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TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder in writing on the occurrence of certain events at any time on or before 4:00 p.m. on the Settlement Date, if, in the reasonable opinion of the Underwriter:

- (a) the success of the Open Offer would be affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes inexpedient or inadvisable to proceed with the Open Offer; or
 - (iii) any material adverse change in the financial position of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
- (b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially and adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect the success of the Open Offer or might cause a prudent investor not to apply in full for its assured allotment of the Offer Shares under the Open Offer; or

TERMINATION OF THE UNDERWRITING AGREEMENT

In addition, the Underwriter shall be entitled by notice in writing to the Company, served prior to 4:00 p.m. on the second Business Day after the Latest Time for Acceptance to terminate the Underwriting Agreement if:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its financial position as a whole; or
- (b) the Underwriter shall either receive the relevant notification under the Underwriting Agreement or otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer; or
- (c) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Conditions of the Underwriting Agreement and the Open Offer

The Underwriting Agreement and the Open Offer are conditional upon, among other things, the fulfillment of the following conditions:

- (i) the passing at the EGM to be convened by the EGM Notice set out in this circular (or any adjournment thereof) of resolutions to approve the Capital Reorganisation and the Open Offer in accordance with the Listing Rules;
- (ii) the signing by or on behalf of all of the Directors on or before the Prospectus Posting Date of two copies of each of the Prospectus Documents;
- (iii) the delivery on or before the Prospectus Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter;
- (iv) the delivery to the Stock Exchange and the registration with the Registrar of Companies in Hong Kong respectively on or prior to the Prospectus Posting Date of one copy of each of the Prospectus Documents each duly certified by the Directors in compliance with section 342C(1) of the Companies Ordinance and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (v) the posting on the Prospectus Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) compliance by the Company with all its obligations under the Underwriting Agreement;
- (vii) compliance by Harvest Capital and Joint Talent with all their respective obligations under the relevant undertaking letter in accordance with the terms thereof;
- (viii) the Listing Committee of the Stock Exchange (a) agreeing to grant listing of, and permission to deal in, the Offer Shares either unconditionally or subject to conditions which the Company and the Underwriter accept and the satisfaction of such conditions (if any) by no later than the Prospectus Posting Date and (b) not having withdrawn or revoked such listing and permission on or before 4:00 p.m. on the Settlement Date; and
- (ix) the Capital Reorganisation becoming effective in all respects in accordance with the Companies Law on or before the Prospectus Posting Date.

In the event that the above conditions are not satisfied on or before the respective dates referred to above (or such other date as may be agreed between the Underwriter and the Company), the Underwriting Agreement shall terminate and all obligations and liabilities of the parties thereunder shall cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof).

DEFINITIONS

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 15 December 2010 relating to, amongst other things, the proposed Capital Reorganisation, the Change of Board Lot Size and the Open Offer
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baron Capital”	Baron Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the Underwriter
“Board”	board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holidays) on which banks are open for business
“Capital Increase”	the proposed increase of authorised share capital of the Company from HK\$30,000,000 divided into 3,000,000,000 Existing Shares to HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares
“Capital Reorganisation”	collectively, the Capital Increase and the Share Consolidation
“CCASS”	the Central Clearing and Settlement System, established and operated by HKSCC
“Change of Board Lot Size”	the proposed change of board lot size for trading in the shares of the Company from 4,000 Existing Shares to 8,000 Consolidated Shares upon the Share Consolidation becoming effective
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Investment Fund Company Limited, a limited liability company incorporated in the Cayman Islands, whose shares are listed on the main board of the Stock Exchange

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company after the Share Consolidation becoming effective
“Director(s)”	Director(s), including the independent non-executive director(s), of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, among other things, the Capital Reorganisation and the Open Offer
“Excluded Shareholder(s)”	the Overseas Shareholders whom the Directors, after making enquiries, consider it necessary or expedient on account either of legal restriction under the laws of the relevant overseas places of the requirements of the relevant regulatory body or stock exchange in those places not to offer the Offer Shares to them
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company, before the implementation of the Share Consolidation
“Group”	the Company and its subsidiaries
“Harvest Capital”	Harvest Capital Global Enterprises Ltd., a company incorporated in the British Virgin Islands with limited liability, and is wholly and indirectly owned by Ms. Letty Wan and a substantial shareholder of the Company and one of the Sub-underwriters
“Harvest Capital Sub-underwriting Letter”	the sub-underwriting letter dated 2 December 2010 (as amended by two supplemental sub-underwriting letters dated 10 December 2010 and 21 December 2010 respectively) signed between Baron Capital and Harvest Capital in respect of the sub-underwriting of not less than 62,499,796 Offer Shares and not more than 93,450,796 Offer Shares, details of which are set out in the paragraph headed “Sub-underwriting Letters” under the section headed “Underwriting Arrangement” of this circular
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Cheng Wing Keung, Raymond, Mr. Yeung Chun Yue, David and Mr. Siu Hi Lam, Alick, being all the independent non-executive Directors, established to advise the Independent Shareholders on the terms of the Open Offer

DEFINITIONS

“Independent Financial Adviser”	AsiaVest Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than Harvest Capital
“Independent Third Party(ies)”	independent third party(ies) who is (are) not connected person(s) of the Company and is (are) independent of the Company and connected person of the Company
“Investment Manger”	Baron Asset Management Limited, a company incorporated in Hong Kong with limited liability and the investment manager of the Company
“Joint Talent”	Joint Talent Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and is ultimately wholly-owned by owned by Mr. Lam Kwing Wai, Alvin Leslie
“June 2010 Options”	the outstanding options granted on 22 June 2010 by the Company to the holders thereof to subscribe up to a maximum of 112,000,000 new Existing Shares as at the Latest Practicable Date
“Last Trading Day”	2 December 2010, being the last trading day prior to the suspension of trading in the Existing Shares from 9:30 a.m. on 3 December 2010 pending the issue of the Announcement
“Latest Practicable Date”	18 January 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 1 March 2011 or such other time or date 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 2 March 2011 or such other time as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“May 2009 Options”	the outstanding options granted on 12 May 2009 by the Company to the holders thereof to subscribe up to a maximum of 60,000,000 new Existing Shares as at the Latest Practicable Date

DEFINITIONS

“Masterlink”	Masterlink Securities (Hong Kong) Corporation Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO and a Sub-underwriter under the Masterlink Sub-underwriting Letter. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Masterlink and its ultimate beneficial owners are Independent Third Parties
“Masterlink Sub-underwriting Letter”	the sub-underwriting letter dated 14 December 2010 signed between Baron Capital and Masterlink in respect of the sub-underwriting of 115,000,000 Offer Shares, details of which are set out in the paragraph headed “Sub-underwriting Letters” under the section headed “Underwriting Arrangement” of this circular
“Mr. Joseph Wan”	Mr. Wan Chuen Chung, Joseph, the beneficial owner of Baron Capital and the father of Ms. Letty Wan
“Ms. Letty Wan”	Ms. Wan Ho Yan Letty, the beneficial owner of Harvest Capital, and a connected person of the Company
“Offer Shares”	not less than 446,080,000 Consolidated Shares (assuming the remaining subscription rights attached to the Options are not exercised on or before the Record Date) and not more than 514,880,000 Consolidated Shares (assuming the remaining subscription rights attached to the Options are exercised in full on or before the Record Date) to be offered to the Qualifying Shareholders for subscription pursuant to the Open Offer
“Open Offer”	the proposed offer by way of open offer of the Offer Shares at the Subscription Price on the basis of an assured allotment for the Qualifying Shareholders of two Offer Shares for every Consolidated Share held on the Record Date on the terms to be set out in the Prospectus Documents and as described in this circular
“Options”	collectively, the May 2009 Options and the June 2010 Options
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not eligible to participate in the Open Offer
“Overseas Shareholders”	the Shareholders whose addresses on the register of members of the Company as at the close of business on the Record Date are outside Hong Kong

DEFINITIONS

“Polaris”	Polaris Securities (Hong Kong) Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contract), Type 6 (advising on corporation finance) and Type 9 (asset management) regulated activities under the SFO and a Sub-underwriter under the Polaris Sub-underwriting Letter. To the best of the Directors’ Knowledge, information and belief having made all reasonable enquiries, Polaris and its ultimate beneficial owners are Independent Third Parties
“Polaris Sub-underwriting Letter”	the sub-underwriting letter dated 2 December 2010 (as amended by a supplemental sub-underwriting letter dated 10 December 2010) signed between Baron Capital and Polaris, in respect of those Offer Shares not taken up by the Qualifying Shareholders, Polaris would take up not less than 114,176,800 Offer Shares and not more than 152,025,800 Offer Shares, details of which are set out in the paragraph headed “Sub-underwriting Letters” under the section headed “Underwriting Arrangement” of this circular
“PRC”	the People’s Republic of China (and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form in respect of the assured allotment of the Offer Shares
“Prospectus Posting Date”	15 February 2011, or such other date as may be agreed between the Company and the Underwriter, being the date for the despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus (for information only) and the Overseas Letter to the Excluded Shareholders
“Qualifying Shareholders”	the Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	8 February 2011, or such other date as may be agreed between the Company and the Underwriter, being the date for the determination of the entitlements of the Qualifying Shareholders under the Open Offer

DEFINITIONS

“Registrar”	Tricor Standard Limited, the branch share registrar of the Company in Hong Kong whose address is at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Settlement Date”	the second Business Day following the Latest Time for Acceptance or such other date as the Underwriter may agree in writing with the Company, which is expected to be on or around 2 March 2011
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the consolidation of every five issued and unissued Existing Shares into one Consolidated Share
“Shareholder(s)”	the holder(s) of the Existing Share(s) or Consolidated Share(s) (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sub-underwriter(s)”	collectively, Harvest Capital, Polaris and Masterlink
“Sub-underwriting Letters”	collectively, the Harvest Capital Sub-underwriting Letter, the Polaris Sub-underwriting Letter and the Masterlink Sub-underwriting Letter
“Subscription Price”	the subscription price of HK\$0.15 per Offer Share pursuant to the Open Offer
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Baron Capital
“Underwriting Agreement”	the underwriting agreement dated 2 December 2010 (as amended by a supplemental agreement dated 10 December 2010) entered into between the Underwriter and the Company in relation to the underwriting of the Open Offer

DEFINITIONS

“Underwritten Shares”	all the Offer Shares, being an aggregate of not less than 291,676,596 Offer Shares (being the total number of 446,080,000 Offer Shares less (i) 92,112,204 Offer Shares undertaken to be taken up by Harvest Capital and less (ii) 62,291,200 Offer Shares undertaken to be taken up by Joint Talent as described under the paragraph headed “Undertaking by the substantial shareholder” of this circular and not more than 360,476,596 Offer Shares (being the total number of 514,880,000 Offer Shares (i) less 92,112,204 Offer Shares undertaken to be taken up by Harvest Capital and (ii) 62,291,200 Offer Shares undertaken to be taken up by Joint Talent as described under the paragraph headed “Undertaking by the substantial shareholders” of this circular
“C\$”	Canadian dollars, the lawful currency of Canada
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Open Offer is set out below:

2011

Last day of dealings in the Existing Shares on a cum-entitlement basis	Friday, 28 January
Commencement of dealings in the Existing Shares on an ex-entitlement basis	Monday, 31 January
Latest time for lodging transfers of Existing Shares accompanied by the relevant share certificate in order to qualify for the Open Offer	4:00 p.m., Wednesday, 2 February
Latest time for lodging proxy forms for the EGM	9:30 a.m., Sunday, 6 February
Register of members closes (both dates inclusive)	Monday, 7 February to Tuesday, 8 February
Expected time and date of the EGM.....	9:30 a.m., Tuesday, 8 February
Record Date	Tuesday, 8 February
Announcement of the results of the EGM.....	Tuesday, 8 February
<i>The following events are conditional on the results of the EGM. The dates are therefore tentative.</i>	
Register of members re-opens	Wednesday, 9 February
Effective date of the Share Consolidation	Tuesday, 15 February
Despatch of the Prospectus Documents to the Qualifying Shareholders and the Overseas Letter together with the Prospectus, for information only, to the Excluded Shareholders	Tuesday, 15 February
Commencement of dealings in the Consolidated Shares	Tuesday, 15 February
Original counter for trading in the Existing Shares in existing share certificates in board lots of 4,000 Existing Shares temporarily closes	9:30 a.m., Tuesday, 15 February
Temporary counter for trading in board lots of 800 Consolidated Shares (in the form of existing share certificates) opens	9:30 a.m., Tuesday, 15 February

EXPECTED TIMETABLE

First day of free exchange of certificates for the Existing Shares for new certificates for the Consolidated Shares	Tuesday, 15 February
Original counter for trading in the Consolidated Shares in board lots of 8,000 Consolidated Shares (only new certificates for the Consolidated Shares can be traded at this counter) re-opens	9:30 a.m., Tuesday, 1 March
Parallel trading in the Consolidated Shares (in the form of new and existing certificates) commences	9:30 a.m., Tuesday, 1 March
Designated broker starts to stand in the market to provide matching service	Tuesday, 1 March
Latest time for the payment for and acceptance of the Offer Shares	4:00 p.m., Tuesday, 1 March
Latest time and date for the Open Offer to become unconditional	4:00 p.m., Wednesday, 2 March
Announcement of the results of the Open Offer	Friday, 11 March
Despatch of share certificates for the Offer Shares	Monday, 14 March
Commencement of the dealings of the Offer Shares	Wednesday, 16 March
Temporary counter for trading in board lots of 800 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m., Monday, 21 March
Parallel trading in the Consolidated Shares (in the form of new and existing certificates) ends	4:00 p.m., Monday, 21 March
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares	4:00 p.m., Monday, 21 March
Last day of free exchange of certificates for the Existing Shares into new certificates for the Consolidated Shares	Wednesday, 23 March

EXPECTED TIMETABLE

All times stated above refer to Hong Kong times. Dates or deadlines specified in this circular are indicative purpose only and may be extended or varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable for the Open Offer 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 OFFER SHARES

The Latest Time for Acceptance will not take place if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on 1 March 2011. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 1 March 2011. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following 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 does not take place on 1 March 2011, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. Any consequential changes to the expected timetable for the Open Offer will be published or notified to the Shareholders as and when appropriate.

LETTER FROM THE BOARD



中國投資

CHINA INVESTMENT FUND COMPANY LIMITED

中國投資基金有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

Executive Directors:

Mr. William Robert Majcher, *Chairman*
Mr. Wan Chuen Hing, Alexander, *Managing Director*

Independent Non-executive Directors:

Mr. Cheng Wing Keung, Raymond
Mr. Yeung Chun Yue, David
Mr. Siu Hi Lam, Alick

Registered Office:

Cricket Square
Hutchins Drive
P.O Box 268
Grand Cayman KY1-1111
Cayman Islands

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

4th Floor, Aon China Building
29 Queen's Road Central
Central, Hong Kong

19 January 2011

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CHANGE OF BOARD LOT SIZE;
(3) PROPOSED OPEN OFFER OF NOT LESS THAN 446,080,000
OFFER SHARES AND NOT MORE THAN 514,880,000 OFFER SHARES AT HK\$0.15 PER
OFFER SHARE ON THE BASIS OF TWO OFFER SHARES FOR EVERY
CONSOLIDATED SHARE HELD ON THE RECORD DATE;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The Company announced on 15 December 2010 that the Board proposed to:

- (1) implement the Capital Reorganisation comprising (i) the Share Consolidation pursuant to which every five Existing Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05 and (ii) the Capital Increase involving the increase in the authorised share capital of the Company from HK\$30,000,000 divided into 3,000,000,000 Existing Shares to HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares;

* For identification purposes only

LETTER FROM THE BOARD

- (2) change the board lot size for trading in the shares of the Company from 4,000 Existing Shares to 8,000 Consolidated Shares upon the Share Consolidation becoming effective; and
- (3) raise not less than HK\$66,912,000 and not more than HK\$77,232,000, before expenses, by issuing not less than 446,080,000 Offer Shares and not more than 514,880,000 Offer Shares at the subscription price of HK\$0.15 per Offer Share by way of the Open Offer on the basis of two Offer Shares for every Consolidated Share held by the Qualifying Shareholders on the Record Date and payable in full upon acceptance.

The purpose of this circular is to provide you with further information regarding, among other things, the Capital Reorganisation, the Change of Board Lot Size and the Open Offer, the recommendation of the Independent Board Committee to the Independent Shareholders as regards the Open Offer, the advice from AsiaVest Partners Limited to the Independent Board Committee and Independent Shareholders in respect of the Open Offer and to give you the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Capital Reorganisation and the Open Offer.

(1) PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation comprising (i) the Share Consolidation pursuant to which every five Existing Shares of HK\$0.01 each will be consolidated into one Consolidated Share of HK\$0.05 and (ii) the Capital Increase involving the increase in the authorised share capital of the Company from HK\$30,000,000 divided into 3,000,000,000 Existing Shares to HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares.

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$30,000,000 comprising 3,000,000,000 Existing Shares, of which 1,115,200,000 Existing Shares have been allotted and issued as fully-paid or credited as fully paid. Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will be increased to HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares. On the basis that 1,115,200,000 Existing Shares are in issue as at the Latest Practicable Date, 223,040,000 Consolidated Shares will be in issue upon the Share Consolidation becoming effective.

The following table sets out the effect on the share capital of the Company solely before and immediately after the Capital Reorganisation become effective:

	Before Capital Reorganisation becomes effective	Assuming no Capital Increase, immediately after Share Consolidation becomes effective	Immediately after Capital Reorganisation becomes effective
Nominal value per Share	HK\$0.01	HK\$0.05	HK\$0.05
Authorised share capital	HK\$30,000,000	HK\$30,000,000	HK\$200,000,000
Number of authorised share	3,000,000,000 Existing Shares	600,000,000 Consolidated Shares	4,000,000,000 Consolidated Shares
Issued share capital	HK\$11,152,000	HK\$11,152,000	HK\$11,152,000
Number of issued share	1,115,200,000 Existing Shares	223,040,000 Consolidated Shares	223,040,000 Consolidated Shares
Unissued share capital	HK\$18,848,000	HK\$18,848,000	HK\$188,848,000
Number of unissued share	1,884,800,000 Existing Shares	376,960,000 Consolidated Shares	3,776,960,000 Consolidated Shares

LETTER FROM THE BOARD

The Consolidated Shares will rank pari passu in all respects with the Existing Shares in issue prior to the Share Consolidation becoming effective. Fractional entitlements of the Consolidated Shares will not be issued to the Shareholders but will be aggregated and sold for the benefits of the Company.

As at the Latest Practicable Date, save for the Options, there were no outstanding warrants, derivatives or convertible securities issued or options granted which carry rights to acquire Existing Shares or Consolidated Shares.

Conditions of the Capital Reorganisation

The Share Consolidation is conditional upon the following conditions having been fulfilled:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issue upon the Share Consolidation becoming effective.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Consolidated Shares and any new Consolidated Shares which may fall to be issued pursuant to the exercise of options granted under the Company's existing share option scheme. Dealings in the Consolidated Shares will be subject to stamp duty in Hong Kong.

The Capital Increase is conditional upon passing of an ordinary resolution by the Shareholders at the EGM.

The Share Consolidation and the Capital Increase are not inter-conditional upon each other.

Listing and dealings

Subject to the granting of 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 for 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

Reasons for the Capital Reorganisation

The proposed Share Consolidation will increase the nominal value of the Existing Shares from HK\$0.01 per Existing Share to HK\$0.05 per Consolidated Share which is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares. Furthermore, in order to accommodate the future expansion and growth of the Group and the allotment and issue of the Offer Shares, the Board proposes the Capital Increase. The Directors are of the view that the Capital Reorganisation is in the interests of the Company and the Shareholders as a whole.

Effect of the Capital Reorganisation

Other than the necessary expenses to be incurred by the Company in relation to the Capital Reorganisation, the implementation thereof will not, of itself, affect underlying assets, business operations, management or financial position of the Group or the interests of the Shareholders as a whole (including the respective rights of the Shareholders).

(2) PROPOSED CHANGE OF BOARD LOT SIZE

At present, Existing Shares are traded in board lots of 4,000 Existing Shares each and the market value of each board lot is HK\$500 (based on the closing price of HK\$0.125 per Existing Share on the Last Trading Day). In order to raise the board lot value, the Board proposed to change the board lot size of the Consolidated Shares to 8,000 Consolidated Shares upon the Capital Reorganisation becoming effective. The estimated market value per board lot of the Consolidated Shares will be HK\$2,466.7 (based on the adjusted theoretical ex-entitlement price of approximately HK\$0.308 per Consolidated Share which based on the aforesaid closing price). It is expected that the effective date of the Consolidated Shares in board lots of 8,000 Consolidated Shares will be on Tuesday, 1 March 2011.

Arrangement for odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation and the Change of Board Lot Size, the Company has appointed Ping An Securities Limited to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from 1 March 2011 to 21 March 2011 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up to board lot of 8,000 Consolidated Shares may contact Mr. Eddy Lam (Tel.: (852) 2522-0330 and Fax: (852) 2545-3000) of Ping An Securities Limited during the period. 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 is not guaranteed and will be on a “best effort” basis only. Successful matching of the sale and purchases of odd lots of Consolidated Shares is not guaranteed and will depend on, among other things, there being adequate amounts of odd lots of Consolidated Shares available for such matching. Shareholders may also make their own arrangements to top-up or sell their holdings of odd lots of Consolidated Shares (if any) at their own expense. For the avoidance of doubt, Shareholders shall pay the relevant

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purchase price and normal transaction costs for which they are otherwise responsible. Shareholders are recommended to consult their stockbrokers, other registered dealers in securities, bank managers, solicitors, professional accountants or other independent professional advisers if they are in any doubt about the matching facility described above.

Trading arrangement for the Consolidated Shares

Subject to the Share Consolidation becoming unconditional, the arrangements proposed for dealings in the Consolidated Shares are expected to be as follows:

- (i) From 15 February 2011, the original counter for trading in the Existing Shares in board lots of 4,000 Existing Shares will be temporarily closed and a temporary counter for trading in the Consolidated Shares in board lots of 800 Consolidated Shares will be set up.
- (ii) With effect from 1 March 2011, the original counter for trading in the Consolidated Shares will be reopened for trading in the Consolidated Shares in board lots of 8,000 Consolidated Shares.
- (iii) During 1 March 2011 to 21 March 2011 (both dates inclusive), there will be parallel trading at the above two counters.
- (iv) The temporary counter for trading in Consolidated Shares in board lots of 800 Consolidated Shares will be removed after the close of trading on 21 March 2011. Thereafter, trading will be in board lots of 8,000 Consolidated Shares only and the existing certificates for the Existing Shares will cease to be marketable and will not be accepted for dealing and settlement purposes. However, such certificates will remain effective as documents of title on the basis of five Existing Shares for one Consolidated Share.

Free exchange of share certificates

Shareholders may exchange their share certificates for the Existing Shares for new share certificates for the Consolidated Shares on or after 15 February 2011. This may be done free of charge by delivering the share certificates for the Existing Shares to the Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, during the period from 15 February 2011 to 23 March 2011 (both dates inclusive). Thereafter, share certificates for the Existing Shares will be accepted for exchange for share certificates for the Consolidated Shares only on payment of a fee of HK\$2.50 (or such higher amount as may be stipulated in the Listing Rules from time to time) for each new share certificates to be issued or each old share certificate submitted, whichever number of certificates is higher.

New share certificates for the Consolidated Shares will be blue in colour in order to distinguish them from share certificates for the Existing Shares which are pink in colour.

It is expected that new share certificates for the Consolidated Shares will be available for collection on or after the tenth Business Day from the date of submission of the share certificates for the Existing Shares to the Registrar at the above address for exchange.

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(3) PROPOSED OPEN OFFER

Issue statistics

Basis of the Open Offer	:	Two Offer Shares for every Consolidated Share held by Qualifying Shareholders on the Record Date
Subscription Price upon acceptance	:	HK\$0.15 per Offer Share payable in full upon acceptance
Number of Existing Shares	:	1,115,200,000 Existing Shares in issue as at the Latest Practicable Date
Number of Consolidated Shares	:	223,040,000 Consolidated Shares in issue upon the Share Consolidation becoming effective
Number of shares to be issued upon full exercise of the remaining subscription rights attached to the Options	:	172,000,000 Existing Shares (or 34,400,000 Consolidated Shares upon the Share Consolidation becoming effective)
Number of Offer Shares	:	Not less than 446,080,000 Offer Shares (assuming the remaining subscription rights attached to the Options are not exercised on or before the Record Date) and not more than 514,880,000 Offer Shares (assuming the remaining subscription rights attached to the Options are exercised in full on or before the Record Date)
Underwriter	:	Baron Capital
Sub-underwriters	:	Harvest Capital, Polaris and Masterlink

The aggregate number of the Offer Shares to be issued pursuant to the terms of the Open Offer represents 200% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the enlarged issued share capital of the Company immediately upon completion of the Open Offer.

The Underwriter has agreed to fully underwrite the Underwritten Shares, who has in turn entered into the Sub-underwriting Letters with the Sub-underwriters in respect of the sub-underwriting arrangement of the Offer Shares, on the terms and subject to the conditions set out in the Underwriting Agreement.

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As at the Latest Practicable Date, there are remaining outstanding (i) the May 2009 Options granted pursuant to the option agreement dated 12 May 2009 entered into between the Company and Mega Regent Holdings Limited which entitle the holder(s) thereof to subscribe for 60,000,000 new Existing Shares at HK\$0.106 per Existing Share (subject to adjustments) during a period of 24 months commencing from 12 May 2009 and (ii) the June 2010 Options granted pursuant to the placing agreement dated 22 June 2010 entered into between the Company and Baron Capital which entitle the holder(s) thereof to subscribe for 112,000,000 new Existing Shares at HK\$0.125 per Existing Share (subject to adjustments) during a period of 24 months commencing from 22 June 2010.

To exercise the Options, the subscribers shall notify the Company in writing by issuing a call notice at any time during the option period and shall specify in the call notice the number of the subscription shares to be subscribed for, the aggregate subscription price payable for such subscription shares after setting off against the relevant part of deposit. The Options may be exercised in whole or in part in relation to all (or part of) the subscription shares provided that the subscription shares subject to the call notice shall be 5,000,000 Existing Shares or an integral multiple thereof provided further that where the number of the remaining subscription shares to be subscribed for is less than 5,000,000, the call notice shall relate to the entire number of such subscription shares.

Save for the Options, there were no outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Existing Shares as at the Latest Practicable Date.

Undertaking by the substantial shareholders

As at the Latest Practicable Date, Harvest Capital was interested in 230,280,511 Existing Shares (or 46,056,102 Consolidated Shares upon the Share Consolidation becoming effective), representing approximately 20.65% of the existing issued share capital of the Company and was a substantial shareholder of the Company. Harvest Capital has irrevocably undertaken to the Company that it will subscribe for the 92,112,204 Offer Shares to which Harvest Capital is entitled pursuant to the Open Offer.

As at the Latest Practicable Date, Joint Talent was interested in 155,728,000 Existing Shares (or 31,145,600 Consolidated Shares upon the Share Consolidation becoming effective), representing approximately 13.96% of the existing issued share capital of the Company and was a substantial shareholder of the Company. Joint Talent has irrevocably undertaken to the Company that it will subscribe for the 62,291,200 Offer Shares to which Joint Talent is entitled pursuant to the Open Offer.

The remaining Offer Shares not taken up by the Qualifying Shareholders are fully underwritten by the Underwriter pursuant to the Underwriting Agreement or the Sub-underwriters pursuant to the Sub-underwriting Letters (as the case may be).

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Qualifying Shareholders

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information only, and the Overseas Letter to the Excluded Shareholders, if any. To qualify for the Open Offer, the Shareholder must at the close of business on the Record Date:

- (i) be registered as a member of the Company; and
- (ii) not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfer of Shares (with the relevant share certificates) for registration with the Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 2 February 2011.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation. There will not be any trading in nil-paid entitlements of the Offer Shares on the Stock Exchange and the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares to which the Excluded Shareholders would otherwise have been entitled under the Open Offer will be taken up by the Underwriter or the Sub-underwriters (as the case may be).

Closure of register of members

The register of members of the Company will be closed from 7 February 2011 to 8 February 2011, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Existing Shares will be registered during this period.

Subscription Price

The Subscription Price of HK\$0.15 per Offer Share, payable in full upon acceptance. The Subscription Price represents:

- (i) a discount of approximately 76.0% to the closing price of HK\$0.625 per Consolidated Share (or HK\$0.125 per Existing Share) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 75.8% to the average closing price of HK\$0.62 per Consolidated Share (or HK\$0.124 per Existing Share) as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 76.0% to the average closing price of approximately HK\$0.625 per Consolidated Share (or HK\$0.125 per Existing Share) as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 51.30% to the theoretical ex-entitlement price of approximately HK\$0.308 per Consolidated Share (or HK\$0.061 per Existing Share) based on the closing price of HK\$0.125 per Existing Share (or HK\$0.625 per Consolidated Share) as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a discount of approximately 72.7% to the audited consolidated net asset value of the Company of approximately HK\$0.55 per Consolidated Share (or HK\$0.11 per Existing Share) as at 31 December 2009.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter and after having taken into account the recent price performance and the liquidity of the Existing Shares. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares (when fully paid and issued) will rank pari passu in all respects with the Consolidated Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and taken up by the Underwriter or the Sub-Underwriters (as the case may be).

Certificates of the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by 14 March 2011 to those Shareholders entitled thereto by ordinary post at their own risks. One share certificate will be issued for the Offer Shares allotted to the applicant.

Rights of the Excluded Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries as to whether the issue of the Offer Shares to the Overseas Shareholder would contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholder, such Overseas Shareholder

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will be considered as an Excluded Shareholder and no issue of the Offer Shares will be made to him. The results of the enquiries and the basis of exclusion of the Excluded Shareholders, if any, will be included in the Prospectus. As at the Latest Practicable Date, based on the information currently available to the Company, the Board was not aware of any Shareholder whose registered address is in a place outside Hong Kong.

The Company will send the Overseas Letter together with the Prospectus, for information only, to the Excluded Shareholders and will not send the Application Form in respect of the assured allotment of the Offer Shares to the Excluded Shareholders. However, so long as the Excluded Shareholders are Independent Shareholders, they are entitled to cast their votes on the resolution(s) in relation to the Open Offer at the EGM.

No application for excess Offer Shares

After arm's length negotiation with the Underwriter, and considering that the related administration costs would be lower in the absence of excess applications, the Company decided that the Qualifying Shareholders are not entitled to apply for any Offer Shares which are in excess of their assured entitlements. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter or the Sub-underwriters (as the case may be).

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares are expected to be traded in board lots of 8,000 Consolidated Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

Subject to the granting of 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 the 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares will be subject to payment of stamp duty and any other applicable fees and charges in Hong Kong.

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UNDERWRITING ARRANGEMENTS

Underwriting Agreement

- Date : 2 December 2010 (as supplemented by a supplemented by a supplemental agreement dated 10 December 2010)
- Underwriter : Baron Capital
- Number of Underwritten Shares : Not less than 291,676,596 Offer Shares (being the total number of 446,080,000 Offer Shares less (i) 92,112,204 Offer Shares undertaken to be taken up by Harvest Capital and (ii) 62,291,200 Offer Shares undertaken to be taken up by Joint Talent as described under the paragraph headed “Undertaking by the substantial shareholders” below and not more than 360,476,596 Offer Shares (being the total number of 514,880,000 Offer Shares less (i) 92,112,204 Offer Shares undertaken to be taken up by Harvest Capital and (ii) 62,291,200 Offer Shares undertaken to be taken up by Joint Talent as described under the paragraph headed “Undertaking by the substantial shareholders” below
- Commission : 2.5% of the aggregate Subscription Price in respect of the number of Offer Shares underwritten by the Underwriter
- Undertaking by the Underwriter : The Underwriter has undertaken to the Company under the Underwriting Agreement that if there is an indication that the shareholding of the Company held by the public Shareholders will become less than 25% of the then issued share capital of the Company upon completion of the Open Offer, the Underwriter shall procure subscribers (who are (i) third parties independent of and not connected with the Company and (ii) not parties acting in concert with any connected persons of the Company and their respective associates) to subscribe or procure placees to place down the Offer Shares which have been taken up by it to maintain or restore the minimum public float requirement of the Company in compliance with the Listing Rules

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The 2.5% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter with reference to the prevailing market rate. The Directors consider that the commission is fair and reasonable and is on normal commercial terms.

Sub-underwriting Letters

On 2 December 2010, Baron Capital and the Sub-underwriters entered into the Sub-underwriting Letters (and in respect of the Harvest Capital Sub-underwriting Letter and the Polaris Sub-underwriting Letter, as amended by supplemental sub-underwriting letters between Baron Capital and Polaris dated 10 December 2010 and between Baron Capital Harvest Capital dated 10 December 2010 and 21 December 2010 respectively). Pursuant to the Polaris Sub-underwriting Letter, in respect of those Offer Shares not taken up by the Qualifying Shareholders, Polaris would take up not less than 114,176,800 Offer Shares and not more than 152,025,800 Offer Shares, representing not less than approximately 17.06% and not more than approximately 19.68% of the issued share capital of the Company immediately upon completion of the Open Offer. Pursuant to the Masterlink Sub-underwriting Letter, Masterlink would take up not less than 115,000,000 Offer Shares, representing not less than approximately 14.89% and not more than approximately 17.19% of the issued share capital of the Company immediately upon completion of the Open Offer. Pursuant to the Harvest Capital Sub-underwriting Letter, Harvest Capital would take up not less than 62,499,796 Offer Shares and not more than 93,450,796 Offer Shares, representing the remaining Offer Shares not underwritten by Polaris and Masterlink. Baron Capital, Masterlink and Polaris are financial institutions whose ordinary course of business includes underwriting. Harvest Capital is an investment holdings company and is wholly and indirectly owned by Ms. Letty Wan and a substantial shareholder of the Company.

The Open Offer is fully underwritten. The Sub-underwriters have agreed to fully underwrite not less than 291,676,596 Underwritten Shares and not more than 360,476,596 Underwritten Shares in the following proportion (which was agreed after arm's length negotiation among the Company, Underwriter and the Sub-underwriters).

Allotment basis	Sub-underwriters	Approximate percentage of the Underwritten Shares	Maximum number of Offer Shares underwritten
Priority-in full	Harvest Capital	25.93%	93,450,796
Second-remaining	Polaris	42.17%	152,025,800
Third-remaining	Masterlink	31.90%	115,000,000
	Total	<u>100.00%</u>	<u>360,476,596</u>

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Allotment basis	Sub-underwriters	Approximate percentage of the Underwritten Shares	Minimum number of Offer Shares underwritten
Priority-in full	Harvest Capital	21.43%	62,499,796
Second-remaining	Polaris	39.15%	114,176,800
Third-remaining	Masterlink	39.42%	115,000,000
	Total	<u>100.00%</u>	<u>291,676,596</u>

The Underwriter may make their own arrangement and additional allotment basis with the Sub-underwriters for sub-underwriting of all or any part of the Underwritten Shares if necessary.

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder in writing on the occurrence of certain events at any time on or before 4:00 p.m. on the Settlement Date, if, in the reasonable opinion of the Underwriter:

- (a) the success of the Open Offer would be affected by:
- (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national and international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes inexpedient or inadvisable to proceed with the Open Offer; or
 - (iii) any material adverse change in the financial position of the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or

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- (b) any material adverse change in market conditions (including without limitation, a change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially and adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of the Underwriter be material to the Group as a whole and is likely to affect the success of the Open Offer or might cause a prudent investor not to apply in full for its assured allotment of the Offer Shares under the Open Offer; or

In addition, the Underwriter shall be entitled by notice in writing to the Company, served prior to 4:00 p.m. on the second Business Day after the Latest Time for Acceptance to terminate the Underwriting Agreement if:

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its financial position as a whole; or
- (b) the Underwriter shall either receive the relevant notification under the Underwriting Agreement or otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and the Underwriter shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial position of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Open Offer; or
- (c) the Company shall, after any matter or event referred to in the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

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Conditions of the Underwriting Agreement and the Open Offer

The Underwriting Agreement and the Open Offer are conditional upon, among other things, the fulfillment of the following conditions:

- (i) the passing at the EGM to be convened by the EGM Notice set out in this circular (or any adjournment thereof) of resolutions to approve the Capital Reorganisation and the Open Offer in accordance with the Listing Rules;
- (ii) the signing by or on behalf of all of the Directors on or before the Prospectus Posting Date of two copies of each of the Prospectus Documents;
- (iii) the delivery on or before the Prospectus Posting Date of one such signed copy of each of the Prospectus Documents to the Underwriter;
- (iv) the delivery to the Stock Exchange and the registration with the Registrar of Companies in Hong Kong respectively on or prior to the Prospectus Posting Date of one copy of each of the Prospectus Documents each duly certified by the Directors in compliance with section 342C(1) of the Companies Ordinance and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- (v) the posting on the Prospectus Posting Date of copies of the Prospectus Documents to the Qualifying Shareholders;
- (vi) compliance by the Company with all its obligations under the Underwriting Agreement;
- (vii) compliance by Harvest Capital and Joint Talent with all their respective obligations under the relevant undertaking letter in accordance with the terms thereof;
- (viii) the Listing Committee of the Stock Exchange (a) agreeing to grant listing of, and permission to deal in, the Offer Shares either unconditionally or subject to conditions which the Company and the Underwriter accept and the satisfaction of such conditions (if any) by no later than the Prospectus Posting Date and (b) not having withdrawn or revoked such listing and permission on or before 4:00 p.m. on the Settlement Date; and
- (ix) the Capital Reorganisation becoming effective in all respects in accordance with the Companies Law on or before the Prospectus Posting Date.

In the event that the above conditions are not satisfied on or before the respective dates referred to above (or such other date as may be agreed between the Underwriter and the Company), the Underwriting Agreement shall terminate and all obligations and liabilities of the parties thereunder shall cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof).

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EXEMPT CONNECTED TRANSACTION

Baron Capital is a corporation licensed under the SFO and is the Underwriter. Baron Capital is wholly owned by Mr. Joseph Wan who is the father of Ms. Letty Wan, the beneficial owner of Harvest Capital, which is a substantial shareholder of the Company. Mr. Joseph Wan and Baron Capital are therefore connected persons of the Company and the transaction contemplated under the Underwriting Agreement constitutes a connected transaction for the Company under the Listing Rules. Nevertheless, the issue of any Offer Shares to Baron Capital as an Underwriter pursuant to the Underwriting Agreement is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.31(3)(c) of the Listing Rules. As the financial advisory fee and underwriting commission payable to Baron Capital under the financial advisory agreement is HK\$500,000 and the Underwriting Agreement in total is less than HK\$10 million, on normal commercial terms and the applicable percentage ratios are less than 25%, the payment of financial advisory fee and underwriting commission to Baron Capital under the financial advisory agreement and the Underwriting Agreement is only subject to the reporting and announcement requirements and is exempt from the Independent Shareholders' approval requirements pursuant to Rule 14A.32(2) of the Listing Rules.

SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately after the completion of the Open Offer (assuming that the remaining subscription rights attached to the Options are not exercised before the Record Date) are set out below:

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidated but before completion of the Open Offer		Immediately after completion of the Share Consolidation on and the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately after completion of the Share Consolidated and the Open Offer (assuming none of the Qualifying Shareholders except the Underwriter or Sub-underwriters take up their respective entitlements under the Open Offer)	
	Existing Shares	% (approx)	Consolidated Shares	% (approx)	Consolidated Shares	% (approx)	Consolidated Shares	% (approx)
Harvest Capital, Ms. Letty Wan and parties acting in concert with any of them (Notes 1 & 3)	230,280,511	20.65	46,056,102	20.65	138,168,306	20.65	200,668,102	29.99
Joint Talent (Note 2)	155,728,000	13.96	31,145,600	13.96	93,436,800	13.96	93,436,800	13.96
Masterlink (Notes 3 & 4)	—	—	—	—	—	—	115,000,000	17.19
Polaris (Notes 3 & 4)	—	—	—	—	—	—	114,176,800	17.06
Other public Shareholders (Note 4)	729,191,489	65.39	145,838,296	65.39	437,514,894	65.39	145,838,298	21.80
Grand Total	1,115,200,000	100.00	223,040,000	100.00	669,120,000	100.00	669,120,000	100.00

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The existing shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company immediately after the completion of the Open Offer (assuming that the remaining subscription rights attached to the Options are exercised in full before the Record Date) are set out below:

	As at the Latest Practicable Date		Immediately upon full exercise of the Options		Immediately upon full exercise of the Options and completion of the Share Consolidation but before completion of the Open Offer		Immediately upon full exercise of the Options and completion of the Share Consolidation and the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately after completion of the Share Consolidation and the Open Offer (assuming none of the Qualifying Shareholders except the Underwriter or Sub-underwriters take up their respective entitlements under the Open Offer)	
	Existing	%	Existing	%	Consolidated	%	Consolidated	%	Consolidated	%
	Shares (approx)		Shares (approx)		Shares (approx)		Shares (approx)		Shares (approx)	
Harvest Capital, Ms. Letty Wan and parties acting in concert with any of them (Notes 1 & 3)	230,280,511	20.65	230,280,511	17.89	46,056,102	17.89	138,168,306	17.89	231,619,102	29.99
Joint Talent (Note 2)	155,728,000	13.96	155,728,000	12.10	31,145,600	12.10	93,436,800	12.10	93,436,800	12.10
Masterlink (Notes 3 & 4)	—	—	—	—	—	—	—	—	115,000,000	14.89
Polaris (Notes 3 & 4)	—	—	—	—	—	—	—	—	152,025,800	19.68
Other public Shareholders (Note 4)	729,191,489	65.39	901,191,489	70.01	180,238,298	70.01	540,714,894	70.01	180,238,298	23.34
Grand Total	1,115,200,000	100.00	1,287,200,000	100.00	257,440,000	100.00	772,320,000	100.00	772,320,000	100.00

Notes:

- Harvest Capital is a substantial shareholder of the Company which is ultimately wholly-owned by Ms. Letty Wan. Harvest Capital is one of the Sub-underwriters.
- Joint Talent is a substantial shareholder of the Company which is wholly-owned by Mr. Lam Kwing Wai, Alvin Leslie and is deemed to be interested in 155,728,000 Existing Shares (or 31,145,600 Consolidated Shares upon the Share Consolidation becoming effective).
- Harvest Capital, Polaris and Masterlink are Sub-underwriters under the Sub-underwriting Letters, details of which are set out in the paragraph headed “Sub-underwriting Letters” under the section headed “Underwriting Arrangement” of this circular.
- The Underwriter and together with the Sub-underwriters have confirmed to the Company that they have sub-underwritten their underwriting obligations to Independent Third Parties to ensure that the public float requirement under Rule 8.08 of the Listing Rules will be complied at all material time.

As at the Latest Practicable Date, the substantial shareholders of the Company are Harvest Capital and Joint Talent. Harvest Capital has irrevocably undertaken to the Company that it will subscribe for the 92,112,204 Offer Shares to which Harvest Capital is entitled pursuant to the Open Offer and Joint Talent has irrevocably undertaken to the Company that it will subscribe for the 62,291,200 Offer Shares to which Joint Talent is entitled pursuant to the Open Offer.

LETTER FROM THE BOARD

If no Shareholders except Harvest Capital and Joint Talent subscribe for any Offer Shares, the Underwriter will have to subscribe or procure the Sub-underwriters to take up the untaken Offer Shares pursuant to the Sub-underwriting Letters.

Under the Underwriting Agreement, Baron Capital has undertaken that if the shareholding of the Company held by the public Shareholders has become less than 25% of the entire issued Shares at all material time and also as a result of the Open Offer, Baron Capital and the Sub-underwriters will procure subscribers (who have to be Independent Third Parties) to subscribe or place down to Independent Third Parties the Consolidated Shares which has been taken up by itself pursuant to its underwriting commitment under the Underwriting Agreement and the Sub-underwriting Letters to maintain or restore the minimum public float for the Consolidated Shares upon the close of the Open Offer in compliance with Rule 8.08(1) of the Listing Rules. As at the Latest Practicable Date, Baron Capital has entered into Sub-underwriting Letters with Polaris and Masterlink (who are Independent Third Parties) to sub-underwrite a total of 267,025,800 Offer Shares (representing approximately 34.25% of the enlarged issued share capital assuming that the remaining subscription rights attached to the Options are exercised before the Record Date), leaving 62,499,796 Offer Shares (representing approximately 8.09% of the enlarged issued share capital of the Company) that Harvest Capital (or its subsidiaries) may have to take up by itself or for further sub-underwriting arrangements. In any event, the public float drops below 25% and become approximately 21.80% of the issued share capital of the Company as enlarged by the Open Offer and assuming none of the Qualifying Shareholders except the Underwriter or the Sub-underwriters take up their respective entitlements under the Open Offer. In this circumstance, Polaris will place down 30,000,000 Offer Shares to potential subscribers whom have confirmed interest in the Open Offer to maintain the public float up to 25% of the issued share capital of the Company. Those potential subscribers are the Independent Third Parties and none of them is existing Shareholders and they are not acting in concert with any of the Shareholders.

The Underwriter and the Sub-underwriters will closely monitor the application progress of the Offer Shares during the Open Offer period and will procure subscribers based on the market response after the Open Offer commences but before closing.

The Open Offer is conditional upon the Stock Exchange granting the listing of the Offer Shares and both Baron Capital and the Company acknowledges that no listing approval in respect of the Offer Shares will be given if, upon completion of the Open Offer, less than 25% of the issued share capital of the Company is held in public hands. The Company will provide details regarding the shareholding structure of the Company and the steps taken by Baron Capital to place down the Offer Shares pursuant to its undertaking in the Underwriting Agreement (if required) in the announcement of the results of the Open Offer to be posted on Friday, 11 March 2011.

LETTER FROM THE BOARD

The Stock Exchange has stated that if, at any time before or after the completion of the Open Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Existing Shares or Consolidated Shares (as the case may be), are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Existing Shares or Consolidated Shares (as the case may be); or
- there are insufficient Existing Shares or Consolidated Shares (as the case may be) in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend trading in the Existing Shares or Consolidated Shares (as the case may be).

INVESTMENT PORTFOLIO

Set out below is the investments designated as held for trading as at 31 December 2009 (audited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value (HK\$)	Dividend received (HK\$)	Net Assets attributable to the investment
0223	Sino Resources Group Limited	Principally engaged in providing ancillary services and sale of coals.	2.38	8,824,500	11,527,500	—	HK\$14,448,885
1881	Regal Real Estate Investment Trust	Principally engaged in owning and investing in income-producing hotels and hospitality-related properties.	0.03	2,652,000	1,650,000	168,982	HK\$2,492,619
0078	Regal Hotels International Holdings Limited	Principally engaged in hotel ownership and management, property investment and other investment.	0.03	2,290,000	972,000	20,917	HK\$1,342,740
1099	Sinopharm Group Company Limited	Principally engaged in pharmaceutical products, laboratory supplies and operation of pharmaceutical chain stores.	0.003	663,000	661,200	—	RMB327,326

LETTER FROM THE BOARD

Set out below are the investment designated as held for trading as at 30 June 2010 (unaudited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value (HK\$)	Dividend received (HK\$)	Net Assets attributable to the investment
0223	Sino Resources Group Limited	Principally engaged in show manager of exhibitions and trade fairs as well as provision of ancillary services	2.38	8,824,500	11,527,500	—	N/A
1881	Regal Real Estate investment Trust	Principally engaged in owning and investing in income-producing hotels and hospitality-related properties	0.03	2,652,000	1,830,000	84,686	HK\$2,522,716
1099	Sinopharm Group Company Limited	(1) Distribution of medicines and pharmaceutical products to customers including hospitals, other distributors, retail drug stores and clinics, (2) operation of pharmaceutical chain stores, and (3) distribution of laboratory supplies, manufacturing and distribution of chemical reagents and production and sale of pharmaceutical products	0.003	663,000	690,000	—	RMB339,845

LETTER FROM THE BOARD

Set out below are the details of the Company's available-for-sale investments as at 31 December 2009 (audited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value (HK\$)	Interest received (HK\$)	Dividend received (HK\$)	Net Assets attributable to the investment
0120	Cosmopolitan International Holdings Limited	Principally engaged in securities trading, property investment and development, provision of information technology services	2.26	12,376,400	27,962,000	—	—	HK\$2,990,025
—	8.125% preferred shares in The Hongkong and Shanghai Banking Corporation Limited	Provide a comprehensive range of financial services to more than 100 millions customers through four customer groups and global businesses: personal financial services (including consumer finance); commercial banking; global banking and markets; and private banking	N/A	7,794,161	7,845,123	—	478,852	N/A
—	Convertible debenture in Jordan Ventures Ltd.	Provision of Canadian brokerage and corporate finance services	N/A	7,970,920	7,384,240	209,217	—	N/A
—	Coutts Private Equity Limited Partnership	Access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities	N/A	2,329,718	1,725,740	—	—	N/A

Set out below are the details of the Company's available-for-sale investments as at 30 June 2010 (unaudited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value (HK\$)	Interest received (HK\$)	Dividend received (HK\$)	Net Assets attributable to the investment
0120	Cosmopolitan International Holdings Limited	Principally engaged in securities trading, property investment and development, provision of information technology services	2.25	12,376,400	39,655,200	—	—	N/A
—	Fame Oriented Holding Ltd.	Engaging in exploration and mining activities in the United States	12.50	19,200,000	19,200,000	—	—	C847
—	8.125% preferred shares in The Hongkong and Shanghai Banking Corporation Limited	Provide a comprehensive range of financial services to more than 100 millions customers through four customer groups and global businesses: personal financial services (including consumer finance) commercial banking; global banking and markers; and private banking	N/A	7,794,161	7,617,294	—	174,341	N/A
—	Convertible debenture in Jordan Ventures Ltd.	Provision of Canadian brokerage and corporate finance services	N/A	7,970,920	7,412,670	165,724	—	N/A
—	Coutts Private Equity Limited Partnership ("CPELP")	Access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities	N/A	2,570,593	2,160,254	—	—	N/A

LETTER FROM THE BOARD

Set out below are the details of the Company's securities/investments disposed of during the year ended 31 December 2010 and the resulted profit and loss for each of them (unaudited):

Stock Code	Name of securities	Brief description of the business	Carrying value (HK\$)	Investment valuation reserve (HK\$)	Sale proceed (HK\$)	Unaudited realised gain/(loss) (HK\$)	Unaudited exchange gain (HK\$)
0120	Cosmopolitan International Holdings Limited	Principally engaged in securities trading, property investment and development, provision of information technology services	27,962,000	15,585,600	52,662,700	40,286,300	—
1881	Regal Real Estate Investment Trust	Principally engaged in owning and investing in income-producing hotels and hospitality-related properties	1,650,000	—	2,180,990	530,990	—
0078	Regal Hotel International Holdings Limited	Principally engaged in hotel ownership and management, property investment and other investment	972,000	—	911,920	(60,280)	—
—	Convertible debenture in Jordan Ventures Ltd.	Provision of Canadian brokerage and corporate finance services	2,104,508	—	2,208,840	—	104,332

Set out below are the details of the Company's securities/investments made during the year ended 31 December 2010 and the year-to-date profit and loss for each of them (unaudited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value/ Fair value (HK\$)	Unaudited unrealised gain/(loss) (HK\$)
—	Coutts Private Equity Limited Partnership ("CPELP")	Access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities	N/A	702,000	630,410	(71,590)
0223	Sino Resources Group Limited	Principally engaged in show manager of exhibitions and trade fairs as well as provision of ancillary services	1.50	5,811,600	5,811,600	—
CPEH	China Private Equity Investment Holding Limited	Invests in unlisted assets in the areas of telecommunications, media, and technology ("TMT"), as well as financial services or listed assets driven by corporate events, such as mergers and acquisition, pre-Initial Public Offer (IPO), or restructuring of state-owned assets	0.01	19,080,813	19,080,813	—
—	Fame Oriented Holding Ltd.	Engaging in exploration and mining activities in the United States	12.50	19,200,000	19,200,000	—
—	Bollex Development Limited	Engaging in infrastructure project for supply of fresh water	29.00	31,000,000	31,000,000	—

LETTER FROM THE BOARD

Set out below are the details of the Company's investments held by the Company as at the Latest Practicable Date (unaudited):

Stock Code	Name of securities	Brief description of the business	Proportion of the share capital owned (%)	Cost (HK\$)	Market value/ Fair value (HK\$)
—	Bollex Development Limited	Engaging in infrastructure project for supply of fresh water	29.00	31,000,000	31,000,000
—	Fame Oriented Holding Ltd.	Engaging in exploration and mining activities in the United States	12.50	19,200,000	19,200,000
CPEH	China Private Equity Investment Holdings Limited	Invests in unlisted assets in the areas of telecommunications, media, and technology (TMT), as well as financial services or listed assets driven by corporate events, such as mergers and acquisition, pre-Initial Public Offer (IPO), or re-structuring of state-owned assets	0.01	19,080,813	19,080,813
0223	Sino Resources Group Limited	Principally engaged in show manager of exhibitions and trade fairs as well as provision of ancillary services	3.88	14,636,100	15,033,600
—	8.125% preferred shares in The Hongkong and Shanghai Banking Corporation Limited	Provide a comprehensive range of financial services to more than 100 millions customers through four customer groups and global businesses: personal financial services (including consumer finance); commercial banking, global banking and market, and private banking	N/A	7,794,161	7,959,038
—	Convertible debenture in Jordan Ventures Ltd.	Provision of Canadian brokerage and corporate finance services	N/A	5,699,194	5,586,653
—	Coutts Private Equity Limited Partnership ("CPELP")	Access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities	N/A	3,031,718	2,722,636
1099	Sinopharm Group Company Limited	(1) Distribution of medicines and pharmaceutical products to customers including hospitals, other distributors, retail drug stores and clinics, (2) operation of pharmaceutical chain stores, and (3) distribution of laboratory supplies, manufacturing and distribution of chemical reagents and production and sale of pharmaceutical products	0.003	663,000	652,800

As at the Latest Practicable Date, according to the register of the members of the Company, and to the best of the Director's knowledge, information and belief, the Company was not aware that any of the investee companies holds any share in the Company and no common directorship between the Company. The Company's investment objective is to achieve medium to long-term capital application within the acceptable risk profile and these investments made by the Company were in line with the investment objective.

LETTER FROM THE BOARD

Since January 2010, the significant cash outflows are due to the purchase of shareholdings of Sino Resources Group Limited, China Private Equity Investment Holdings Limited and Bollex Development Limited.

The working capital requirement of the Company includes the rental and administration costs and the requirement for the coming 12 months is approximately HK\$7.5 million.

The Directors are of the opinion that the Group will, taking into account the existing cash and bank balances, have sufficient working capital for its requirements in next 12 months from the date of this circular in the absence of unforeseeable circumstances.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is principally engaged in investment in both listed and unlisted securities. The Company achieved an audited net profit attributable to Shareholders of approximately HK\$18 million for the year ended 31 December 2009.

The estimated net proceeds from the Open Offer will amount to not less than approximately HK\$63,912,000, net of expenses of approximately HK\$3,000,000 (assuming the remaining subscription rights attached to the Options are not exercised on or before the Record Date) and not more than approximately HK\$74,032,000, net of expenses of approximately HK\$3,200,000 (assuming the remaining subscription rights attached to the Options are exercised in full on or before the Record Date).

The estimated expenses in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing, registration and translation expense will be borne by the Company.

The Company is a Chapter 21 investment company and makes its investments in accordance with its investment objectives and policies. The Company's investment objective is to achieve medium to long-term capital appreciation within the acceptable risk profile. While the current investment portfolio of the Company does not include options, warrants, commodities, futures contracts and precious metals, the Company will continue to look for suitable investment opportunities which are in line with its investment objective and policy, which may involve any of the above products, but in any event not exceed 20% of the net asset value of the Company being invested. The Company targets to invest in mid-to-late stage unlisted companies where an initial public offer or a trade sale can be foreseen within 3 years. As at the Latest Practicable Date, the Company has identified mainly two principal businesses including an electronic media company and a commercial real estate developer in PRC but has not entered into any form of agreement, including memorandum of understanding, letter of intent, etc., for the potential investments. The Company intends to apply the net proceeds from the Open Offer to invest in these two principal businesses. The net proceeds from the Open Offer will be applied as to approximately 50% in the electronic company and the remaining approximately 50% in the real estate developer. Upon completion of due diligence exercise, funding would need to be deployed accordingly and in a timely manner.

LETTER FROM THE BOARD

While the overall growth pace of the global investment market has been slowly picking up, the Directors remain bullish in the long-term prospects of the economics in the PRC:—

- (1) The PRC is leading the world in economic recovery with highest gross domestic product (“GDP”) growth rate among all the Group of Twenty Finance Ministers and Central Bank Governors (“G20”) (8.4% in 2009 and 8.7% in 2010);
- (2) Continued strong GDP growth fuels domestic market needs and spending;
- (3) The Company sees strong growth potential in consumer spending and requirements in the PRC market;
- (4) These investee companies are among the highly demanded industries;
- (5) These investee companies may provide strong upside opportunity for our investment.

General risk profile in commercial real estate and media industries:

- (1) Slowdown in general PRC economic conditions that may reduce consumer spending;
- (2) Possible changes in PRC policies may adversely affect the commercial real estate and media industries;
- (3) Increasing competition in the PRC domestic market; and
- (4) Heavy reliance on successful and continued sales development.

The Company’s investment objective is to achieve medium to long-term capital appreciation and within the acceptable risk profile. Given the risks involved in the identified investment opportunities, the Directors continue to exert cautious approach in analyzing these potential investee companies as well as in monitoring the portfolio of investments of the Group. It is the Company’s goal to manage and meet risk fluctuation and investment opportunities.

Having said that, owing to the nature of the Group’s business is investment, the Group’s investment plan may be adjusted as a result of many volatile factors including stock market condition, general investment and economic environment. Any investment decision may be made at a time when the Directors consider that it is in the interest of the Company to do so by reference to the above volatile factors and receive suggestions from the Company’s investment manager. In case that the Company had changed the intended use of proceeds of the Open Offer, the Company will notify the Shareholders by a separate announcement of such event.

Having considered other possibilities or alternatives for fund raising options for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and cost of the viable options, the Board considers that the Open Offer is in the best interest of the Company in view of the prevailing market conditions and in particular the financial situation and funding requirement of the Group.

LETTER FROM THE BOARD

The Company has considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil paid rights shares, the Company considers that the Open Offer is more time and cost effective and a better option. Due to the tight time schedule, the Directors consider that the trading of nil paid rights will delay the process of fund raising and capturing the investment opportunities on a timely basis. The Board considers that the saving time from no trading of nil-paid rights for Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted to one-third in comparison with their shareholdings before the Open Offer. Qualifying Shareholders should also note that based on the closing price of HK\$0.125 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the theoretical ex-entitlement price per Consolidated Share (assuming the Capital Reorganisation becoming effective) after the Open Offer is approximately HK\$0.308, representing a discount of approximately 51.3% to the consolidated closing price of HK\$0.308 per Consolidated Share (assuming the Capital Reorganisation has become effective).

Odd lots may be created as a result of the Open Offer, the Share Consolidation and the Change of Board Lot Size. In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed Ping An Securities Limited to match the purchase and sale of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share for the period from 1 March 2011 to 21 March 2011 (both dates inclusive). Holders of odd lots of the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up to board lot of 8,000 Consolidated Shares may contact Mr. Eddy Lam (Tel.: (852) 2522-0330 and Fax: (852) 2545-3000) of Ping An Securities Limited during the period. However, the matching service provided cannot guarantee that all the odd lots of the Consolidated Shares can be matched and after the matching service expires, trading of odd lot Consolidated Shares on the market may not be easy and may not be desirable in terms of cost of Shareholders. Shareholders may also make their own arrangements to top-up or sell their holdings of odd lots of Consolidated Shares (if any) at their own expense. For the avoidance of doubt, Shareholders shall pay the relevant purchase price and normal transaction costs for which they are otherwise responsible.

Shareholders are recommended to consult their stockbrokers, other registered dealers in securities, bank managers, solicitors, professional accountants or other independent professional advisers if they are in any doubt about the matching facility described above.

As at the Latest Practicable Date, the Group has no current intention to conduct further fund raising exercise following the proposed Open Offer and the Group will consider to utilize the issue mandate approved by the Shareholder on 28 June 2010 only where opportunities arise and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors consider that it is prudent to finance the Group's long-term growth by equity financing which will not increase the Group's finance costs, and the creation of odd lots is unavoidable under the Open Offer, Capital Reorganisation and the Change of Board Lot Size. In order to increase the size of the investment portfolio, the Company will require funding and the Board considers that the saving time from no trading of nil-paid rights for Open Offer is in the interests of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. The Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

Risks relating to the share price and proposed structure

(a) *The share price may be volatile*

The price and trading volume of the Existing Shares or the Consolidated Shares (as the case may be) will be determined in the market place and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Existing Shares or the Consolidated Shares (as the case may be), investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Existing Shares or the Consolidated Shares (as the case may be) to change substantially.

(b) *Shareholders' shareholding may be diluted as a result of future equity fund raising*

The Group may need to raise additional funds in the future to finance its expansion or for other reasons. If additional funds are raised through the issuance by the Company of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of individual Shareholders will decline. Any such new securities may have preferential rights or options that favour their holders over Shareholders, to the extent permitted by law, exchange rules and the Company's constitutive documents.

LETTER FROM THE BOARD

FUND RAISING ACTIVITY OF THE COMPANY IN THE LAST TWELVE MONTHS

The following table sets out the fund raising activities of the Company during the past twelve months immediately before the Latest Practicable Date:

Date of announcement	Event	Received Options prices and deposits	Intended use of proceeds	Actual use of proceeds as at Latest Practicable Date
22 June 2010	Placing of the June 2010 Options	HK\$1.4 million (HK\$13.8 million upon full exercise of the June 2010 Options)	The Company intends to apply the net proceeds for future investments	The net proceeds has not been utilized and will be used as intended

Save as disclosed above, the Company had not conducted any fund raising activities during the past twelve months immediately prior to the Latest Practicable Date.

WARNING OF THE RISK OF DEALING IN THE EXISTING SHARES OR THE CONSOLIDATED SHARES (AS THE CASE MAY BE)

The Open Offer is subject to the satisfaction of certain conditions as described in the section headed “Conditions of the Underwriting Agreement and the Open Offer” in this circular. In particular, it is subject to the Capital Reorganisation becoming effective and the approval of the Open Offer by the Independent Shareholders at the EGM.

Any dealing in the Existing Shares from the date of this circular up to the date on which all the conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Existing Shares or the Consolidated Shares (as the case may be), and if they are in any doubt about their positions, they should consult their own professional advisers

Shareholders should note that the Existing Shares (or the Consolidated Shares upon the Share Consolidation becoming effective) will be dealt in on an ex-entitlement basis commencing from Monday, 31 January 2011 and that dealings in Existing Shares (or Consolidated Shares upon the Share Consolidation becoming effective) will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealings in the Existing Shares (or the Consolidated Shares upon the Share Consolidation becoming effective) up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Wednesday, 2 March 2011, will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed.

LETTER FROM THE BOARD

EGM

Set out in this circular is a notice convening the EGM which will be held at Meeting Room 4th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong at 9:30 a.m. on Tuesday, 8 February 2011 at which resolutions will be proposed to approve, among other things, the Capital Reorganisation and the Open Offer. The form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the of the Company's registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting. 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 desire.

There had been no voting trust or other agreement or arrangement or understanding entered into by or binding upon any such Shareholders, and no obligation or entitlement of any such Shareholders whereby any one of them has or may temporarily or permanently passed control over the exercise of the voting right in respect of their respective interest in the Company to a third parties either especially or on a case-by-case basis.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer. As at the Latest Practicable Date, Harvest Capital, which is a substantial shareholder of the Company wholly and beneficially owned by Ms. Letty Wan who in turn is the niece of Mr. Wan Chuen Hing Alexander, an executive Director. Harvest Capital is therefore an associate of a Director under the Listing Rules and will be required to abstain from voting in favour of the resolution approving the Open Offer at the EGM.

Pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available, the absence of excess application is conditional on approval by the Shareholders at the EGM and those persons who have a material interest in such arrangement must abstain from voting on the matter at the EGM. In this respect, Harvest Capital will be required to abstain from voting on the relevant resolution approving the absence of excess application for the Open Offer at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Capital Reorganisation and accordingly no Shareholder will be required to abstain from voting on the relevant resolution(s) approving the Capital Reorganisation.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors are of the opinion that the Capital Reorganisation and the Open Offer are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of the resolutions to be proposed in the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 41 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM regarding the Open Offer and the letter received from which contains its advice to the Independent Board Committee and Independent Shareholders as regards the Open Offer and the principal factors and reasons considered by it in arriving thereat. The text of the letter from AsiaVest Partners Limited is set out on pages 42 to 51 of this circular.

GENERAL

Your attention is drawn to the information contained in the Appendices to this circular.

By order of the Board
China Investment Fund Company Limited
Wan Chuen Hing, Alexander
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中 國 投 資

CHINA INVESTMENT FUND COMPANY LIMITED

中國投資基金有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

19 January 2011

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company dated 19 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 to advise the Independent Shareholders in connection with the terms of the Open Offer. AsiaVest Partners Limited has been appointed as the Independent Financial Adviser to advise you and use in this respect.

Having considered the terms of the Open Offer and the advice of AsiaVest Partners in relation thereto as set out pages 42 to 51 of the Circular, we are of the opinion that the Open Offer is in the interest of the Company and the Shareholders as a whole and the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommended that you vote in favour of the ordinary resolution in relation to the Open Offer to be proposed at the EGM.

Your faithfully,
Independent Board Committee

**Mr. Cheng Wing Keung,
Raymond**

*Independent Non-executive
Director*

**Mr. Yeung Chun Yue,
David**

*Independent Non-executive
Director*

**Mr. Siu Hi Lam,
Alick**

*Independent Non-executive
Director*

* For identification purposes only

LETTER FROM ASIAVEST PARTNERS LIMITED

ASIA VEST PARTNERS

AsiaVest Partners Limited

19 January 2011

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**PROPOSED OPEN OFFER
OF NOT LESS THAN 446,080,000 OFFER SHARES
AND NOT MORE THAN 514,880,000 OFFER SHARES
AT HK\$0.15 PER OFFER SHARE ON THE BASIS OF TWO OFFER SHARES
FOR EVERY CONSOLIDATED SHARE HELD ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Open Offer, details of which are contained in the Letter from the Board (the “Letter”) in the circular dated 19 January 2011 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context requires otherwise.

On 15 December 2010, the Board announced that it proposed, among others, to raise not less than HK\$66,912,000 and not more than HK\$77,232,000 before expenses, by issuing not less than 446,080,000 Offer Shares and not more than 514,880,000 Offer Shares at the Subscription Price of HK\$0.15 per Offer Share by way of the Open Offer on the basis of two Offer Shares for every Consolidated Share held on the Record Date. The aggregate number of the Offer Shares to be issued pursuant to the terms of the Open Offer represents 200% of the Company’s issued share capital as at the Latest Practicable Date and approximately 66.67% of the enlarged issued share capital of the Company immediately upon completion of the Open Offer.

As at the Latest Practicable Date, Harvest Capital was interested in 230,280,511 Existing Shares (or 46,056,102 Consolidated Shares upon the Share Consolidation becoming effective), representing approximately 20.65% of the existing issued share capital of the Company and was a substantial shareholder of the Company. Harvest Capital has irrevocably undertaken to the Company that it will subscribe for the 92,112,204 Offer Shares to which Harvest Capital is entitled pursuant to the Open Offer.

As at the Latest Practicable Date, Joint Talent was interested in 155,728,000 Existing Shares (or 31,145,600 Consolidated Shares upon the Share Consolidation becoming effective), representing approximately 13.96% of the existing issued share capital of the Company and was a substantial shareholder of the Company. Joint Talent has irrevocably undertaken to the Company that it will subscribe for the 62,291,200 Offer Shares to which Joint Talent is entitled pursuant to the Open Offer.

LETTER FROM ASIAVEST PARTNERS LIMITED

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite the Underwritten Shares, who has in turn entered into the Sub-underwriting Letters with the Sub-underwriters in respect of the sub-underwriting arrangement of the Offer Shares. Harvest Capital is one of the Sub-underwriters and would take up not less than 62,499,796 Offer Shares and not more than 93,450,796 Offer Shares, which would increase Harvest Capital's shareholding interest from 20.65% as at the Latest Practicable Date up to 29.99% upon completion of the Open Offer.

Pursuant to Rule 7.24(5) of the Listing Rules, as the Open Offer will increase the issued share capital of the Company by more than 50%, the Open Offer is subject to the approval by the Shareholders at the EGM on which any shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour. As at the Latest Practicable Date, Harvest Capital, which is a substantial shareholder of the Company wholly and indirectly owned by Ms. Letty Wan who in turn is the niece of Mr. Wan Chuen Hing Alexander, an executive Director. Harvest Capital is therefore an associate of a Director under the Listing Rules and will be required to abstain from voting in favour of the resolution approving the Open Offer at the EGM.

Pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available, the absence of excess application is conditional on approval by the Shareholders at the EGM and those persons who have a material interest in such arrangement must abstain from voting on the matter at the EGM. In this respect, Harvest Capital will be required to abstain from voting on the relevant resolution approving the absence of excess application for the Open Offer at the EGM.

We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Open Offer is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the Open Offer are arm's length, on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Open Offer at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established for the purpose of advising the Independent Shareholders on the fairness and reasonableness of the terms of the Open Offer.

BASIS OF OPINION

In formulating our advice and recommendation 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 and senior management of the Company. We have assumed that all information and representations that have been provided by the Directors and senior management of the Company, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. 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 considerations.

LETTER FROM ASIAVEST PARTNERS LIMITED

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 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 recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors and the Underwriter have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, 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 sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Open Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into consideration, inter alia, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background and Reasons for the Open Offer

The Company, a Chapter 21 company making investments in accordance with its investment objectives and polices, is principally engaged in investment in both listed and unlisted securities. It intends to apply the net proceeds for future investments that have good earnings and growth potentials and are within the acceptance risk profile of the Company.

The following is a summary of the financial results extracted from the interim report 2010 (the “IR 2010”) and the annual report 2009 (the “AR 2009”) of the Company.

	For the six months ended 30 June 2010	For the year ended 31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Turnover	651,858	10,679,063
(Loss)/Profit before tax	(1,589,146)	17,943,604
(Loss)/Profit after tax	(1,589,146)	17,943,604

LETTER FROM ASIAVEST PARTNERS LIMITED

	As at 30 June 2010	As at 31 December 2009
Net asset value	134,857,072	124,751,903
Cash and cash equivalents	31,645,754	44,602,638
NAV per existing Share	0.12	0.11

The Company achieved an audited net profit attributable to Shareholders of approximately HK\$17.9 million for the year ended 31 December 2009 and a moderate unaudited net loss attributable to Shareholders of approximately HK\$1.6 million for the six months ended 30 June 2010. We also note from announcements of the Company that the NAV per existing Share has been increased from HK\$0.12 as at 30 June 2010 to HK\$0.13 as at 30 November 2010. We are advised by the Directors that the general investment market condition has been turning positive in the second half of 2010 giving to the upward trend of the market indices.

In view of recent favourable stock market performance, the Group intends to strengthen its financial position by implementing the Open Offer, which will enable the Company to expand its capital base. In addition, the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Company. The Directors therefore consider that the Open Offer is in the interests of the Company and the Shareholders as a whole.

The estimated net proceeds from the Open Offer will amount to not less than approximately HK\$63,912,000, net of expenses of approximately HK\$3,000,000 (assuming the remaining subscription rights attached to the Options are not exercised on or before the Record Date) and not more than approximately HK\$74,032,000, net of expenses of approximately HK\$3,200,000 (assuming the remaining subscription rights attached to the Options are exercised in full on or before the Record Date). The Group intends to apply the net proceeds for future investments that have good earnings and growth potentials and are within the acceptable risk profile of the Company. The Company intends to broaden the investment scope in accordance with its investment objectives and policies and to identify appropriate targets for investment with suggestions from the Company's investment manager from time to time.

The Directors believe that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASIAVEST PARTNERS LIMITED

2. Principal terms of the Open Offer

Basis

The Open Offer is on the basis of provisional allotment of two Offer Shares for every Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price. The Offer Shares (when allotted, fully paid and issued) will rank pari passu with the Consolidated Shares in issue in all respects. Holders of the Offer Shares will be entitled to receive full future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

Subscription Price

As stated in the Letter, HK\$0.15 per Offer Share shall be payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Offer Shares.

The Subscription Price represents:

- (i) a discount of approximately 76.0% to the closing price of HK\$0.625 per Consolidated Share (or HK\$0.125 per Existing Share) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 75.8% to the average closing price of HK\$0.62 per Consolidated Share (or HK\$0.124 per Existing Share) as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 76.0% to the average closing price of approximately HK\$0.625 per Consolidated Share (or HK\$0.125 per Existing Share) as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 51.30% to the theoretical ex-entitlement price of approximately HK\$0.308 per Consolidated Share (or HK\$0.061 per Existing Share) based on the closing price of HK\$0.125 per Existing Share (or HK\$0.625 per Consolidated Share) as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 55.89% to the closing price of HK\$0.34 per Consolidated Share (or HK\$0.068 per Existing Share) as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 72.7% to the audited consolidated net asset value of the Company of approximately HK\$0.55 per Consolidated Share (or HK\$0.11 per Existing Share) as at 31 December 2009.

As stated in the Letter, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter and after having taken into account the recent price performance and the liquidity of the Existing Shares. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM ASIAVEST PARTNERS LIMITED

It is our observation that to enhance the attractiveness of an open offer exercise and to encourage the existing shareholders to participate in an open offer, the subscription price of an open offer is normally set at a discount to the prevailing market prices of the relevant share. More importantly, each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. Each Qualifying Shareholder obtains the same opportunity to participate. Hence, the fact that the Subscription Price is at a discount of the prevailing market prices of the Shares is in line with the general market practice with the reasons stated above and is acceptable.

Comparison with recent open offer transactions

We have identified and reviewed, on a best effort basis, the open offer transactions of the companies listed on the main board of the Stock Exchange (the “Comparables”) from 1 January 2010 to the end of November 2010. It should be noted that the business nature, scale of operations and future prospects of the Company is not the same as that of the Comparables and as such, the Comparables may only be used to provide a general reference for open offer transactions of companies listed on the Stock Exchange. The terms of the respective transactions are summarised in the table below:

Company name (Stock code)	Date of announcement	Basis of entitlement	Discount/ (Premium) of subscription price to closing price on last trading date (%)	Discount/ (Premium) of subscription price to theoretical ex-entitlement price (%)	Excess application	Underwriting commission (%)
Yue Da Mining Holdings Limited (629)	14-Jan-10	1 for 1	46.90	30.64	Yes	2.00
Dore Holdings Limited (628)	4-Feb-10	1 for 2	16.67	13.04	Yes	N/A
Asia Resources Holdings Limited (899)	4-Mar-10	1 for 2	44.44	34.67	Yes	2.50
The Hong Kong Building and Loan Agency Limited (145)	24-Mar-10	1 for 4	64.28	59.02	No	2.50
China Financial Leasing Group Limited (2312)	12-Apr-10	1 for 2	52.10	42.03	No	2.50
Starlight International Holdings Ltd (485)	10-May-10	4 for 5	60.00	45.45	No	1.50
Yunnan Enterprises Holdings Limited (455)	12-May-10	1 for 1	72.00	56.30	No	0.00
Karce International Holdings Company Limited (1159)	17-May-10	1 for 2	37.50	28.57	No	2.50
China Ocean Shipbuilding Industry Group Limited (651)	15-Jun-10	1 for 2	12.28	(52.44)	Yes	1.50
China Mandarin Holdings Limited (9)	9-Jul-10	7 for 1	94.55	68.41	No	2.50
Kong Sun Holdings Limited (295)	8-Sep-10	1 for 2	46.81	36.97	No	2.50
Chigo Holding Limited (449)	9-Sep-10	1 for 2	82.27	N/A	No	2.50
Yuexiu Property Company Limited (123)	14-Sep-10	3 for 10	15.26	12.02	No	0.00
Qunxing Paper Holdings Company Limited (3868)	5-Nov-10	1 for 2	80.30	N/A	No	2.50
Morning Star Resources Limited (542)	19-Nov-10	5 for 1	89.53	45.05	No	2.50
China Grand Pharmaceutical and Healthcare Holdings Limited (512)	23-Nov-10	1 for 3	21.62	17.14	Yes	3.50
Maximum			94.55	68.41		3.50
Mean			49.80	30.14		2.04
Minimum			12.28	(52.44)		0.00
The Company		2 for 1	76.00	51.30	No	2.50

Source: The Stock Exchange of Hong Kong Limited

Notes: “N/A” denotes the information is not available or not stated explicitly in the respective announcements issued by the companies.

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As shown from the above table, the discount of the Comparable subscription prices to their respective closing price on the last trading day prior to the press announcement ranges from approximately 12.28% to approximately 94.55%. The discount of the Comparable subscription prices to their respective theoretical ex-rights price ranges from approximately (52.44)% (which is a premium) to approximately 68.41%. The discounts of the Subscription Price mentioned under paragraph 2 “Principal terms of the Open Offer” fall within the discount ranges as mentioned in the table above.

Nonetheless, having considered (i) it is common for the listed companies on the main board of the Stock Exchange to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction; and (ii) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Offer Shares at the Subscription Price which represents discount to market price, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

We noted that there will be no arrangement for application of Offer Shares by the Qualifying Shareholders in excess of their entitlements. The Qualifying Shareholders therefore will not be entitled to subscribe for any Offer Shares in excess of their entitlements. Given the number of companies in the Comparables which made no arrangement for application of Offer Shares for excess application, the absence of arrangement for excess application for open offer is not considered an uncommon market practice. The absence of such arrangement will save costs which will otherwise be incurred by the administrative procedures for implementing the arrangement for excess application for the Open Offer. In view of the above, we consider that the absence of excess application under the Open Offer is fair and reasonable.

We were also advised by the Directors that the Company has considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights, and that given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil paid rights shares, the Company considers that the Open Offer is more time and cost effective and a better option. Given the number of companies in the Comparables which used open offer as a mean to raise fund, we conclude that open offer is not considered an uncommon market practice. In view of the above, we consider that the use of open offer as a mean to raise fund is fair and reasonable.

3. Underwriting arrangements

Sub-underwriting commitment of Harvest Capital

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite the Underwritten Shares, who has in turn entered into the Sub-underwriting Letters with the Sub-underwriters in respect of the sub-underwriting arrangement of the Offer Shares. Harvest Capital is one of the Sub-underwriters and would take up not less than 62,499,796 Offer Shares and not more than 93,450,796 Offer Shares, which would increase Harvest Capital’s shareholding interest from 20.65% as at the Latest Practicable Date up to 29.99% upon completion of the Open Offer.

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Underwriting Commission

Pursuant to the Underwriting Agreement, the underwriting commission will be amounted to 2.5% of the aggregate Subscription Price in respect of the number of Offer Shares underwritten by the Underwriter. From the table as set out above, we note that the commission rate of the respective underwriters ranges from 0% to 3.50% among the Comparables and the mean commission rate calculated from the Comparables is 2.04%. As such, we consider the underwriting commission is fair and reasonable as far as the Independent Shareholders are concerned.

Termination

Subject to the fulfillment of the conditions contained in the Underwriting Agreement, it should also be noted that the Open Offer would not be proceeded if the Underwriter exercise their termination rights under the Underwriting Agreement, details of the provisions granting the Underwriter such termination rights are included in the section headed “**Termination of the Underwriting Agreement**” in the Circular. In the view that it is common to have termination clause incorporated in underwriting agreements, we consider such provisions are normal commercial terms and in line with the normal market practice.

Concluding from the above, we are of the view that the terms of the underwriting arrangements are fair and reasonable and in the interest of the Company and Shareholders as a whole.

4. Alternatives to the Open Offer

The Directors advised that they have considered other methods of funds raising such as issue of new Shares and bank borrowing. Taking into account that (i) debt financing and bank borrowing will incur interest burden to the Company; (ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company’s equity raising exercise would result in dilution of shareholding of and per Share value to the existing Shareholders; and (iii) the Open Offer will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we are of the view that fund raising by way of the Open Offer is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Risks associated with the Open Offer

Shareholders should note that, as stated in the Letter, the Open Offer is conditional upon, among other things, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “**Termination of the Underwriting Agreement**” in the Circular). As such, the Open Offer may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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6. Potential dilution effect of the Open Offer on shareholding interests

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interests in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 66.67%.

In all cases of rights issues and open offers, the dilution on the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlements under the Open Offer is inevitable. In fact, the dilution magnitude of any rights issues or open offers depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ration of new shares to existing shares is the greater the dilution on the shareholding would be.

Taking into account (i) the inherent dilutive nature of open offer in general; and (ii) the Open Offer enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to at a lower price as compared to the historical and prevailing market price of the Shares, we are of the view that such potential dilution of the Open Offer on the shareholding of the Shareholders is acceptable.

7. Financial effects of the Open Offer

Net asset value

Based on the statement of unaudited pro forma financial information set out in Appendix II of the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Group amounts to approximately HK\$198.8 million or HK\$208.9 million upon completion of the Open Offer, representing an increase of HK\$63.9 million or HK\$74 million respectively as compared to the audited consolidated net tangible asset value of the Group of approximately HK\$134.9 million as at 31 December 2009.

Cash and cash equivalents

Based on the IR 2010, the balance of cash and cash equivalents amount to approximately HK\$31.6 million. The Open Offer will bring further cash of not less than HK\$63.9 million and not more than HK\$74.0 million, which would further enrich the Company's capital base and better equip itself for any investment opportunities arise in the future.

Given the above analyses on the Open Offer, we consider the terms of the Open Offer are fair and reasonable and in the interest of the Company.

LETTER FROM ASIAVEST PARTNERS LIMITED

RECOMMENDATION

Having considered the above principal factors and reasons which include:-

- (i) The Group intends to apply the net proceeds for future investments that have good earnings and growth potentials and are within the acceptable risk profile of the Company;
- (ii) Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. Each Qualifying Shareholder obtains the same opportunity to participate;
- (iii) It is common for the listed companies on the main board of the Stock Exchange to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction;
- (iv) The discounts of the Subscription Price mentioned under paragraph 2 “Principal terms of the Open Offer” fall within the discount ranges of the Comparables;
- (v) The Board have considered other methods of funds raising such as issue of new Shares and bank borrowing and finally concluded that fund raising by way of the Open Offer is fair and reasonable and in the interest of the Company and the Shareholders as a whole; and
- (vi) The Open Offer will strengthen the financial position of the Group.

We consider that the terms of the Open Offer are fair and reasonable and are in the interests of the Company. We advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the ordinary resolutions approving the Open Offer at the EGM.

Yours faithfully
For and on behalf of
AsiaVest Partners Limited
Sam Lum
Director

1. FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2007, 2008 and 2009 are disclosed in the annual reports of the Company for the years ended 31 December 2007 (pages 18 to 51), 2008 (pages 18 to 55) and 2009 (pages 16 to 57) respectively. These annual reports are published on the website of the Stock Exchange (www.hkex.com.hk) and (www.irasia.com/listco/hk/cif).

2. UNAUDITED INTERIM RESULTS

The unaudited consolidated financial statements of the Company for the six months ended 30 June 2010 together with the relevant notes to the accounts are disclosed in the interim report of the Company for the six months ended 30 June 2010 (pages 1 to 14), which are published on the website of the Stock Exchange (www.hkex.com.hk) and (www.irasia.com/listco/hk/cif).

3. INDEBTEDNESS STATEMENT**(a) Borrowings**

At the close of business on 30 November 2010, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no borrowings outstanding.

(b) Debt securities

At the close of business on 30 November 2010, the Group had no outstanding debt securities issued or authorised or otherwise created but unissued.

(c) Pledge of assets

At the close of business on 30 November 2010, the Group did not pledge any asset to banks or other financial institutions.

(d) Contingent liabilities

As at 30 November 2010, the Group had no material contingent liabilities.

Disclaimer

Save as aforesaid sections (a) to (d), and apart from intra-group liabilities, at the close of business on 30 November 2010, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdraft, loans, or other similar indebtedness, liabilities under acceptances or acceptances credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 June 2010, being the date to which the latest published unaudited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL**The Group**

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. OPERATION REVIEW

The principal activity of the Group is investing in both listed and unlisted securities. As at 30 June 2010, the Group has deployed approximately HK\$29 million in unlisted equity securities.

7. RESULTS REVIEW

During the six months ended 30 June 2010, the Group reported a loss of approximately HK\$1.6 million (six months ended 30 June 2009: a profit of approximately HK\$11.5 million). The loss was mainly attributable to the decrease in the unrealized gain on financial assets designated as held for trading.

8. LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had cash and cash equivalents of approximately HK\$31.6 million (31 December 2009: HK\$44.6 million). The gearing ratio, which was defined as the ratio of total borrowings to shareholders' equity as at 30 June 2010, was nil (31 December 2009: nil). The decrease in cash and cash equivalents was mainly due to the acquisition of 12.5% equity interest in Fame Oriented Holdings Limited. Cash and cash equivalents represented approximately 23% of the Group's total assets as at 30 June 2010. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

9. BUSINESS TREND AND PROSPECTS

Despite the economic recovery in China in 2009, the growth pace of global investment market has been slowed down following the European financial crisis during the first half year of 2010. Given the continued uncertainty and unpredictability of the current global financial markets and economies, the Directors continue to adopt cautious and prudent approach in managing the portfolio of investments of the Group. The Group is continually looking for investment opportunities which offer good returns and within the acceptable risk profile of the Group. As at the Latest Practicable Date, no provision for impairment loss on the investments has been made.

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

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TO THE DIRECTORS OF CHINA INVESTMENT FUND COMPANY LIMITED

We report on the unaudited pro forma statement of adjusted net tangible assets (the “Unaudited Pro Forma Financial Information”) of China Investment Fund Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix II of the circular dated 19 January 2011 (the “Circular”). The Unaudited Pro Forma Financial Information has been prepared by directors of the Company, for illustrative purpose only, to provide information about how the proposed open offer on the basis of two offer shares for every consolidated share (as defined in the Circular) held on the Record Date (as defined in the Circular) at the subscription price of HK\$0.15 per offer share, might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the introduction and notes to the Unaudited Pro Forma Financial Information as set out in Section A of this Appendix.

Responsibilities

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

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

Basis of opinion

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

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

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it may not give a true picture of the Group's financial position or results, and it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or any future date.

Opinion

In our opinion:

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

HLM & Co.*Certified Public Accountants*

Hong Kong, 19 January 2011

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**INTRODUCTION**

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited to illustrate the effect of the proposed open offer on the basis of two offer shares for every consolidated share held on the record date (“Open Offer”) on the published unaudited consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 June 2010.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the published unaudited consolidated net assets of the Group as at 30 June 2010, as extracted from the published interim report of the Group for the period ended 30 June 2010 set out in Appendix I to this circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

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

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010 <i>(Note 2)</i> HK\$'000	Estimated net proceeds from the Open Offer <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of the Open Offer HK\$'000	Unaudited consolidated net tangible assets per share attributable to the equity holders of the Company as at 30 June 2010 <i>(Note 4)</i> HK\$	Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the equity holders of the Company after completion of the Open Offer HK\$
Open Offer of 446,080,000 Offer Shares <i>(Note 1)</i>	134,857	63,912	198,769	0.12	0.30 <i>(Note 5)</i>
Open Offer of 514,880,000 Offer Shares <i>(Note 1)</i>	134,857	74,032	208,889	0.12	0.27 <i>(Note 6)</i>

Note:

1. The issue of not less than 446,080,000 Offer Shares and not more than 514,880,000 Offer Shares to the Qualifying Shareholders by way of the Open Offer is based on the number of issued Shares as at the Latest Practicable Date. Details of the movement in number of Shares from 30 June 2010 up to the Latest Practicable Date is as follows:

	Number of Shares
As at 30 June 2010	1,095,200,000
Exercise of share options on 1 November 2010	20,000,000
Shares consolidation (5 in 1) (becoming effective)	<u>(892,160,000)</u>
As at the Latest Practicable Date	<u><u>223,040,000</u></u>

2. The unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010 is arrived at based on the published interim report of the Company for the period ended 30 June 2010 as set out in Appendix I to this circular.
3. The estimated net proceeds of Open Offer is calculated based on not less than 446,080,000 Offer Shares to be issued at the Subscription Price of HK\$0.15 per Offer Share, after deduction of the estimated related expenses of approximately HK\$3,000,000.

The estimated net proceeds of Open Offer is calculated based on not more than 514,880,000 Offer Shares to be issued at the Subscription Price of HK\$0.15 per Offer Share, after deduction of the estimated related expenses of approximately HK\$3,200,000.

4. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share as at 30 June 2010 and prior to the completion of the Open Offer is based on 1,095,200,000 Shares in issue as at 30 June 2010.
5. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer is calculated based on 669,120,000 Shares in issue upon completion of the Open Offer, which represents the 223,040,000 Shares in issue as at the Latest Practicable Date and 446,080,000 Offer Shares expected to be issued on the completion of the Open Offer.
6. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer is calculated based on 772,320,000 Shares in issue upon completion of the Open Offer, which represents the 223,040,000 Shares in issue, 34,400,000 potential shares exercisable under share options as at the Latest Practicable Date and 514,880,000 Offer Shares expected to be issued on the completion of the Open Offer.
7. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2010.

This unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the change in net tangible assets arising from the movement of number of shares of the Company from 30 June 2010 up to the Latest Practicable Date, as specified in Note 1 above.

This appendix serves as an additional disclosure requirement pursuant to Rule 21.09 of Listing Rules in connection with the listing document of investment company. This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company.

INVESTMENT MANAGEMENT INFORMATION

Investment Manager	Baron Asset Management Limited Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Directors of the Investment Manager and address	Mr. Alexander Cleveland Logie Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong Mr. Sze Tsai Ping, Michael Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong Mr. Wan Chuen Fai Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong Mr. Lam Saihong Dennis Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Custodian	Standard Chartered Bank 15/F. Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong

THE INVESTMENT MANAGER

Baron Asset Management Limited (the “Baron Asset Management”) has provided investment management services to the Company since 1 January 2009. The Board is of the view that the investment management services provided by Baron Asset Management are valuable which help to contribute favourable profit and asset growth to the Company.

Baron Asset Management, a company incorporated in Hong Kong with limited liability under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on 16 June 2005, is principally engaged in the business of advising on securities and investment management and a licensed corporation to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO.

The following are the directors of Baron Asset Management:

Mr. Alexander Cleveland Logie (“Mr. Alexander Logie”)

Mr. Alexander Logie has over 20 years of experience in banking and asset management industry. He acted in senior positions including founder, co-founder, president, Chief Executive Officer (“CEO”) and advisor in numerous private equity funds and hedge funds in the recent ten years. He was also the vice president of Citibank Canada from 1985 to 1996, who managed a \$60 billion currency and interest rate swap portfolio, arranged structured financing for the Bank’s balance sheet and helped manage the Bank’s funding gap; and the vice president of Phoenix Hedge Fund from 1996 to 1998, who managed a proprietary market neutral trading book of fixed income and currency derivatives. Mr. Alexander Logie is the President, CEO and Founder, of Candlebrook Capital Corp. “Candlebrook” from February 2007 to present, which is an international private equity and hedge fund advisors and placement agents. The private equity and hedge fund under Candlebrook included Vertex One, Synergy Global Capital, Brevet Capital, Third Eye Capital and Vision Brazil.

Mr. Alexander Logie is a responsible officer of Baron Asset Management and a licensed person for Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under SFO.

Mr. Sze Tsai Ping, Michael (“Mr. Michael Sze”)

Mr. Michael Sze has over 30 years of experience in the financial and securities field. He graduated with a Master of Laws (LLM) Degree from the University of Hong Kong. He is currently a Member of the Market Misconduct Tribunal and a Member of the Disciplinary Appeals Committee of the Stock Exchange. He was a former Council Member, Member of the Main Board Listing Committee of the Stock Exchange, Member of the Cash Market Consultative Panel of Hong Kong Exchanges & Clearing Limited and Member of the Securities and Futures Appeals Panel. Mr. Michael Sze is a Fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Fellow of the Hong Kong Institute of Directors Limited.

Mr. Wan Chuen Fai (“Mr. Thomas Wan”)

Mr. Thomas Wan has over 6 years of experience in asset management industry in providing evaluation and recommendation on potential investment opportunities for professional investors. He also participates in fund management and risk control. Mr. Thomas Wan was an associate director of Bridge Partners Investment Management Limited from June 2002 to November 2006. He acted as asset management manager and responsible officer for Regal Portfolio Management Limited from December 2006 to September 2007. Mr. Thomas Wan is a responsible officer of Baron Asset Management and a licensed person for Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under SFO.

Mr. Lam Saihong Dennis (“Mr. Dennis Lam”)

Mr. Dennis Lam has over 6 years of experience in the asset management industry. He previously held equity research and portfolio management responsibilities at Franklin Templeton Investments and Schroder Investment Management (Hong Kong) Limited. Mr. Dennis Lam graduated summa cum laude from Boston University with a Bachelor of Arts in Economics and Mathematics and received a Master of Arts degree in Statistics from Harvard University. Mr. Dennis Lam is a Chartered Financial Analyst (CFA) charterholder, a certified Financial Risk Manager (FRM) and a fellow member of the Global Association of Risk Professionals.

THE CUSTODIAN

Standard Chartered Bank was appointed as the custodian in relation to the investments which the Company may from time to time deposit with the Custodian.

The Directors confirm that none of the directors of the investment company, the management company, 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 investment company, or any reallowance of other types on purchases charged to the investment company.

RISKS RELATING TO THE COMPANY

As the Company is principally engaged in investment in both listed and unlisted securities. 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 external factors beyond the control of the Company. As a result, income of the fund and its net asset value may therefore go down as well as go up, subject to the prevailing market conditions.

INVESTMENT OBJECTIVES

As the Company is principally engaged in investment in both listed and unlisted securities. The Company is an investment company incorporated in the Cayman Islands with the investment objective of the Company is to achieve medium to long-term capital appreciation within the acceptable risk profile.

INVESTMENT POLICY AND RESTRICTIONS

The Company had adopted the following investment policies:

- (a) the Company may invest in any types of investments in accordance with the investment objectives, policies and restrictions adopted by the Company from time to time;
- (b) the Company may, in addition to investing in the form of equity or equity-related securities and debt instruments in listed and unlisted companies, invest in other financial products including but not limited to trade interest rate options, futures and other types of derivatives; and
- (c) the Company shall engage in transactions in options and futures which are traded on recognized securities or futures exchanges and shall issue or purchase derivative financial products.

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company:—

- (d) either on its own or in conjunction with any connected person, make legal, or effective, management control of any company or other entity in which it invests or owns or controls more than 30% (or such lower percentage as may from time to time be specified in the Takeovers Code and Mergers as being the level for triggering a mandatory general offer) of the voting rights in such company or entity, except in relation to wholly-owned subsidiaries of the Company, if any; and
- (e) invest in any company or entity, other than wholly-owned subsidiaries of the Company, if any, if such investment will result in more than 20% of the net asset value being invested in such company or entity as at the date the investment is made so as to ensure that a reasonable spread of investments and at all times be maintained by the Company.

The Company has to comply with investment restrictions (d) and (e) above, in accordance with its Articles, and at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

BORROWING POWER

Pursuant to the provision of the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount for the time being remaining discharged of all money borrowed by the Group not exceeding 50% of the net asset value. The Group's assets may be charged or pledged as security for borrowing.

DISTRIBUTION POLICY

It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the memorandum and the articles. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distribution will be made annually after the annual accounts of the Company are approved by the Shareholders but interim distribution may be made from time to time to Shareholders as appear to the Board to be justified by the position of the Company. Distributions will be made in HK\$.

FOREIGN CURRENCY MANAGEMENT

The Group is mainly exposed to the effects of fluctuation in US\$ and C\$. For the currency risk of the Group's financial assets, the exposure is mainly in HK\$ against C\$, if the exchange rate of HK\$ against foreign currency has been increased or decreased by 5%, the Group's profit for the year ended 2009 would increase or decrease by HK\$623,646 (2008: HK\$160,309).

EXCHANGE CONTROL**THE PRC**

The relevant rules governing exchange control relating to the inflow and outflow of foreign exchange are contained primarily in the Regulations of Foreign Exchange Control (as amended) promulgated on 29 January 1996 and affected on 1 April 1996.

In summary, all foreign exchange receipts (from capital injection or sales) must be deposited in the foreign exchange account opened with the designated bank approved to operate foreign exchange business by State Administration of Foreign Exchange ("SAFE"). Foreign exchange under current account items (such as dividends and profits) can be remitted abroad upon presentation of necessary documents, including auditor's report, capital verification report, foreign exchange registration certificate and tax certificate as well as other documents required by SAFE. Foreign exchange under capital account items (such as interest and repatriation of capital) may be remitted abroad upon presentation of necessary documents and subject to approval of SAFE.

Currently, foreign investment enterprises may settle, buy and sell foreign currency through a designated bank operating foreign exchange businesses.

HONG KONG

There are no foreign exchange controls in force in Hong Kong, and HK\$ is freely convertible into other currencies.

Since 17 October 1983, HK\$ has been linked to the US\$. The link is maintained through the mechanism of certificates of indebtedness which are used by the three Hong Kong banknote-issuing banks as cover for banknote issues. The certificates are issued and redeemed by the Hong Kong Exchange Fund only against payment in US\$ at a fixed exchange rate of HK\$7.80 to US\$1.00. The free market exchange rate of HK\$ against the US\$ for the non-bank public is determined by supply and demand, but has not deviated significantly from the fixed exchange rate.

On 5 September 1998, the government of Hong Kong announced seven technical measures to improve the way the linked exchange rate is managed. These measures came into effect on 2 September 1998. These measures are intended to strengthen the currency board arrangement and to stabilise unusual local interest rate movements. The measures include the provision by the Hong Kong Monetary Authority of a convertibility undertaking to all licensed banks in Hong Kong to convert HK\$ in their clearing accounts into US\$ at a fixed rate of HK\$7.75 to US\$1.00.

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 and the custodian, as described below. In addition, the Company will pay certain other costs and expenses incurred in its operation, including taxes, expenses for legal, auditing and consulting services, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest and brokerage cost.

INVESTMENT MANAGEMENT FEES

Management fee for the period from 1 January 2010 to 31 December 2010 is HK\$1,800,000 and for the period from 1 January 2011 to 30 June 2011 is HK\$900,000.

CUSTODIAN FEES

Pursuant to the custodian agreement, the Company will pay the custodian such reasonable fees, costs and expenses in respect of the custodian account as may from time to time be prescribed by the custodian. All fees, costs and expenses of the custodian shall accrue on a daily basis. The Company also agrees to pay all costs, taxes, expenses and fees (including any applicable fees of any clearing house) in connection with or arising out of the operation of the custodian account. The custodian shall be entitled to charge interest (both before and after judgment) on any amount owed to the custodian by the Company at 6% above the prime rate from time to time of the custodian.

INVESTMENT PORTFOLIO

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

AVAILABLE-FOR-SALE INVESTMENTS

The details of the available-for-sale investments of the Group as at 31 December 2009 are as follows:

	2009 <i>HK\$</i>	2008 <i>HK\$</i>
Overseas convertible debentures, at cost (<i>note a</i>)	7,384,240	8,927,590
Less: fair value adjustment (<i>note d</i>)	<u>—</u>	<u>—</u>
	<u>7,384,240</u>	<u>8,927,590</u>
Unlisted equity securities, at cost (<i>note b</i>)	10,123,879	9,888,710
Less: fair value adjustment	<u>(553,016)</u>	<u>(948,466)</u>
	<u>9,570,863</u>	<u>8,940,244</u>
Unlisted bonds, at cost	—	7,809,415
Less: fair value adjustment	<u>—</u>	<u>(2,762,836)</u>
	<u>—</u>	<u>5,046,579</u>
Equity securities listed in Hong Kong, at cost (<i>note c</i>)	15,400,400	—
Add: fair value adjustment	<u>12,561,600</u>	<u>—</u>
	<u>27,962,000</u>	<u>—</u>
Total	<u><u>44,917,103</u></u>	<u><u>22,914,413</u></u>

Notes:

- (a) In 2008, the Group acquired convertible debenture in Jordan Ventures Ltd. (“JVL”) at CAD1,000,000. JVL is a company incorporated on 26 November 2007. One of the terms and conditions in the convertible debenture agreement stated that the repayment date is 6 months subsequent to being demanded by the registered holder provided that such demand may not be made until after 12 months from the opening of head office of JVL. Subject to the borrower’s right to redeem the debentures at any time after the demand date, or after the redemption notice, the outstanding principle amount of a debenture may be converted, at the sole option of the registered holder by giving notice of conversion to the borrower, into common shares of the borrower at a price per conversion share calculated based on the net book value of the borrower at the month end following the notice of conversion. The interest rate of the convertible debenture is at the prime rate (charged by Canadian Imperial Bank of Commerce) per annum paid monthly to the registered holder. The overseas convertible debenture investments are stated at cost because there are no quoted market prices for such overseas convertible debenture investments. On 9 April 2010, the Group has made demand for repayment of the convertible debenture at cost plus accrued and unpaid interest, and such amount is supposed to be received on October 2010. In addition, the variability in the range of reasonable fair value estimated is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value cannot be made.

- (b) In 2007, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership (“CPELP”). The investment objective of the Partnership is to seek medium to long term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities. In 2008, the Group also acquired unlisted equity securities being 38,450 shares of 8.125% preferred shares in The Hong Kong and Shanghai Banking Corporation Limited. The market for these financial assets are not active, the Group establishes the value by references provided by the financial institutions. These include the use of recent arm’s length transaction and reference to other instruments that are substantially the same.
- (c) In 2009, the Group reclassified equity security listed in Hong Kong being 50,840,000 shares of Cosmopolitan International Holdings Limited (“Cosmopolitan”) from financial assets designated as held for trading to available-for-sale financial assets as the Group changed its business model for managing financial assets. The market for these financial assets are active, the Group establishes the value by references provided by the market price. Cosmopolitan is principally engaged in securities trading, property investment and development, provision of information technology services. For the year ended 31 March 2009, the audited consolidated loss from ordinary activities attributable to shareholders of Cosmopolitan was approximately HK\$260,102,000 and the basic loss per share was HK13.39 cents. At 31 March 2009, the audited consolidated net asset value of the Cosmopolitan was approximately HK\$132,302,000. No dividend was received during the year.
- (d) The directors conducted a review of the Group’s available-for-sale investments during the year and determined that the fair value adjustment based on estimated recoverable amount of available-for-sale financial assets.

FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

As at 31 December 2009, financial assets designated as held for trading included the following investments:

Name of Investee company	Number of shares held	Proportion of Investee’s capital owned %	Cost HK\$	Market value HK\$	Unrealised gain (loss) arising on revaluation HK\$	Dividend received receivable during the year HK\$
(a) Regal Hotels International Holdings Limited	300,000	0.03	645,000	972,000	327,000	38,856
(b) Regal Real Estate Investment Trust	1,000,000	0.03	970,000	165,000	680,000	178,607
(c) Sino Resources Group Limited	26,500,000	2.38	8,824,500	11,527,500	2,703,000	—
(d) Sinopharm Group Company Limited	24,000	0.01	663,000	661,200	(1,800)	—

A brief description of the business and financial information of the listed investee companies which represents all of the Group's assets, which are extracted from their latest published annual reports is as follow:

Notes:

- (a) Regal Hotels International Holdings Limited ("Regal") is principally engaged in Hotel Ownership and Management, property investment, other investment. For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Regal was approximately HK\$431,100,000 and the basic earnings per share was HK43 cents. At 31 December 2009, the audited consolidated net asset value of the Regal was approximately HK\$4,475,800,000. Dividend received was approximately HK\$20,917 during the year.
- (b) Regal Real Estate Investment Trust ("Regal REIT") is principally engaged in owning and investing in income-producing hotels and hospitality-related properties. For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Regal REIT was approximately HK\$112,476,000 and the basic earnings per share was HK\$0.197. As at 31 December 2009, its audited consolidated net asset value was approximately HK\$8,308,731,000. Dividend received was approximately HK\$168,982 during the year.
- (c) Sino Resources Group Limited ("Sino Resources") is principally engaged in providing ancillary services and sale of coals. For the year ended 31 March 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Sino Resources was approximately HK\$56,558,000 and the basic earning per share was HK7 cents. At 31 March 2009, its audited consolidated net asset value was approximately HK\$607,096,000. No dividend was received during the year.
- (d) Sinopharm Group Company Limited ("Sinopharm") is principally engaged in pharmaceutical products, laboratory supplies and operation of pharmaceutical chain stores. For the year ended 31 December 2009, the audited consolidated profit from ordinary activities attributable to shareholders of Sinopharm was approximately RMB845,819,000 and the basic earning per share was RMB0.47. As at 31 December 2009, its audited consolidated net asset value was approximately RMB10,910,856,000. No dividend was received during the year.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company and following completion of the Capital Reorganisation and the Open Offer are as follows:

As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>3,000,000,000</u>	Existing Shares as at the Latest Practicable Date	<u>30,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>1,115,200,000</u>	Existing Shares	<u>11,152,000.00</u>

Upon completion of the Capital Reorganisation and the Open Offer (assuming that the remaining subscription rights attached to the Options are not exercised before the Record Date)

<i>Authorised share capital upon the Capital Reorganisation becomes effective:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Consolidated Shares	<u>200,000,000.00</u>
<i>Issued and fully paid:</i>		
223,040,000	Consolidated Shares	11,152,000.00
<u>446,080,000</u>	Offer Shares	<u>22,304,000.00</u>
<u>669,120,000</u>		<u>33,456,000.00</u>

Upon completion of the Capital Reorganisation and the Open Offer (assuming that the remaining subscription rights attached to the Options are exercised in full before the Record Date)

<i>Authorised share capital upon the Capital Reorganisation becomes effective:</i>		<i>HK\$</i>
<u>4,000,000,000</u>	Consolidated Shares	<u>200,000,000.00</u>
<i>Issued and fully paid:</i>		
223,040,000	Consolidated Shares	11,152,000.00
<u>514,880,000</u>	Offer Shares	<u>25,744,000.00</u>
<u>737,920,000</u>		<u>36,896,000.00</u>

All the Existing Shares in issue, Consolidated Shares and Offer Shares to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

As at the Latest Practicable Date, save for the Options, there were no outstanding warrants, derivatives or convertible securities issued or options granted which carry rights to acquire Existing Shares or Consolidated Shares.

The Existing Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

3. DISCLOSURE OF INTERESTS

Interests of Directors

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

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by any Directors or chief executive of the Company, the following persons had an interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, deemed 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 other member of the Company and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital were as follows:

Position in the shares and underlying shares of the Company

Name of Shareholder	Capacity or Nature of Interests	Number of shares held and underlying shares held <i>Existing Shares</i>	Approximate percentage of issued share capital of the Company %
Ms. Letty Wan <i>(Notes 1 & 3)</i>	Beneficial owner	230,280,511	20.65
Harvest Capital <i>(Notes 1 & 3)</i>	Interest of Controlled Corporation	230,280,511	20.65
Joint Talent <i>(Note 2)</i>	Interests of controlled corporations	155,728,000	13.96

Notes:

1. Harvest Capital is a substantial shareholder of the Company which is ultimately wholly-owned by Ms. Letty Wan. Harvest Capital is one of the Sub-underwriters.
2. Joint Talent is a substantial shareholder of the Company which is wholly-owned by Mr. Lam Kwing Wai, Alvin Leslie and is deemed to be interested in 155,728,000 Existing Shares.
3. Harvest Capital, Polaris and Masterlink are Sub-underwriters under the Sub-underwriting Letters, details of which are set out in the paragraph headed "Sub-underwriting Letters" under the section headed "Underwriting Arrangement" of this circular.

Position in the Offer Shares

Assuming that the remaining subscription rights attached to the Options are not exercised before the Record Date:

Name of Shareholder	Capacity or Nature of Interests	Number of shares held <i>Consolidated Shares</i>	Approximate percentage of issued share capital of the Company (as enlarged by the issue of the Offer Shares) %
Ms. Letty Wan	Interests of controlled corporation	200,668,102	29.99
Masterlink	Beneficial owner	115,000,000	17.19
Polaris	Beneficial owner	114,176,800	17.06

Assuming that the remaining subscription rights attached to the Options are exercised in full before the Record Date:

Name of Shareholder	Capacity or Nature of Interests	Number of shares held <i>Consolidated Shares</i>	Approximate percentage of issued share capital of the Company (as enlarged by the issue of the Offer Shares) %
Ms. Letty Wan	Interests of controlled corporation	231,619,102	29.99
Masterlink	Beneficial owner	115,000,000	14.89
Polaris	Beneficial owner	152,025,800	19.68

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 executives of the Company) who had interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), 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, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

4. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their advice or opinion which is contained in this circular:

Name	Qualification
AsiaVest Partners Limited	licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO
HLM & Co. Certified Public Accountants	Certified Public Accountants

Each of AsiaVest Partners Limited and HLM & Co. Certified Public Accountants has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, neither AsiaVest Partners Limited nor HLM & Co. Certified Public Accountants was beneficially interested in the share capital of any member of the Company, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor did they have any interest, either direct or indirect, in any assets which had been since 31 December 2009 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to the Company.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there is no litigation, arbitration or claim of material importance in which the Company is engaged or pending or threatened against the Company.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts, not being contracts entered into in the ordinary course of business, have been entered by the Company and are or may be material:—

- (i) the Underwriting Agreement;
- (ii) a termination agreement dated 10 November 2010 entered into between the Company and Mr. Lam Kwing Wai, Alvin Leslie in respect of the termination of the Shing View Agreement (as defined below). Pursuant to the termination agreement, the parties agreed to terminate the Shing View Agreement and release each other from all responsibilities and obligations thereunder due to non-fulfillment of one of the conditions precedent under the Shing View Agreement;

- (iii) a placing agreement dated 22 June 2010 entered into between the Company and Baron Capital in respect of the placing of the June 2010 Options. Pursuant to the option agreement, the Company appointed Baron Capital to procure, on a best effort basis, not less than six independent placees to subscribe the June 2010 Options at a price of HK\$0.00625 per option which would entitle the placee to subscribe, during a period of 24 months commencing from 22 June 2010, one new Existing Share at an initial subscription price of HK\$0.125 per Existing Share (subject to adjustments);
- (iv) an agreement dated 21 December 2009 entered into between the Company and Baron Natural Resources Holdings Limited in respect of the acquisition of a 12.5% equity interest in Fame Oriented Holdings Limited by the Company, for a consideration of HK\$19,200,000;
- (v) an agreement dated 21 December 2009 entered into between the Company and Mr. Lam Kwing Wai, Alvin Leslie (as supplemented by supplemental agreements dated 26 February 2010, 28 April 2010, 29 June 2010, 29 September 2010 respectively) in respect of the acquisition of a 17.5% equity interest in Shing View Global Investment Limited by the Company (the “Shing View Agreement”), for a consideration of HK\$19,880,000;
- (vi) a consultancy agreement dated 21 December 2009 entered into between the Company and Ms. Letty Wan in respect of the provision of consultancy services by Ms. Letty Wan for a period commencing from 21 December 2009 to 30 June 2011 for a remuneration to be determined by the Board on a time cost and project basis, provided that the remuneration shall not exceed HK\$1,000,000 for each of the two financial years ending 31 December 2011 of the Company;
- (vii) an investment management agreement dated 21 December 2009 entered into between the Company and Baron Asset Management Limited in respect of provision of investment management services by Baron Asset Management Limited for a period commencing from 1 January 2010 to 30 June 2011 for a management fees of (in respect of the period from 1 January 2010 to 31 December 2010) HK\$1,800,000 and (in respect of the period from 1 January 2011 to 30 June 2011) HK\$900,000;
- (viii) a sharing of administrative office agreement dated 21 December 2009 entered into between the Company and Baron Asia Limited in respect of the sharing of certain premises and facilities for a period commencing from 1 February 2010 to 30 June 2011 for a fee in the sum of HK\$200,000 per month; and
- (ix) an option agreement dated 12 May 2009 entered into between the Company and Mega Regent Holdings Limited (“Mega Regent”) in respect of the grant of the May 2009 Options. Pursuant to the option agreement, the Company agreed to grant the May 2009 Options to Mega Regent which is exercisable within a period of 24 months commencing from 12 May 2009, at the consideration of HK\$500,000 such that Mega Regent shall be entitled to require the Company to allot and issue up to a maximum of 100,000,000 new Existing Shares at the subscription price of HK\$0.106 per Existing Share (subject to adjustments).

8. EXPENSES

The estimated expenses in connection with the Capital Reorganisation, the Open Offer (including but not limited to the underwriting commission, translations, printing, registration, financial advisory, legal, and professional fee) is approximately not less than approximately HK\$63,912,000, net of expenses of approximately HK\$3,000,000 (assuming the remaining subscription rights attached to the Options are not exercised on or before the Record Date) and not more than approximately HK\$74,032,000, net of expenses of approximately HK\$3,200,000 (assuming the remaining subscription rights attached to the Options are exercised in full on or before the Record Date) and are payable by the Company.

9. PARTIES**PARTICULARS OF DIRECTORS**

(i) Name	Address
<i>Executive Directors:</i>	
Mr. William Robert Majcher	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Mr. Wan Chuen Hing, Alexander	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
<i>Independent non-executive Directors:</i>	
Mr. Cheng Wing Keung, Raymond	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Mr. Yeung Chun Yue, David	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Mr. Siu Hi Lam, Alick	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong

(ii) Biographical Details of Directors*Executive Directors**Mr. William Robert Majcher (“Mr. Majcher”)*

Mr. Majcher, aged 47, has been appointed as an executive Director of the Company with effect from 15 August 2007. Mr. Majcher has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher has also been appointed to be independent director of Q-Gold Resources Ltd., a company listed on TSX Venture Exchange of Canada with effect from 4 November 2010. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognized as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor’s degree in Commerce from St. Mary’s University, Halifax.

Mr. Wan Chuen Hing, Alexander (“Mr. Alex Wan”)

Mr. Alex Wan aged 50, has been appointed as an executive and managing Director and authorized representative of the Company with effect from 21 December 2009. Mr. Alex Wan graduated with a bachelor’s degree in economics from University of California, Berkeley, the United States. He has also undertaken a master’s degree course in business administration majoring in international management in Golden Gate University, United States. Mr. Alex Wan has over 19 years of banking experience in the United States and the Asia Pacific Region. During the period from 1995 to 1998, Mr. Alex Wan was the manager of Asian Global Relationship Centers and the head of Credit and Corporate Finance for the West Coast Region of Citibank International Private Banking Group. He was responsible for the management and investment of high net worth clients’ funds with a portfolio of over US\$500 million on a discretionary basis. During the period from 1998 to 1999, Mr. Alex Wan was the managing director and head of Asia Pacific and the West Coast of Blue Stone Capital Partners, L.P., a US investment and merchant banking company. In 2000, Mr. Alex Wan was the general manager and business development director of Beenz.com Greater China Limited covering the PRC, Taiwan, Korea and Hong Kong. Beenz.com is a global customer relationship management solutions provider. From 2002 to 2008, Mr. Alex Wan had been the IT Business Director and Chief Financial Officer of Sino Resources Group Limited – (previously known as Kenfair International (Holdings) Limited), a company whose securities are listed on the Stock Exchange.

Independent non-executive Directors

Mr. Cheng Wing Keung, Raymond (“Mr. Cheng”)

Mr. Cheng aged 51, has been appointed as an independent non-executive Director on 30 September 2004, member and chairman of the remuneration committee and member of the audit committee of the Company. Mr. Cheng is a solicitor practicing in Hong Kong and has over 20 years of experience in corporate, company secretarial and listing affairs. He holds a bachelor degree in laws from the University of London and a Master Degree in Business Administration from the University of Strathclyde, Scotland. Mr. Cheng was an independent non-executive director of Fortuna International Holdings Limited from 27 September 2004 to 20 September 2006. At present, he is an independent non-executive director in three listed companies in Hong Kong, Skyfame Realty (Holdings) Limited, Emperor Capital Group Limited and Sino Resources Group Limited.

Mr. Yeung Chun Yue, David (“Mr. Yeung”)

Mr. Yeung, aged 29, has been appointed as an independent non-executive Director, member and chairman of the audit committee and member of the remuneration committee of the Company with effect from 26 April 2010. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants (“CPA”) and a member of the Taxation Institute of Hong Kong. He graduated from the City University of Hong Kong and is now a senior member of a CPA firm. He has more than 6 years’ experience in statutory audit and has extensive knowledge in auditing of multi-national corporations in various industries.

Mr. Siu Hi Lam, Alick, (“Mr. Siu”)

Mr. Siu, aged 56, has been appointed as an independent non-executive Director, member of the audit committee and member of the remuneration committee of the Company with effect from 1 November 2010. Mr. Siu is the Managing Director of Fortune Take International Limited, a company engaging in business consultancy services established in February 2004. Mr. Siu has worked in the finance and banking field for more than 25 years. He had been the Senior Vice President of AIG Finance (Hong Kong) Limited and the Vice President of Bank of America. He was responsible for business development and credit risk management. Mr. Siu obtained a master degree in Business Administration from the University of Hull in 1995. Mr. Siu was appointed as an independent non-executive Director of BEP International Holdings Limited (stock code: 2326) and Info Communication Holdings Limited (stock code: 8082) in June 2009 and February 2010 respectively.

Company secretary

Ms. Hong Lai Ping, Jasmine (“Ms. Hong”)

Ms. Hong has been appointed as the Company secretary and authorized representative of the Company with effect from 5 February 2010. Ms. Hong is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

10. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Authorised representatives	Wan Chuen Hing, Alexander 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong Hong Lai Ping, Jasmine 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Company secretary	Hong Lai Ping, Jasmine
Auditors and reporting accountants	HLM & Co. Certified Public Accountants Room 305, 3rd Floor Arion Commercial Centre 2-12 Queen's Road West Hong Kong
Underwriter	Baron Capital Limited Room 402, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong
Sub-underwriters	Harvest Capital Global Enterprises Ltd. 30 De Castro Street Wickhams Cay 1 P.O. Box 4519, Road Town Tortola, British Virgin Islands

	<p>Polaris Securities (Hong Kong) Limited Room 1002-4 Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong</p>
	<p>MasterLink Securities (Hong Kong) Corporation Limited Unit 2603, 26/F., The Center 99 Queen's Road Central Hong Kong</p>
Legal advisers to the Company	<p><i>As to Hong Kong law:</i> Vincent T.K. Cheung, Yap & Co. 11th Floor, Central Building 1-3 Pedder Street, Central Hong Kong</p> <p><i>As to Cayman Islands law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place, Central Hong Kong</p>
Principal Banker	<p>Bank Of Communications Company Limited 20 Pedder Street Central Hong Kong</p>
Investment Manager	<p>Baron Asset Management Limited Room 401, 4th Floor, Aon China Building 29 Queen's Road Central Central Hong Kong</p>
Custodian	<p>Standard Chartered Bank 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong</p>
Branch Registrar in Hong Kong	<p>Tricor Standard Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong</p>

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up.
- (b) As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Company.
- (c) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at 4th Floor, Aon China Building, 29 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 letter from the Independent Board Committee, the text of which is set out on page 41 of this circular; and
- (c) the letter of advice from AsiaVest Partners Limited, the text of which is set out on pages 42 to 51 of this circular;
- (d) the letter from HLM & Co. Certificated Public Accountants on the unaudited pro forma consolidated net tangible assets of the Group, the text of which is set out on pages 55 to 56 of this circular;
- (e) the annual reports of the Company for the two years ended 31 December 2009;
- (f) the unaudited interim report of the Company for the six months ended 30 June 2010;
- (g) the material contracts as referred to in the section headed "material contracts" in this appendix; and
- (h) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix.

NOTICE OF EGM



中 國 投 資

CHINA INVESTMENT FUND COMPANY LIMITED

中國投資基金有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Investment Fund Company Limited (the “**Company**”) will be held at Meeting Room, 4th Floor, Aon China Building, 29 Queen’s Road Central, Hong Kong at 9:30 a.m. on Tuesday, 8 February 2011 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as special resolutions and an ordinary resolution respectively:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the shares of the Company in their consolidated form, every five shares of HK\$0.01 each in the issued and unissued share capital of the Company be consolidated into one share of HK\$0.05 with effect from 9:30 a.m. on 15 February 2011 and the directors of the Company be and are hereby authorized to execute or authorize such things and such documents as they may consider necessary or desirable in connection therewith.”
2. “**THAT** the authorised capital of the Company be increased from HK\$30,000,000 to HK\$200,000,000 by the creation of 17,000,000,000 shares of HK\$0.01 each (or 3,400,000,000 shares of HK\$0.05 each upon the passing of the resolution no.1 set out in this notice) ranking pari passu in all respects with the shares in the original capital of the Company.”
3. “**THAT**, conditional upon resolutions nos. 1 and 2 set out in this notice duly passed and subject to the fulfillment or waiver of the conditions, including the Listing Committee of the Stock Exchange granting or agreeing to grant in principle (subject to allotment) and not having withdrawn or revoked listing of and permission to dealing the Offer Share (as defined below) in their fully paid forms to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Open Offer (as defined below), as set out in the underwriting agreement dated 2 December 2010 as amended by the supplemental agreement dated 10 December 2010 (collectively the “**Underwriting Agreement**”, copies of

* For identification purposes only

NOTICE OF EGM

which have been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) both between the Company and Baron Capital Limited (the “**Underwriter**”) and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the second business day after the last day for acceptance of the Offer Shares:

- (i) the issue by way of open offer (the “**Open Offer**”) of not less than 446,080,000 shares (the “**Offer Shares**”) of HK\$0.05 each in the share capital of the Company and not more than 514,880,000 Offer Shares to the Shareholders whose names appear on the register of members of the Company on 8 February 2011 (excluding those Shareholders (the “**Excluded Shareholders**”) with registered addresses as show in the register of members of the Company on the date are outside Hong Kong whom the board of directors (the “**Board**”) of the Company consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those overseas Shareholders reside) on the basis of two Offer Shares for every share of HK\$0.05 in the issued share capital of the Company held upon the Share Consolidation becoming effective and otherwise pursuant to and in accordance with the terms and conditions set out in the circular dated 19 January 2011 (the “**Circular**”, a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) despatched by the Company to the Shareholders be and is hereby approved;
- (ii) the Directors be and are hereby authorized to allot and issued the Offer Shares pursuant to and in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors be and are hereby authorized to make such exclusions or other arrangements in relation to fractional entitlements or Excluded Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (iii) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of excess Offer Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and
- (iv) any Directors be and are hereby authorized to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider 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.”

NOTICE OF EGM

4. “**THAT** the absence of arrangements for application for the Offer Shares by the Shareholders in excess of their entitlements under the Open Offer as referred to in Rule 7.26A(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited be and the same is hereby approved, confirmed and ratified.”

By order of the Board
China Investment Fund Company Limited
Wan Chuen Hing, Alexander
Executive Director

Hong Kong, 19 January 2011

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

4th Floor, Aon China Building
29 Queen’s Road Central
Central, Hong Kong

Registered Office

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

Notes:

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead.
- (3) The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be delivered at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting at which the person named in such instrument proposes to vote. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting, or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.