in Hong Kong at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

\* *for identification purpose only*

14 January 2011

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## DEFINITIONS

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

“AGM”	the last annual general meeting of the Company held on 30 June 2010
“associates”	has the meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	Mastermind Capital Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room 1401-03 , 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong on Monday, 31 January 2011, at 11:00 a.m., to consider and approve the refreshment of the Issue Mandate
“Existing General Mandate”	the general mandate approved by the Shareholders at the AGM authorising the Directors to allot and issue Shares up to 20% of the issued share capital of the Company as at that date
“Group”	the Company and its subsidiaries from time to time
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Existing General Mandate by granting the Issue Mandate
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board established by the Board to advise the Independent Shareholders in respect of the Issue Mandate
“Independent Shareholders”	Shareholders other than TDX and its respective associates (as defined under the Listing Rules)
“Issue Mandate”	the general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“Latest Practicable Date”	13 January 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.025 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TDX”	中國天地行物流控股集團有限公司 (for identification purpose, in English, China Tian Di Xing Logistics Holdings Limited), a company incorporated in Hong Kong with limited liability
“%”	per cent.

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LETTER FROM THE BOARD

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**MASTERMIND CAPITAL LIMITED**

**慧德投資有限公司\***

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

**(Stock Code: 905)**

*Executive Directors:*

Mr. MUNG Kin Keung (*Chairman*)  
Mr. TANG Hao (*Chief Executive Officer*)  
Mr. HA Wing Ho, Peter  
Mr. CHEE Man Sang, Eric  
Mr. Michael STOCKFORD  
Mr. MUNG Chiu Yu, Alan

*Independent Non-executive Directors:*

Mr. LO Tak Kin  
Ms. YU Tin Yan, Winnie  
Mr. LEE Patrick

*Registered office:*

Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

*Principal place of business  
in Hong Kong:*

Room 1401-03, 14th Floor  
Tower 2, Admiralty Centre  
18 Harcourt Road  
Hong Kong

14 January 2011

*To the Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE  
TO ISSUE AND ALLOT SHARES  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the information relating to: (i) the refreshment of general mandates to issue and allot Shares; and (ii) the recommendation from the Independent Board Committee and the recommendation from Guangdong Securities to the Independent Board Committee and the Independent Shareholders with regards to the Issue Mandate, and to give you notice of the EGM.

\* for identification purpose only

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## LETTER FROM THE BOARD

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### HISTORY OF REFRESHMENTS AND UTILISATION OF GENERAL MANDATE AND USE OF PROCEEDS

There had been no refreshment of the Existing General Mandate since the AGM. Set out below are the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
14 October 2010	Issue of 355,200,000 subscription Shares at the subscription price of HK\$0.125 per Share	Approximately HK\$44.37 million for general working capital and future investment purpose	Approximately HK\$14 million was retained as general working capital and approximately HK\$30.37 million was reserved for future investment of the Group as at the Latest Practicable Date
18 December 2009	Placing of 288,000,000 new Shares at the placing price of HK\$0.125 per Share	Approximately HK\$35.04 million for future investment purpose	An aggregate of HK\$30 million was used as deposits for three potential investment in PRC companies (HK\$10 million each). Due diligence was in progress and no binding agreements had been entered into with the counterparties as at the Latest Practicable Date  HK\$5.04 million was used as part of consideration to subscribe for 10 million shares in National Arts Holdings Limited in December 2010

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## LETTER FROM THE BOARD

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Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

### **REFRESHMENT OF THE EXISTING GENERAL MANDATE**

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to issue, allot and deal with up to 355,200,000 Shares, which is equivalent to 20% of the then issued share capital of the Company.

As announced by the Company on 14 October 2010, an aggregate of 355,200,000 new Shares has been issued under the Existing General Mandate, representing 100% of the Existing General Mandate. No Shares can be further issued under the Existing General Mandate.

In order to provide a flexible means for the Company to raise further funds through the issue of new Shares for future investment by the Group, the Board proposes to refresh the Existing General Mandate to allow the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

As at the Latest Practicable Date, the issued share capital of Company consisted of 2,131,200,000 Shares. An ordinary resolution will be proposed to the Independent Shareholders to approve the Issue Mandate to authorise the Directors to issue, allot and deal with the new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM for passing such resolution that is 426,240,000 Shares, assuming no further Shares will be issued and/or repurchased by the Company prior to the EGM.

### **REASONS FOR THE REFRESHMENT**

The Group is an investment company under chapter 21 of the Listing Rules. The Group principally invests in listed and unlisted companies in Hong Kong and other parts of the PRC. The Group intends to put more focus on the investment in Greater China region and will participate and identify investment opportunities in the PRC to achieve the growth for the Group.

The Company was granted a general mandate to issue 288,000,000 Shares at the annual general meeting of the Company held on 1 June 2009. Such general mandate had been utilized as to 288,000,000 Shares by a placing of the Company, details of which has been disclosed in the announcement of the Company dated 18 December 2009. The net proceed thereof was approximately HK\$35.04 million. An aggregate of HK\$30 million has been used as deposits for three potential investment in PRC companies (HK\$10 million each). Due diligence was in progress and no binding agreements had been entered into with the counterparties as at the Latest Practicable Date. HK\$5.04 million was used as part of consideration to subscribe for 10 million shares in National Arts Holdings Limited (“National Arts”) in December 2010.

The Company was granted the general mandate to issue 355,200,000 Shares at the AGM. Such general mandate had been utilized as to 355,200,000 Shares by an issuance of new Shares, details of which has been disclosed in the announcement of the Company dated 14

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## LETTER FROM THE BOARD

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October 2010. The net proceed was approximately HK\$44.37 million from such issuance and approximately HK\$14 million has been retained as general working capital (the estimated annual operating cost of the Group is approximately HK\$7 million) and the balance was reserved for future investment of the Group. There is no change in the intended use of the proceeds.

As at the Latest Practicable Date, the Company was engaged in discussions in connection with two potential investment in an Australian mining company (investment amount of approximately HK\$19.5 million) and a PRC property development company (investment amount of approximately HK\$11.8 million) respectively, with independent third parties but no legally binding agreements or contracts had been entered into with the counterparties. The aforesaid potential investment may or may not proceed. Although the cash and cash equivalents of the Group was approximately HK\$44.1 million as at 31 December 2010 of which HK\$30.37 million was reserved for future investment of the Group, the Directors consider that it is prudent for the Company to retain the flexibility to raise further funds for the Group's general working capital and future investment should the market condition for fund raising be favourable. Such possible equity fund raising activities under the Issue Mandate can also strengthen the capital base of the Company. In addition, there is no certainty that adequate cash resources or other financing alternatives will be available for appropriate investment opportunities that may be identified by the Company in the future. The Issue Mandate will enable the Group to respond promptly and raise funds in a timely manner should any potential investment opportunities may arise or the market condition for fund raising become favourable.

Although the interests of the Shareholders in the Company was diluted by the issuance of new Shares under the Existing General Mandate, the unaudited consolidated net asset value per Share was increased from HK\$0.019 as at 31 December 2009 to approximately HK\$0.048 as at 30 November 2010. The Board believes that the issue price per Share of future utilization of the Issue Mandate will not be lower than the net asset value per Share. As such, upon receiving the equivalent amount of consideration for the issue of Shares under the Issue Mandate, the net asset value of the Company as well as the per Share will be increased to the benefit of the Shareholders.

The Group had raised approximately HK\$61.05 million and incurred an accumulated loss of approximately HK\$127.44 million for the past ten years (from 1 January 2000 to 31 December 2009). Mr. MUNG Kin Keung ("Mr. Mung") was appointed as an executive director of the Company and a new composition of the Board was also formed in March 2007. The cash balance of the Group was approximately HK\$2.32 million as at 31 December 2007. Under the situation at that moment, no favourable investment could be made for generating significant income or growth. An open offer was announced to raise fund in August 2008 for the purpose to improve the financial position of the Group and three new Shares issuances to raise fund in 2009 and 2010 were for the purpose of enhancement of the capital base of the Group for future investment. After the completion of open offer and the issuance of new Shares, the cash and cash equivalents of the Group was approximately HK\$27.96 million, HK\$13.52 million and HK\$45 million as at 31 December 2008, 31 December 2009 and 30 June 2010 respectively. The Group has utilized a major portion of raised fund for investment and some of them had guarantee returns. The Board wishes such investment can provide a stable return to the Group. Besides, the Board will continue to identify similar investment opportunities which offer



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## LETTER FROM THE BOARD

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outstanding returns and within the acceptable risk profile of the Group. The Board expects the returns from investment and the capital appreciation of investment can increase the net worth of the Group and the Shareholders.

Investment made and held by the Company in each of the past three financial years and the period from 1 January 2010 to the Latest Practicable Date were summarized as follows:

<b>Year ended 2007</b>	<b>Year ended 2008</b>	<b>Year ended 2009</b>	<b>For the period from 1 January 2010 to the Latest Practicable Date</b>
NIL	Ordinary shares in Shougang Concord Technology Holdings Limited (“Shougang”) <i>(note 1)</i>	Ordinary shares in Shougang	Ordinary shares in Shougang
		Ordinary shares in APAC Resources Limited (“APAC”)	Ordinary shares in APAC
		Common shares in Medifocus Inc. (“Medifocus”)	Common shares in Medifocus
			Ordinary shares in National Arts <i>(note 2)</i>
		Partnership shares in Ruyuan Yao Autonomous County Erwan Hydropower Station <sup>#</sup> (乳源瑶族自治县二灣水电站) (“Erwan Hydropower Station”)	Partnership shares in Erwan Hydropower Station

<sup>#</sup> for identification purpose only

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**LETTER FROM THE BOARD**

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<b>Year ended 2007</b>	<b>Year ended 2008</b>	<b>Year ended 2009</b>	<b>For the period from 1 January 2010 to the Latest Practicable Date</b>
		Partnership shares in Ruyuan Yao Autonomous County Pingkengzai Hydropower Station <sup>#</sup> (乳源瑤 族自治縣坪坑仔水 電站) (“Pingkengzai Hydropower Station”)	Partnership shares in Pingkengzai Hydropower Station
		Partnership shares in Ruyuan Yao Autonomous County Tianquan Hydropower Station <sup>#</sup> (乳源瑤 族自治縣天泉水電 站) (“Tianquan Hydropower Station”)	Partnership shares in Tianquan Hydropower Station
		Partnership shares in Ruyuan Yao Autonomous County Shangshan Hydropower Station <sup>#</sup> (乳源瑤 族自治縣上山水電 站) (“Shangshan Hydropower Station”)	Partnership shares in Shangshan Hydropower Station

*Note 1:* Mr. Mung held 113.726 million shares in Shougang as at the Latest Practicable Date. He acquired 80 million shares in Shougang at a price of HK\$0.28 per share in December 2008, 20 million shares in Shougang at a price of HK\$0.29 in January 2009 and 13.726 million shares in Shougang at a price of HK\$0.53 in December 2009. Mr. Mung has declared his interests in Shougang when the Company acquired shares in Shougang. After Mr. Mung was appointed as an executive director of Shougang in January 2009, the Company had not acquired further shares in Shougang. Mr. Mung agreed that he would only dispose of the same ratio of shareholding in Shougang after the Group has made a disposal.

<sup>#</sup> for identification purpose only

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## LETTER FROM THE BOARD

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*Note 2:* Each of Mr. Mung and a wholly-owned subsidiary of the Company subscribed 10 million shares through the placing from National Arts at a placing price of HK\$1.1 per share at the same time. Mr. Mung has declared his interests in National Arts and the Board believed that there was no conflict of interest. For the disposal of National Arts, Mr. Mung agreed that he would only dispose of the same ratio of shareholding in National Arts after the Group has made a disposal.

Mr. Mung held 10 million shares in National Arts as at the Latest Practicable Date.

*Note 3:* As at the Latest Practicable Date, to the best knowledge of the Directors, none of the investee companies are the Shareholders.

No investment was disposed of and thus no gain/loss has been realized in the aforesaid years/period.

Accordingly, the Directors consider that the granting of the Issue Mandate is in the interests of the Company and its Shareholders as a whole.

Apart from equity financing, the Group will also consider debt financing, such as bank borrowings, as possible fund raising method for the Group. In this regard, the Directors consider that the ability for the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition. In addition, such alternative may subject to lengthy due diligence and negotiations with the banks. In light of also that debt financing will usually incur interest burden on the Group. Due to these reasons, the Directors consider that debt financing would be relatively uncertain and time-consuming as compared to equity financing, such as placement of new Shares, for the Group to obtain additional funding.

The Directors will in any event exercise due and careful consideration when choosing the best method of financing for the Group. As the granting of the Issue Mandate will provide the Company with an additional alternative and the flexibility in deciding the financing methods for its future business development, the Directors are of the view that the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### Potential dilution to shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company as at the Latest Practicable Date		Shareholding in the Company upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company)	
	No. of Shares	%	No. of Shares	%
TDX (Note 1)	1,080,000,000	50.68	1,080,000,000	42.23
Mr. TANG Hao	155,200,000	7.28	155,200,000	6.07
Greater China Special Value Fund (Note 2)	123,200,000	5.78	123,200,000	4.82
Total shareholding of existing public Shareholders	772,800,000	36.26	772,800,000	30.21
Shares to be issued under the Issue Mandate	–	–	426,240,000	16.67
<b>Total</b>	<b>2,131,200,000</b>	<b>100.00</b>	<b>2,557,440,000</b>	<b>100.00</b>

*Notes:*

- These shares were registered in the name of and were beneficially owned by TDX, a company in which Mr. MUNG Kin Keung (“Mr. Mung”) holds 99.99% equity interests. Therefore, Mr. Mung is deemed to have an interest in the Shares in which TDX is interested.
- Mr. Michael STOCKFORD, an executive Director, is a director of the Greater China Special Value Fund (the “Fund”) and a director of the investment manager of the Fund.

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 36.26% as at the Latest Practicable Date to approximately 30.21% upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 6.05 percentage point.

### EGM

A notice of the EGM is set out on pages 22 to 24 of this circular at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the refreshment of the Existing General Mandate to allot and issue Shares. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

As the proposed refreshment to the Existing General Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate will be subject to Independent Shareholders' approval by way of poll at the EGM, where any controlling Shareholders and their associates or, where there is no controlling Shareholders, Directors and the chief executive of the Company shall abstain from voting in favour of the Issue Mandate. As at the Latest Practicable Date, TDX, a company in which Mr. Mung, the Chairman and an executive Director, holds 99.99% equity interests, is the controlling Shareholder and has interest in 1,080,000,000 Shares, representing approximately 50.68% of the issued share capital of the Company. Accordingly, TDX, Mr. Mung and their associates will abstain from voting in favour of the resolution in relation to the proposed refreshment of the Existing General Mandate to be proposed at the EGM in accordance with Rule 13.36(4) of the Listing Rules.

### RECOMMENDATION

The Directors are of the opinion that the terms of the refreshment of the Existing General Mandate are fair and reasonable and the Issue Mandate are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the relevant resolution proposed at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the refreshment of the Existing General Mandate and Guangdong Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Guangdong Securities considers the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Group and the Shareholders as a whole. The text of the letter of advice from Guangdong Securities containing its recommendation in respect of the refreshment of the Existing General Mandate is set out on pages 14 to 21 of this circular.

The Independent Board Committee, having taken into account the advice of Guangdong Securities, considers the terms of the refreshment of the Existing General Mandate are fair and reasonable and the refreshment of the Existing General Mandate is in the interests of the Group and the Shareholders so far as the Independent Shareholders as a whole are concerned. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the relevant resolution proposed at the EGM to approve the refreshment of the Existing General Mandate. The full text of the letter from the Independent Board Committee is set out on page 13 of this circular.

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## LETTER FROM THE BOARD

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### GENERAL

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (a) the information contained in this circular is accurate and complete in all material respects and not misleading; (b) there are no other matters the omission of which would make any statement in this circular misleading; and (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Copies of the Company's memorandum of association and articles will be available for inspection at the principal place of business of the Company in Hong Kong at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 13 of this circular; and (ii) the letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 21 of this circular.

Yours faithfully,  
By the order of the Board of  
**Mastermind Capital Limited**  
**MUNG Kin Keung**  
*Chairman and Executive Director*



**MASTERMIND CAPITAL LIMITED**

**慧德投資有限公司\***

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

**(Stock Code: 905)**

14 January 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**REFRESHMENT OF EXISTING GENERAL MANDATE**

We refer to the circular to the Shareholders dated 14 January 2011 (the “Circular”) of which this letter forms part. 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 the Independent Board Committee to advise the Independent Shareholders on whether the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Guangdong Securities as set out on pages 14 to 21 of the Circular and the letter from the Board as set out on pages 3 to 12 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of Guangdong Securities as stated in its letter of advice, we consider that the refreshment of the Existing General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Issue Mandate proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**LO Tak Kin**

*Independent*

*non-executive Director*

**YU Tin Yan, Winnie**

*Independent*

*non-executive Director*

**LEE Patrick**

*Independent*

*non-executive Director*

\* *for identification purpose only*

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## LETTER FROM GUANGDONG SECURITIES

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*Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the refreshment of the Existing General Mandate for the purpose of inclusion in this circular.*



Units 2505-06, 25/F.  
Low Block of Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

14 January 2011

*To: The independent board committee and the independent shareholders  
of Mastermind Capital Limited*

Dear Sirs,

### **REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Existing General Mandate, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 14 January 2011 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, there is no further Shares could be issued under the Existing General Mandate which was granted to the Directors at the annual general meeting of the Company held on 30 June 2010 (the “**Previous AGM**”). Therefore, the Board proposes to seek approval of the Independent Shareholders for the refreshment of the Existing General Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM. Pursuant to Rule 13.36(4) of the Listing Rules, the granting of the Issue Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling shareholder(s) (as defined in the Listing Rules) of the Company and their associates or, where there is no controlling shareholder of the Company, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution(s) proposed for the approval of such grant, and under Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by way of poll. As at the Latest Practicable Date, TDX, a company in which Mr. Mung Kin Keung, being the



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## LETTER FROM GUANGDONG SECURITIES

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controlling Shareholder and the chairman of the Company holds 99.99% equity interests, is a controlling Shareholder, and has interest in 1,080,000,000 Shares, representing approximately 50.68% of the issued share capital of the Company. As such, TDX and Mr. Mung Kin Keung and their respective associates shall abstain from voting in favour of the ordinary resolution(s) in respect of the refreshment of the Existing General Mandate at the EGM.

An Independent Board Committee comprising Mr. Lo Tak Kin, Ms. Yu Tin Yan, Winnie and Mr. Lee Patrick (all being independent non-executive Directors) has been established to advise the Independent Shareholders on the refreshment of the Existing General Mandate. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. 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 enquiry and careful consideration. We have no reason to suspect that any material facts or 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 Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the refreshment of the Existing General Mandate. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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## LETTER FROM GUANGDONG SECURITIES

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Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the refreshment of the Existing General Mandate, we have taken into consideration the following principal factors and reasons:

#### **(1) Background of the refreshment of the Existing General Mandate**

The Group is an investment company under Chapter 21 of the Listing Rules and principally invests in listed and unlisted companies in Hong Kong and other parts of the PRC.

The Directors were authorised to issue and allot up to 355,200,000 new Shares under the Existing General Mandate which was granted to the Directors at the Previous AGM.

According to the announcement of the Company dated 14 October 2010 regarding the issue of subscription Shares (the “**Subscription Shares**”) under the Existing General Mandate, 355,200,000 Subscription Shares were issued. Since all of the Subscription Shares were issued under the authority of the Existing General Mandate, the Existing General Mandate has been utilised as to 355,200,000 Shares, representing 100% of the Existing General Mandate.

If the Issue Mandate is not granted, no new Shares can be further issued and allotted by the Directors under the Existing General Mandate. Given that the Existing General Mandate has been fully utilised as a result of issuing Subscription Shares, the Board proposes to seek approval of the Independent Shareholders for the refreshment of the Existing General Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution(s) at the EGM.

As at the Latest Practicable Date, the issued share capital of Company consisted of 2,131,200,000 Shares. An ordinary resolution will be proposed to the Independent Shareholders to approve the Issue Mandate to authorise the Directors to issue, allot and deal with the new Shares, being the number of Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM for passing such resolution.

#### **(2) Reasons for the refreshment of the Existing General Mandate**

As advised by the Directors, the Directors believe that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole by maintaining the financial flexibility necessary for the Group to raise fund in a timely manner in order to seize investment opportunities that may arise. In this regard, the Directors also consider equity financing to be an important avenue of resources to the Group since it does not create any interest paying obligations on the Group.

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## LETTER FROM GUANGDONG SECURITIES

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We noted from the financial statements of the Group that the cash and cash equivalents of the Group was approximately HK\$2.32 million, HK\$27.96 million, HK\$13.52 million and HK\$44.10 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 December 2010 respectively. With reference to the interim report of the Company for the six months ended 30 June 2010, the Group will continue to look for investment opportunities, which offer outstanding returns and within the acceptable risk profile of the Group. With reference to the Board Letter, the Group also intends to put more focus on the investment in Greater China region and will participate and identify investment opportunities in the PRC to achieve the growth for the Group. As at the Latest Practicable Date, the Company was engaged in discussions in connection with two potential investment in an Australian mining company (investment amount of approximately HK\$19.5 million) and a PRC property development company (investment amount of approximately HK\$11.8 million) respectively, with independent third parties but no legally binding agreements or contracts had been entered into with the counterparties. The aforesaid potential investment may or may not proceed. Although the cash and cash equivalents of the Group was approximately HK\$44.10 million as at 31 December 2010 of which approximately HK\$30.37 million is reserved for future investment of the Group, the Directors consider that it is prudent for the Company to retain the flexibility to raise further funds for the Group's general working capital and future investment should the market condition for fund raising be favourable. Such possible equity fund raising activities under the Issue Mandate can also strengthen the capital base of the Company. In addition, there is no certainty that adequate cash resources or other financing alternatives will be available for appropriate investment opportunities that may be identified by the Company in the future. Accordingly, the Directors are of the view that the refreshment of the Existing General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investment in the future as and when such opportunities arise, so as to maintain sufficient cash of the Group at the same time.

Given the foregoing, we are of the opinion that the refreshment of the Existing General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. Accordingly, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

We noted from the Board Letter that (i) the Group held ordinary shares in Shougang and National Arts for investment purpose for the period from 1 January 2010 to the Latest Practicable Date; and (ii) Mr. Mung, being the Chairman of the Company, holds 113,726,000 shares of Shougang and 10,000,000 shares of National Arts, as at the Latest Practicable Date. As advised by the Directors, in order to avoid any conflict of interest, Mr. Mung will only dispose the same quantity of shares in Shougang and National Arts after the Group has made relevant disposal of the same.

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## LETTER FROM GUANGDONG SECURITIES

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### (3) Equity fund raising activities in the past twelve months

Set out below are the equity fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
14 October 2010	Issue of 355,200,000 Subscription Shares at the subscription price of HK\$0.125 per Share (the “ <b>2010 Subscription</b> ”)	Approximately HK\$44.37 million for general working capital and future investment purpose	Approximately HK\$14 million was retained as general working capital and approximately HK\$30.37 million was reserved for future investment of the Group as at the Latest Practicable Date
18 December 2009	Placing of 288,000,000 new Shares at the placing price of HK\$0.125 per Share (the “ <b>2009 Placing</b> ”)	Approximately HK\$35.04 million for future investment purpose	(i) An aggregate of HK\$30 million was used as deposits for three potential investment in PRC companies (HK\$10 million each); and (ii) HK\$5.04 million was used to subscribe for the shares in National Arts (Stock code: 8228)

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

**(4) Flexibility in financing**

As advised by the Directors, the Group does not obviate the possibilities of further issuing capital if there is investor indicating interest in the business of the Company. The Directors believe that the refreshment of the Existing General Mandate will provide the Group with flexibility for possible future equity fund raising. The Directors are therefore of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

As discussed in the foregoing, we consider that the refreshment of the Existing General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. The refreshment of the Existing General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investment in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the refreshment of the Existing General Mandate would provide the Group with more financing options when assessing and negotiating potential investment in a timely manner. Although the Group may raise fund through open offer or rights issue which allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, relatively longer time frame is required and such fund raising methods do not provide the Company with the flexibility to issue and allot new Shares as consideration for potential investment in the future as and when such opportunities arise. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

**(5) Other financing alternatives**

We have enquired into the Directors and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings and issue of bonds, to be other possible fund raising alternatives available to the Group. However, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with banks. In light of also that debt financing will usually incur interest burden on the Group, the Directors consider debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the refreshment of the Existing General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the refreshment of the Existing General Mandate is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GUANGDONG SECURITIES

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### (6) Potential dilution to shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company		Shareholding in the Company	
	as at the Latest		upon full utilisation of the	
	Practicable Date		Issue Mandate (assuming no	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
TDX ( <i>Note 1</i> )	1,080,000,000	50.68	1,080,000,000	42.23
Mr. Tang Hao	155,200,000	7.28	155,200,000	6.07
Greater China Special Value Fund ( <i>Note 2</i> )	123,200,000	5.78	123,200,000	4.82
Total shareholding of existing public Shareholders	772,800,000	36.26	772,800,000	30.21
Shares to be issued under the Issue Mandate	–	–	426,240,000	16.67
<b>Total</b>	2,131,200,000	100.00	2,557,440,000	100.00

*Notes:*

- This shares were registered in the name of and were beneficially owned by TDX, a company in which Mr. Mung Kin Keung holds 99.99% equity interests. Therefore, Mr. Mung Kin Keung is deemed to have an interest in the Shares in which TDX is interested.
- Mr. Michael Stockford, an executive director, is a director of the Greater China Special Value Fund (the “Fund”) and a director of the investment manager of the Fund.

The table above illustrates that the shareholdings of the existing public Shareholders (the “Existing Public Shareholdings”) would decrease from approximately 36.26% as at the Latest Practicable Date to approximately 30.21% upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 6.05 percentage point.

In addition, we noted that the public Shareholders were interested in 408,000,000 Shares as at 18 December 2009, representing approximately 27.42% of the then issued share capital of the Company (the “2009 Public Shareholdings”). The 2009 Public Shareholdings was diluted to approximately 22.97% upon completion of the 2009 Placing and to approximately 19.14% upon completion of the 2010 Subscription. Despite the aforesaid dilution to the 2009 Public Shareholdings, (i) the closing price of the Shares was increased from HK\$0.125 per Share as at 18 December 2009, being the date of the

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## LETTER FROM GUANGDONG SECURITIES

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announcement relating to the 2009 Placing, to HK\$0.248 as at the Latest Practicable Date; and (ii) the unaudited consolidated net asset value per Share was increased from approximately HK\$0.019 as at 31 December 2009 to approximately HK\$0.048 as at 30 November 2010. The 2009 Public Shareholdings will be further diluted to approximately 15.95% upon full utilisation of the Issue Mandate (assuming no other Shares are issued or repurchased by the Company).

Taking into account that the refreshment of the Existing General Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the Issue Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investment as and when such opportunities arise; (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the Issue Mandate; (iv) the closing price of the Shares was increased from HK\$0.125 per Share as at 18 December 2009, being the date of the announcement relating to the 2009 Placing, to HK\$0.248 as at the Latest Practicable Date; and (v) the unaudited consolidated net asset value per Share was increased from approximately HK\$0.019 as at 31 December 2009 to approximately HK\$0.048 as at 30 November 2010, we are of the opinion that the potential dilution to the Existing Public Shareholdings and the 2009 Public Shareholdings as just mentioned is acceptable.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the refreshment of the Existing General Mandate 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. 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 refreshment of the Existing General Mandate and we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Guangdong Securities Limited**  
**Graham Lam**  
*Managing Director*

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## NOTICE OF EGM

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### MASTERMIND CAPITAL LIMITED

### 慧德投資有限公司\*

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

**(Stock Code: 905)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Mastermind Capital Limited (the “Company”) will be held at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong on Monday, 31 January 2011, at 11:00 a.m. for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.025 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; or (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for grant or issue of shares or rights to acquire shares of the Company; shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

\* *for identification purpose only*



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## NOTICE OF EGM

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(d) for the purpose of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

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

By Order of the Board of  
**Mastermind Capital Limited**  
**MA Man Pong**  
*Company Secretary*

Hong Kong, 14 January 2011

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## NOTICE OF EGM

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*Notes:*

1. Pursuant to the Listing Rules, the resolution set out in the notice is to be voted by poll at the EGM.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the principal place of business of the Company in Hong Kong at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the EGM, in person or by proxy, in respect of such share as if he or she was solely entitled thereto, but if more than one of such holders be present at the EGM, 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 in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.