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

If you have sold or otherwise transferred all your shares in **Prosperity Investment Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 310)

**CONTINUING CONNECTED TRANSACTION INVOLVING
RENEWAL OF INVESTMENT MANAGEMENT
AGREEMENT**

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



Goldin Financial Limited

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from Goldin Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 41 of this circular.

A notice convening a special general meeting of the Company to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 25 October 2013 at 11:00 a.m. is set out on pages 57 to 58 of this circular. If you do not propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to Tricor Secretaries Limited, the Share Registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

* for identification purpose only

27 September 2013

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	5
New IM Agreement	6
Information of GC Capital	13
Information of the Company	17
Listing Rules Implications	17
Views of Directors	17
Special General Meeting	18
Recommendation	18
Additional Information	19
Letter from the Independent Board Committee	20
Letter from Goldin Financial	22
Appendix I — Summary of the historical performance of the Company’s investment for each of the three years ended 31 December 2012	42
Appendix II — General Information	52
Notice of SGM	57

DEFINITIONS

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

“Adjusted NAV”	the Net Asset Value as at the end of the relevant Financial Year, adjusted by (A) excluding effects attributed to the issue of new Shares, Share repurchase and fund raisings; and (B) adding back (i) remuneration paid to the Investment Manager under the Existing IM Agreement and the New IM Agreement; and (ii) dividends or distributions paid to Shareholders whether in cash or in specie
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Prosperity Investment Holdings Limited, a company incorporated in Bermuda with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CS Agreement”	the agreement dated 21 March 2013 entered into between Prosperity Management and GC Corporate Services regarding the provision of general back-office administration services to the Group
“Existing IM Agreement”	the agreement dated 16 December 2010 entered into between the Company and GC Capital regarding the appointment of GC Capital as the Company’s investment manager for the period from 1 September 2010 to 31 August 2013 (and extended to 31 October 2013 by mutual agreement)
“Financial Year”	the financial year of the Company during the Management Period, commencing from 1 January 2013, notwithstanding that the Management Period commences later

DEFINITIONS

“GC Capital” or “Investment Manager”	Greater China Capital Limited, a private limited company incorporated in Hong Kong on 30 June 1992 and licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“GC Corporate Services”	Greater China Corporate Consultancy & Services Limited, a private limited company incorporated in Hong Kong on 15 November 2004 and an associate of the Investment Manager
“Goldin Financial ” or “Independent Financial Adviser”	Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Feng Nien Shu, Mr. Lui Siu Tsuen, Richard and Ms. Wong Lai Kin, Elsa, all being independent non-executive Directors, established to make recommendation to the Independent Shareholders in respect of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM
“Latest Practicable Date”	24 September 2013, the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“License Agreement”	the license agreement dated 21 March 2013 entered into between Prosperity Management and Linkson Investment regarding the license to occupy and use the Premises granted to Prosperity Management

DEFINITIONS

“Linkson Investment”	Linkson Investment Limited, a private limited company incorporated in Hong Kong on 3 December 1999 and an associate of the Investment Manager
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Period”	the period from the Renewal Date to 31 December 2015
“Net Asset Value”	the consolidated net asset value of the Group as reflected in its audited financial statements
“New IM Agreement”	the agreement dated 18 July 2013 entered into between the Company and GC Capital regarding the appointment of GC Capital as the Company’s investment manager for the Management Period and, wherever applicable, such term shall include such agreement as amended by the Supplemental Agreement
“Premises”	portion of Suites 2701–02 on the 27th Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong
“Prosperity Management”	Prosperity Management Services Limited, a limited company incorporated in Hong Kong on 5 November 1985 and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Renewal Date”	1 November 2013
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held to consider and, if thought fit, approve the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement dated 24 September 2013 and entered into between the Company and the Investment Manager to include a high watermark as a pre-condition for any discretionary bonus being payable by the Company to GC Capital under the New IM Agreement and to confirm extension of the long stop date for fulfillment of the condition precedent to 31 October 2013 and postponement of the commencement date of the New IM Agreement to 1 November 2013
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	Per cent

LETTER FROM THE BOARD



PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 310)

Executive Director:

Mr. CHENG Hairong (Chairman)

Non-Executive Director:

Mr. LAU Tom Ko Yuen (Deputy Chairman)

Independent Non-Executive Directors:

Mr. FENG Nien Shu

Mr. LUI Siu Tsuen, Richard

Ms. WONG Lai Kin, Elsa

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business

in Hong Kong:

Suite 2701, Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

Hong Kong, 27 September 2013

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION INVOLVING
RENEWAL OF INVESTMENT MANAGEMENT
AGREEMENT**

INTRODUCTION

On 18 July 2013, the Board announced that the Company entered into the New IM Agreement with GC Capital in relation to the appointment of GC Capital as the Company's investment manager for the Management Period, immediately following the expiry date of the Existing IM Agreement on 31 August 2013 (and extended to 31 October 2013 by mutual agreement).

* for identification purpose only

LETTER FROM THE BOARD

On 24 September 2013, the Board entered into the Supplemental Agreement with GC Capital to include a high watermark as a pre-condition for any discretionary bonus being payable by the Company to GC Capital under the New IM Agreement and to confirm extension of the long stop date for fulfillment of the condition precedent to 31 October 2013 and postponement of the commencement date of the New IM Agreement to 1 November 2013.

The purpose of this circular is to provide the Shareholders with (i) further details of the New IM Agreement (as amended by the Supplemental Agreement); (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) the notice convening the SGM.

NEW IM AGREEMENT

Principal terms

The principal terms of the New IM Agreement (as amended by the Supplemental Agreement) include:

Duration

The New IM Agreement shall be for the duration of the Management Period, i.e. from 1 November 2013 to 31 December 2015, unless terminated earlier by either party giving to the other party not less than six months written notice.

Services

The Investment Manager shall provide investment management services to the Company which includes identifying and evaluating investment opportunities, implementing and monitoring investments.

Remuneration

Under the New IM Agreement (as amended by the Supplemental Agreement), the Investment Manager will be entitled to:

- (a) A management fee of a fixed amount HK\$300,000 per month (exclusive of disbursements); and
- (b) discretionary bonus, if any and at such amount as the Board may at its discretion determine, provided that no such bonus shall be payable unless the Adjusted NAV as at the end of each Financial Year exceeds the higher of: (i) HK\$284,792,000, being Net Asset Value for the year ended 31 December 2012; and (ii) the Adjusted NAV of the most recent Financial Year after year 2012 for which the Investment Manager is paid a discretionary bonus (“High Watermark”) and the amount of such bonus shall

LETTER FROM THE BOARD

not exceed 10% of such excess. Such bonus, if any, shall be paid within 30 days after the issue of the audited financial statements of the Group for the relevant Financial Year.

In considering the management fee under the New IM Agreement (as amended by the Supplemental Agreement), the Board has made reference to the terms of other investment companies listed under Chapter 21 of the Listing Rules (“Comparable Companies”), as disclosed in their respective prospectuses, announcements, circulars or annual reports. The management fee of HK\$300,000 per month (i.e. HK\$3,600,000 per annum) under the New IM Agreement (as amended by the Supplemental Agreement) falls within the market range payable by the Comparable Companies as publicly disclosed.

In arriving at the High Watermark assessment, the Board has also made reference to the Comparable Companies. Whilst the mechanisms adopted by these companies vary, it is observed that the incentive or performance fee element of these mechanisms generally falls within the range of 8% to 20% of the amount of increase in the net asset value. The High Watermark under the New IM Agreement (as amended by the Supplemental Agreement) therefore also falls within the market range.

The Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) therefore considers that the remuneration payable to the Investment Manager under the New IM Agreement (as amended by the Supplemental Agreement) is on normal commercial terms that are generally in line with the market practice of investment companies listed in Hong Kong, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Historical amounts of remuneration paid and annual caps

Set out below are the historical annual maximum remuneration (“Annual Caps”) for the Existing IM Agreement as disclosed in the announcement of the Company dated 17 December 2010 in relation to the Existing IM Agreement:

Period covered	Management Fee HK\$	Discretionary Bonus HK\$	Total Annual Cap HK\$
1 September 2010 to 31 December 2010	1,200,000	1,000,000	2,200,000
1 January 2011 to 31 December 2011	3,600,000	3,200,000	6,800,000
1 January 2012 to 31 December 2012	3,600,000	3,600,000	7,200,000
1 January 2013 to 31 August 2013	2,400,000	2,600,000	5,000,000

LETTER FROM THE BOARD

Set out below are the historical amount of remuneration paid under the Existing IM Agreement up to the Latest Practicable Date:

Period covered	Management Fee HK\$	Discretionary Bonus HK\$	Total Remuneration Paid HK\$
1 September 2010 to 31 December 2010	1,200,000	—	1,200,000
1 January 2011 to 31 December 2011	3,600,000	225,000*	3,825,000
1 January 2012 to 31 December 2012	3,600,000	—	3,600,000
1 January 2013 to 31 July 2013	2,100,000	—	2,100,000

* HK\$45,000 was paid as outsourcing expenses incurred in the PRC for due diligence works by GC Capital.

The Company will not pay any further discretionary bonus to the Investment Manager for its service under the Existing IM Agreement.

A summary of the historical performance of the Company's investments for the three years ended 31 December 2010, 2011 and 2012 is set out in Appendix I, which includes (i) details of the top 10 investments as at the year-end date and brief description of each of their performance; (ii) top 3 investments acquired during the year; (iii) realized gain for top 3 investments; (iv) realized loss for top 3 investments and the reasoning for the disposal; and (v) top 3 investments impairment loss and the reasoning for making impairment.

Annual Caps

The Annual Caps for remuneration payable by the Company to the Investment Manager in terms of management fee and discretionary bonus under the New IM Agreement (as amended by the Supplemental Agreement) is limited as follows:

Period of service covered	Management Fee HK\$	Discretionary Bonus HK\$	Total proposed Annual Caps HK\$
From Renewal Date to 31 December 2013	600,000	2,850,000	3,450,000
1 January 2014 to 31 December 2014	3,600,000	3,140,000	6,740,000
1 January 2015 to 31 December 2015	3,600,000	3,450,000	7,050,000

LETTER FROM THE BOARD

Set out below is the Net Asset Value of the Group (where applicable, adjusted to take into account, amount raised by fund raising activities, paid out by way of cash dividends and used in Share repurchases) for the last ten financial years ended 31 December 2012, during which period the Investment Manager was the investment manager of the Group under the Existing IM Agreement and prior agreements, the percentage change in the respective years and the comparison in performance with the Hang Seng Index and Hang Seng China Affiliated Index for the corresponding years.

Financial Year	Audited Consolidated Net Asset Value HK\$	Change in % Increase/ (Decrease)	Comparison with Hang Seng Index			Comparison with Hang Seng China Affiliated Index		
			Hang Seng Index	Change in % Increase/ (Decrease)	Direction	China Affiliated Index	Change in % Increase/ (Decrease)	Direction
ended 31 December 2003	193,737,837 <i>(Note 1)</i>	(10.9)	12,575.94	34.92	Opposite	1,427.71	41.20	Opposite
ended 31 December 2004	234,615,186	21.1	14,230.14	13.15	Same	1,556.88	9.05	Same
ended 31 December 2005	234,362,138	(0.1)	14,876.43	4.54	Opposite	1,934.89	24.28	Opposite
ended 31 December 2006	249,094,695	6.3	19,964.72	34.20	Same	3,330.06	72.11	Same
ended 31 December 2007	518,705,240 <i>(Note 2)</i>	108.2	27,812.65	39.31	Same	6,111.20	83.52	Same
ended 31 December 2008	312,366,000 <i>(Note 3)</i>	(39.8)	14,387.48	(48.27)	Same	3,292.40	(46.13)	Same
ended 31 December 2009	354,884,000 <i>(Note 4)</i>	13.61	21,872.50	52.02	Same	4,059.89	23.31	Same
ended 31 December 2010	211,380,000 <i>(Note 5)</i>	(40.44)	23,035.45	5.32	Opposite	4,170.15	2.72	Opposite
ended 31 December 2011	298,678,000 <i>(Note 6)</i>	41.3	18,434.39	(19.97)	Opposite	3,682.18	(11.70)	Opposite
ended 31 December 2012	284,792,000	(4.7)	22,656.92	22.91	Opposite	4,531.12	23.06	Opposite

Notes:

1. This figure has excluded a sum of HK\$43,195,200 raised by the issue of new Shares during year 2003.
2. This figure has excluded a sum of HK\$29,156,760 raised by the issue of new Shares during year 2007.
3. This figure has excluded a sum of HK\$58,896,000 raised by the issue of new Shares during year 2008.
4. This figure has excluded a sum of HK\$1,252,000 raised by the issue of new Shares and added back a sum of HK\$102,632,000 distributed as dividends during year 2009.
5. This figure has excluded a sum of HK\$125,414,000 raised by the issue of new Shares during year 2010.
6. This figure has added back a sum of HK\$1,724,000 for the repurchase of Shares during year 2011.

LETTER FROM THE BOARD

The Group's investment strategy is to hold investments for a longer term for capital appreciation in the long run instead of investing for shorter term and as such would have greater exposure to market fluctuation, especially given the volatile market condition due to the financial meltdown in 2008 and 2009, the subsequent European debt crisis and the sluggish recovery of the global economy. Such economic climate, and the Group reducing activities in both securities trading and unlisted investments in 2012 to mitigate the impact of such economic instability, has contributed to the decrease in Net Asset Value for the 3 years ended 31 December 2012. The decrease in Net Asset Value over these years is also due to the pay out of an approximately HK\$100 million dividends in 2009. However, notwithstanding that the growth in Net Asset Value of the Group (adjusted as aforesaid, where applicable) in some years does not match those of the Hang Seng Indexes for the corresponding years, as at the year ended 31 December 2012, the Group did achieved an annualized growth rate of approximately 3% and a cumulative growth of approximately 31% over the last 10 years.

The proposed Annual Caps are calculated based on the projected Net Asset Value of the Group for each of the three years ending 31 December 2013, 2014 and 2015, on the assumption that the Group will achieve an annual growth of 10% in its audited consolidated net asset value consecutively for each of such years. The assumption of an annual growth rate of 10% is determined after taking into account of (i) the anticipation of the positive growth of the Renminbi and PRC economy; and (ii) the Company's strategy to focus on investment in the PRC market for the coming years.

The PRC has been experiencing a substantial economic growth in recent years. The PRC's nominal GDP grew at a CAGR of approximately 13% from 2008 to 2012, reaching approximately RMB51,932.2 billion in 2012. According to National Bureau of Statistics of the PRC, for the six months ended 30 June 2013, the PRC's nominal GDP amounted to approximately RMB24,800.9 billion, indicating a year-on-year real growth rate of approximately 7.6%. As announced by the PRC government at the 12th National People's Congress, the target GDP of 2013 is 7.5% and the Premier of the PRC, Mr. Li Keqiang stated that the central government strives to strike a stable growth in the economy of the PRC. It is therefore the market anticipation that the GDP of the PRC will maintain a growth of 7% to 7.5% in the next three years.

At the same time, the exchange rate between RMB to HK\$ increased from RMB1 to HK\$1.066 on 1 January 2008 to RMB1 to HK\$1.227 on 31 December 2012, representing a compound annual growth of approximately 2.85%. With the anticipated continual growth of the PRC economy, it is also anticipated that the exchange rate between RMB to HK\$ will maintain an increase of between 2% and 2.5% in the next three years.

Although a substantial portion of the Group's existing portfolio is in securities of Hong Kong listed companies, these companies in turn have substantial investments and/or businesses in the PRC. The Group also has direct investments in unlisted companies which carry on business entirely in the PRC.

LETTER FROM THE BOARD

As the investments of the Group are significantly related to the PRC economy, and considering the anticipated growth in the PRC economy and strengthening of the RMB in the next three years as abovementioned, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) considers the estimated annual growth of 10% in the Net Asset Value of the Group is fair and reasonable. Taking into account the above factors, the Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) also considers the Annual Caps are fair and reasonable.

Condition precedent of the New IM Agreement (as amended by the Supplemental Agreement)

The New IM Agreement (as amended by the Supplemental Agreement) is conditional upon the passing of the requisite resolution by the Independent Shareholders approving the New IM Agreement (as amended by the Supplemental Agreement) and the Annual Caps thereunder at the SGM. If such approval cannot be obtained by 31 October 2013 or such later date as the parties may agree, the New IM Agreement (as amended by the Supplemental Agreement) shall lapse and be of no further effect and neither party shall have any claim against the other thereon.

Reasons for entering into the New IM Agreement (as amended by the Supplemental Agreement)

GC Capital has served as an investment manager of the Company since 12 December 1992. The Board is of the view that the continuity for provision of investment management services by GC Capital could provide more efficient investment assessments and implementation of the Group's investment strategy which is important to the management of the Company and to achieve capital appreciation and growth of the Group especially in the anticipated volatile market in the coming years. The freezing of the monthly fee as the Existing IM Agreement is an incentive for GC Capital to continue to provide professional investment services to the Company. The High Watermark contemplated by the Supplemental Agreement in assessing whether and how much discretionary bonus is payable will be a more effective incentive for the Investment Manager to strive for its best performance during the term of the New IM Agreement.

The Board (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) considers that the New IM Agreement (as amended by the Supplemental Agreement) is fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Decision making process

Same as the Existing IM Agreement, under the New IM Agreement (as amended by the Supplemental Agreement), the Investment Manager will exercise and perform its power and duties to identify and evaluate investment opportunities, implement and monitor investments, subject to the overall policies, direction, control and supervision of the Board who may give to the Investment Manager general or specific directions from time to time in relation to the investment and reinvestment of the assets of the Group.

The Company has adopted the following internal control procedures over the investments of the Company:

- (i) an investment committee (the “Committee”) comprising the executive Director, the Investment Manager and the financial controller of the Group has been set up which shall meet at least once a month to review the investment portfolio of the Group. The Group’s investment portfolio is divided into trading portfolio and strategic portfolio. Trading portfolio is investments in listed securities held for one year or less whereas strategic portfolio is investments in both listed and unlisted securities held for more than one year;
- (ii) a full time securities trading head, who shall be experienced in listed securities trading, shall monitor and, subject to the restrictions set out in paragraph (iii) below, execute transaction for the Group’s trading portfolio. He shall advise the finance department the trading activity in each trading day and the finance department shall in turn prepare a day end report which shows the investments held for review by the financial controller;
- (iii) except with the approval of the Committee, the trading portfolio shall not exceed the total amount, at cost, of HK\$30 million. For any investment after the trading portfolio exceeds such amount, and any single investment in the trading portfolio exceeding, at cost, HK\$5,000,000, approval from the Committee shall be obtained. The financial controller shall review the day end report to monitor compliance with these thresholds;
- (iv) for all proposed investments for the strategic portfolio, the Investment Manager shall submit investment proposal to the Committee for approval; and
- (v) for investment for the strategic portfolio which requires the issue of circular under the Listing Rules, approval from the Board is required.

LETTER FROM THE BOARD

INFORMATION OF GC CAPITAL

GC Capital is a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. It was incorporated on 30 June 1992 and it specializes in investment and fund management mainly in Hong Kong and the PRC. GC Capital has served as the investment manager of the Company since 12 December 1992.

GC Capital has 2 executive directors who are also responsible officers and licensed to carry out Type 9 regulated activities under the SFO, i.e. Mr. Wong Chi Keung and Mr. Ng Hon Cheung Sannio; 2 non-executive directors; 2 responsible officers who are not directors; and 4 licensed representatives licensed under the SFO, 2 of which are also licensed to carry out Type 9 regulated activities under the SFO. One of the 4 licensed representatives who reports directly to the 2 executive directors, is designated to provide service to the Group in addition to the executive directors.

GC Capital is an associate of GC Corporate Services and Linkson Investment, with which the Company entered into the CS Agreement and the License Agreement respectively both dated 21 March 2013, the details of which were disclosed in the announcement of the Company dated 21 March 2013.

Potential conflict of interest

The services provided by GC Capital to the Company are not exclusive. Currently, GC Capital is also engaged to provide investment advice to a third party fund set up in the Cayman Islands (the “Third Party Client”). Conflict of interest may arise between the interest of the Company and those of the Third Party Client and other clients of GC Capital which may arise in the future (“other clients”).

GC Capital will adopt internal control mechanism to deal with conflict situations in order to ensure that:

- (i) it is able to devote sufficient time and resources to look after the Company’s affairs;
- (ii) confidentiality of the information of the Company and the Third Party Client (and other clients as appropriate) is maintained in accordance with the standards under any professional codes to which it is subject;
- (iii) there is a fair process for allocating investment opportunities between the Company and the Third Party Client (and other clients as appropriate) in a timely and equitable manner;

LETTER FROM THE BOARD

- (a) it has sufficient staff to serve the Company and its compliance officers will perform daily review of order allocation, whenever applicable, to ensure that all orders are allocated fairly under its internal control measures;
- (b) any potential investment opportunities is disclosed to the Company, and the Company is given the opportunity to decide whether to participate in those investments before the Third Party Client (and other clients as appropriate) enters into those investments;
- (c) if the Company and the Third Party Client (and other clients as appropriate) are interested to participate in the same investment and the available investment is insufficient to satisfy these demands, it will allocate the investment to the Company and the Third Party Client (and other clients as appropriate) on a pro-rata basis depending on the respective subscription requests; and
- (d) when deciding the subscription size of any investment for the Company and the Third Party Client (and other clients as appropriate), it will consider factors such as current weighting of assets, risk parameters, market outlook, constrains of investment exposure and the financial resources available to the Company and the Third Party Client (and other clients as appropriate).

GC Capital will also put in place compliance manual which requires its staffs to observe the following practices on order allocation, whenever applicable:

- (i) ensures all orders are allocated fairly;
- (ii) makes a record of the intended basis of allocation before a transaction is effected;
- (iii) ensures an executed transaction is allocated promptly in accordance with the stated intention;
- (iv) avoids excessive trading, taking into account matters such as the nature of the relevant transactions, the portfolio's stated objective, the investment objectives of the Company and the Third Party Client, net asset value and liquidity of the Company from time to time; and
- (v) execute orders on the best available terms, taking into account the relevant market at the time for the transactions of the kind and size concerned.

LETTER FROM THE BOARD

Executive Directors

GC Capital has two executive directors, namely Mr. Wong Chi Keung and Mr. Ng Hon Cheung Sannio. The background and experience of them are as follows:

Mr. Wong Chi Keung

Mr. Wong joined GC Capital as a Responsible Officer in Type 4 (advising on Securities), Type 6 (advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO since 23 March 2010. He has been appointed as executive director of GC Capital since 31 May 2010. Mr. Wong began to manage the Group's investments since March 2010.

Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Cost and Management Accountants.

Prior to joining GC Capital, Mr. Wong was a Responsible Officer of Legend Capital Partners, Inc. in Type 4 (advising on Securities) and Type 6 (advising on Corporate Finance) regulated activities from August 2005 to February 2010, and in Type 9 (Asset Management) regulated activity from March 2006 to February 2010.

Mr. Wong was employed by the Yue Xiu Group from November 1987 to October 2004 in various positions. He was the Group Financial Controller of Yue Xiu Enterprises (Holdings) Ltd. from November 1987 to March 1994 and from December 1994 to May 2003. He was also a director of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited) (a company listed in the stock exchange of Hong Kong and Singapore) from October 1992 to October 2004, its Group Financial Controller from October 1992 to March 1994 and its Deputy General Manager from January 1995 to October 2004. During that period of time, the Yue Xiu Group has built up itself into a conglomerate with businesses focusing in property, infrastructure and industrial plants mainly located in Hong Kong and the Mainland of China. Mr. Wong has gained relevant experience in investment management by participating in analysis and appraisal of potential investment projects of Yue Xiu Group and subsequently participated in managing those invested projects, which are similar in nature to the investment management service to be provided under the New IM Agreement.

LETTER FROM THE BOARD

Mr. Ng Hon Cheung Sannio

Mr. Ng joined GC Capital as a director on 1 December 2000. He has been appointed as responsible officer of GC Capital in Type 4 (advising on Securities), Type 6 (advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO and as executive director since March 2005. Mr. Ng began to manage the Group's investments since March 2005.

Mr. Ng holds a Bachelor degree of Commerce from the University of Toronto and a MBA degree from the Oklahoma City University. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Prior to joining GC Capital, Mr. Ng was employed by Waly Group from February 1993 to January 1994 as its Financial Controller of China Operation. He was then the Financial Controller of Sadance Enterprises Ltd. responsible for the overall financial control of China projects and Hong Kong operations from February 1994 to April 1996. He also participated in the assessment and monitoring of the company's investments on various industries in the PRC. He then joined Emperor Watch & Jewellery Co., Ltd. as financial controller from May 1996 to June 1999.

Non-executive Directors

GC Capital has two non-executive directors, namely Mr. Ip Kwok Kwong and Mr. Lam Kwok Ho. The background and experience of them are as follows:

Mr. Ip Kwok Kwong

Mr. Ip joined GC Capital as a non-executive director on 31 May 2010.

Mr. Ip is one of the founding directors of GCA Professional Services Group Limited and was appointed as the managing director of GreaterChina Professional Services Limited (Stock Code: 8193.hk) in December 2010.

Mr. Ip is a Chartered Valuation Surveyor, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance and a Registered Business Valuer of the Hong Kong Business Valuation Forum.

In addition, Mr. Ip was appointed as a committee member of the People's Political Consultative Conference of Harbin, the PRC and was elected as a vice president of the Professional Managers Association of Guangdong in the second half of 2011 after having received the Outstanding Entrepreneurship Award from the Enterprise Asia, a non-government organization for entrepreneurship in mid-2011.

LETTER FROM THE BOARD

Mr. Lam Kwok Ho

Mr. Lam joined GC Capital as a non-executive director on 14 June 2011.

Mr. Lam holds a master's degree in business administration (electronic commerce) from Charles Sturt University of Australia.

Prior to joining GC Capital, Mr. Lam joined Pacific Century Insurance from 1994 to 2002 as agency manager and was promoted to agency general manager. He then joined AIA (Hong Kong) from July 2004 to June 2006 with last position as senior manager in its Agency Training Department and United Simsen Securities Limited, a subsidiary of Simsen International Corporation Limited (Stock code: 993.hk), as sales representative in 2007.

INFORMATION OF THE COMPANY

The Company is an investment holding company. The principal activities of its subsidiaries are investment in both listed and unlisted securities and other financial assets.

LISTING RULES IMPLICATIONS

As GC Capital is the investment manager of the Company, GC Capital is a connected person of the Company under Rule 21.13 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps under the New IM Agreement is more than 25%, the New IM Agreement (as amended by the Supplemental Agreement) therefore constitutes non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the New IM Agreement (as amended by the Supplemental Agreement) is subject to reporting, announcement, independent shareholders' approval and annual review requirements.

VIEWS OF DIRECTORS

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the transactions contemplated by the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder are (a) fair and reasonable and in the interests of the Company and the Shareholders as a whole; (b) in the ordinary and usual course of business of the Company; and (c) on normal commercial terms which have been negotiated on an arm's length basis.

None of the Directors are considered having material interests in the transactions contemplated by the New IM Agreement, the Supplemental Agreement and the annual caps thereunder and therefore are required to abstain from voting on the Board resolution approving the New IM Agreement, the Supplemental Agreement and the annual caps thereunder.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice of the SGM, to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 25 October 2013 at 11:00 a.m. for the purposes of considering and, if thought fit, approving the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder, is set out on pages 57 to 58 of this circular. Shareholders are encouraged to attend the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the meeting, you are recommended to complete the form of proxy in accordance with the instructions printed thereon and return it to Tricor Secretaries Limited, the Share Registrar of the Company at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting. The completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

To the best of the knowledge and belief of the Directors having made all reasonable enquiry, no Shareholder has a material interest in the transactions contemplated by the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder such that it must abstain from voting, and, accordingly, all Shareholders are permitted to vote, at the SGM on the resolution to approve the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Independent Financial Adviser as set out on pages 20 to 41 of this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having considered the terms of the New IM Agreement and taken into account the advice of Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its opinion, consider that the terms of the New IM Agreement (as amended by the Supplemental Agreement) including the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the New IM Agreement (as amended by the Supplemental Agreement) is in the interests of the Company and the Independent Shareholders.

Accordingly, the Directors recommend that all Independent Shareholders should vote in favour of the resolution proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix II to this circular.

By Order of the Board
PROSPERITY INVESTMENT HOLDINGS LIMITED
Cheng Hairong
Chairman and Executive Director



PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 310)

Hong Kong, 27 September 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION INVOLVING
RENEWAL OF INVESTMENT MANAGEMENT
AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder, details of which are set out in the letter from the Board in the circular dated 27 September 2013 (the “Circular”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Goldin Financial has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 19 of the Circular which contain, *inter alia*, information about the terms of the New IM Agreement (as amended by, the Supplemental Agreement) and the annual caps thereunder and the “Letter from Goldin Financial” set out on pages 22 to 41 of the Circular which contains its advice in respect of the terms of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the New IM Agreement and taken into account the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the terms of the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that the entering into of the New IM Agreement (as amended by the Supplemental Agreement) is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the New IM Agreement (as amended by the Supplemental Agreement) and the annual caps thereunder.

Yours faithfully,
INDEPENDENT BOARD COMMITTEE
PROSPERITY INVESTMENT HOLDINGS LIMITED

Mr. Feng Nien Shu **Mr. Lui Siu Tsuen, Richard** **Ms. Wong Lai Kin, Elsa**
Independent Non-executive Directors

LETTER FROM GOLDIN FINANCIAL

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the New IM Agreement and the proposed annual caps, which has been prepared for the purpose of inclusion in this circular.



Goldin Financial Limited
23/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

27 September 2013

*To the Independent Board Committee and
the Independent Shareholders of
Prosperity Investment Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the New IM Agreement (as supplemented by the Supplemental Agreement), and the relevant proposed annual caps thereof (the “Annual Caps”), details of which are set out in the letter from the Board (the “Letter from the Board”) as contained in the circular of the Company dated 27 September 2013 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 July 2013, given the expiry of the Existing IM Agreement on 31 August 2013 (extended to 31 October 2013 by mutual agreement), the Company and GC Capital entered into the New IM Agreement for the appointment of GC Capital as the Company’s investment manager for the period from 1 November 2013 to 31 December 2015.

On 24 September 2013, the Board entered into the Supplemental Agreement with GC Capital include a high watermark as a pre-condition for any discretionary bonus being payable by the Company to GC Capital under the New IM Agreement, to confirm extension of the long stop date for fulfillment of the conditions precedent to 31 October 2013 and postponement of the commencement date of the New IM Agreement to 1 November 2013.

LETTER FROM GOLDIN FINANCIAL

As GC Capital is the investment manager of the Company, GC Capital is a connected person of the Company under Rule 21.13 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps under the New IM Agreement is more than 25%, the New IM Agreement therefore constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the New IM Agreement is subject to reporting, announcement, independent shareholders' approval and annual review requirements.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Feng Nien Shu, Mr. Lui Siu Tsuen, Richard and Ms. Wong Lai Kin, Elsa, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the transactions contemplated under the New IM Agreement (as supplemented by the Supplemental Agreement) and the Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and whether the terms of the New IM Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

We, Goldin Financial, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New IM Agreement and the Annual Caps and to make a recommendation as to, among others, whether the transactions contemplated under the New IM Agreement and the Annual Caps are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, whether the terms of the New IM Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and as to voting in respect of the relevant resolution at the SGM.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the New IM Agreement, the Supplemental Agreement and the annual report of the Company for the financial year ended 31 December 2012 (the "Annual Report 2012"). We have also reviewed certain information provided by the management of the Company relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the New IM Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

LETTER FROM GOLDIN FINANCIAL

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all information and documents which are currently available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for, the New IM Agreement and the Annual Caps and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the date of the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the New IM Agreement (as supplemented by the Supplemental Agreement) and the Annual Caps, we have taken into account the following principal factors and reasons:

1. Background to and reasons for entering into the New IM Agreement

The Company is an investment company under Chapter 21 of the Listing Rules and is principally engaged in investment in both listed and unlisted investments and other related financial assets.

As stated in the letter from the Board, GC Capital has served as the sole investment manager of the Company since 1992. To govern the services offered by GC Capital, the Company has in the past entered into investment management agreements with GC Capital for its appointment as investment manager. The Existing IM Agreement, being the latest investment management agreement in effect, was entered into between the Company and GC Capital on 16 December 2010 for a term of three years commencing from 1 September 2010 to 31 August 2013.

LETTER FROM GOLDIN FINANCIAL

With the Existing IM Agreement expiring on 31 August 2013 (extended to 31 October 2013 by mutual agreement), on 18 July 2013, the Company and GC Capital entered into the New IM Agreement for the appointment of GC Capital for the period from 1 November 2013 to 31 December 2015. Pursuant to the New IM Agreement, the Investment Manager shall provide investment management services to the Company which includes identifying and evaluating investment opportunities, implementing and monitoring investments. As such, we are of the view that the continuing connected transactions under the New IM Agreement have been and will continue to be carried out in the ordinary and usual course of the Group and of GC Capital.

As stated in the Letter from the Board, GC Capital is a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. GC Capital was incorporated on 30 June 1992, specialised in investment and fund management mainly in Hong Kong and the PRC. The responsible officers (as defined by the SFO) who are also the executive directors of GC Capital responsible for the investment management services under the New IM Agreement are Mr. Wong Chi Keung and Mr. Ng Hon Cheung Sannio and their particulars are as follows:

Mr. Wong Chi Keung

Mr. Wong Chi Keung (Mr. Wong) joined GC Capital as a responsible officer in Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO since 23 March 2010 and has been appointed as executive director since 31 May 2010. Mr. Wong began to manage the Group's investments since March 2010. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia, an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Cost and Management Accountants. Prior to joining GC Capital, Mr. Wong was a responsible officer of Legend Capital Partners, Inc. in Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities from August 2005 to February 2010 and in Type 9 (asset management) regulated activity from March 2006 to February 2010. Mr. Wong was employed by the Yue Xiu Group from November 1987 to October 2004 in various positions. He was the group financial controller of Yue Xiu Enterprises (Holding) Ltd. from November 1987 to March 1994 and from December 1994 to May 2003. He was also an executive director of Yuexiu Property Company Limited (formerly known as Guangzhou Investment Company Limited, "GZI") (a company listed in the stock exchange of Hong Kong

LETTER FROM GOLDIN FINANCIAL

and Singapore) from October 1992 to October 2004 and its group financial controller from October 1992 to March 1994. During that period of time, the Yue Xiu Group has established itself into a conglomerate with businesses focusing in property, infrastructure and operation of industrial plants mainly located in Hong Kong and the Mainland of China. As noted from the 2000 annual report of GZI, GZI and its group of companies had built up several businesses relating to cement, newsprint, toll road and property businesses mainly located in Guangdong, the PRC. As disclosed in the 2000 and 2004 annual reports of GZI, its shareholder's equity increased from approximately HK\$66 billion in 1999 to approximately HK\$72 billion in 2004. From his various positions in the Yue Xiu Group, particularly being an executive director of GZI responsible for overseeing its investments, Mr. Wong has gained relevant experience in investment management by participating in analysis and appraisal of potential investment projects of Yue Xiu Group and subsequently participated in managing, monitoring and improving those invested projects.

Mr. Ng Hon Cheung Sannio

Mr. Ng Hon Cheung Sannio (Mr. Ng) joined GC Capital as a director on 1 December 2000 and has been appointed as responsible officer of GC Capital in Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and as executive director since 22 March 2005. Mr. Ng began to manage the Group's investments since March 2005. Mr. Ng holds a Bachelor degree of Commerce from the University of Toronto and a MBA degree from the Oklahoma City University. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining GC Capital, Mr. Ng was employed by Waly Group from February 1993 to January 1994 as its financial controller of China operation. He was then the financial controller of Sadance Enterprises Ltd. responsible for the overall financial control of China projects and Hong Kong operations from February 1994 to April 1996. Based on our understanding from the management of the Company, operations of Sadance Enterprises Ltd. during Mr. Ng's tenure included hotel operation, banking and fishery in Hong Kong and the PRC. He then joined Emperor Watch & Jewellery Co., Ltd. as financial controller from May 1996 to June 1999.

We noted that both Mr. Wong and Mr. Ng possess experience and qualification in accounting and finance gained from their prior roles as financial controller in various enterprises, of which the skills in interpreting and analysing financial information are in our view essential for carrying out the functions of investment management. Furthermore, we noted that Mr. Wong has gained experience in investment management by participating in analysis and appraisal of potential

LETTER FROM GOLDIN FINANCIAL

investment projects of Yue Xiu Group in the PRC and subsequently participated in managing those invested projects, which in our view are similar in nature to the investment management service to be provided under the New IM Agreement. As for Mr. Ng, we were given that during his tenure in Sadance Enterprises Ltd., he participated in the assessment and monitoring of the company's investments on various industries in the PRC. We are of the view that both project investment and direct equity investment require analysis and appraisal of investment return and risks, monitoring performance and determining the timing of exit of the investments, and the relevant skills and experience of Mr. Wong and Mr. Ng obtained from their past positions are transferable to the investment management carried under the New IM Agreement. In addition, we are of the view that Mr. Wong and Mr. Ng's past exposure in investing in the PRC would equip them with better understanding and familiarity of the PRC economic and business environment which could cater for the Group's PRC focus in its investment strategy. As such, we are of the view that GC Capital and its investment professionals have ample experience and qualification to be competent in investment management which the Group can leverage on.

Same as the Existing IM Agreement, under the New IM Agreement, the Investment Manager will exercise and perform its power and duties to identify and evaluate investment opportunities, implement and monitor investments, subject to the overall policies, direction, control and supervision of the Board who may give to the Investment Manager general or specific directions from time to time in relation to the investment and reinvestment of the assets of the Group. Based on our discussion with the management of the Company, we noted that GC Capital, being the investment manager of the Company for over 20 years, together with its executive directors, i.e. Mr. Wong and Mr. Ng, responsible for overseeing the investment management, has accumulated a wealth of experience investing and managing the Group's assets and developed close working relationship with the management of the Company, which enables efficient implementation of the Group's investment strategy to achieve capital appreciation and growth of the Group. As such, we are of the view that GC Capital has advantage in managing the Group's investment earned through the long partnership.

It is noted from the analysis on changes in the Net Asset Value under the section headed "Annual Caps" in the Letter from the Board that in the past ten financial years ended 31 December 2012 during which period the Investment Manager was the investment manager of the Group under the Existing IM Agreement and prior agreements, during the years ended 31 December 2004, 2006, 2007, 2009 and 2011, the Net Asset Value increased under the investment management of GC Capital. It is noted that the Group primarily invests in equity securities for a relatively longer term, especially for those with focus on the PRC to capitalise on the

LETTER FROM GOLDIN FINANCIAL

nation's positive economy prospect in the long-run, as opposed to investing for shorter term to profit from market fluctuation. As noted from the Annual Report 2012, the Group's available-for-sale investments that were accounted as non-current assets amounted to approximately HK\$103.8 million, which was almost 4 times of the held-for-trading listed equity investments of approximately HK\$26.24 million that were acquired principally for the purpose of selling in the near future and accounted as current assets. Of the listed equity securities within the top 10 investments held by the Group as at 31 December 2012, over 99% of the Group's listed securities portfolio in market value have been held for over 2 years and over 57% have been held for over 3 years. We noted that such approach that invests for a relatively longer term for capital appreciation in the long-run instead of investing for shorter term would have greater exposure to market condition and the fluctuation thereof, which in our view partly contributed to the decrease in Net Asset Value of the Group. We have studied the Hong Kong stock market condition by analysing the performance of the Hang Seng Index, and noted that the Hang Seng Index decreased by approximately 3.33% from 23,436 points as at 3 January 2011 to 22,656 points as at 31 December 2012, and further decreased to 21,345 points as at 18 July 2013, being the date of the New IM Agreement, under the uncertain global and domestic economy. It is further noted from the analysis on changes in the Net Asset Value, the Hang Seng Index and the Hang Seng China Affiliated Index under the section headed "Annual Caps" in the Letter from the Board that, five out of the past ten financial years ended 31 December 2012, the Net Asset Value (where applicable, adjusted to take into account amount raised by fund raising exercises, paid out by way of cash dividends and used in Share repurchase) moved in the same direction as the Hang Seng Index and the Hang Seng China Affiliated Index. While it is noted from the same section in the Letter from the Board that growth in Net Asset Value of the Group (adjusted as aforesaid, where applicable) in certain years did not match those of the Hang Seng Index of the corresponding years, as at the year ended 31 December 2012, the Net Asset Value as a whole has achieved an annualized growth rate of approximately 3% and a cumulative growth rate of approximately 31% over the last 10 years.

On the other hand, we have analysed and noted that 17 out of 24 investment companies listed under Chapter 21 of the Listing Rules on the Main Board of the Stock Exchange (other than the Company), which have appointed investment manager, recorded a decrease in net asset value (excluding the effects of any equity or fund raising exercise) according to their respective latest financial statements published, showing that the recent investment environment has been in general challenging. In light of the aforesaid, as stated in the Annual Report 2012, given the volatile market condition due to European debt crisis and the sluggish recovery of the global economy, the Group reduced activities in both securities trading and unlisted investments in 2012 in order to mitigate the impact of economic instability.

LETTER FROM GOLDIN FINANCIAL

Nevertheless, the Group is positive of the economic outlook of the PRC and will focus on investing in the region to capitalise on its growth. We also noted that (i) 12 out of the 24 investment companies as mentioned above re-appointed the existing investment manager with its net asset value (excluding the effects of any equity or fund raising exercise) decreased according to the latest financial statements published before such re-appointment; and (ii) 8 out of 24 investment companies re-appointed the existing investment manager with its net asset value decreased for two consecutive financial years/according to the two latest financial statements published before the re-appointment. We noted that some of the investment managers re-appointed under such performance as reflected by the change in net asset value have had a long history of providing investment management services to the respective investment companies. We have not, however, for the purpose of assessing the entering into of the New IM Agreement, compared such re-appointment of investment manager with respect to investment manager's performance with that of the Company given that, on top of track record of management performance, the decision to re-appoint investment manager would be affected by other factors such as history of managing the listed issuer's assets, relationship between the investment manager and the management of the listed issuer as well as experience and qualification of the investment manager, making such re-appointments unsuitable for direct comparison. Given the aforesaid, and having taken into account the long history of over 20 years of GC Capital managing the Group's assets with the Net Asset Value (adjusted as aforesaid, where applicable) achieving an annualized growth rate of approximately 3% and a cumulative growth rate of approximately 31% over the last 10 years, and the establishment of the close working relationship with the management of the Company which enable efficient implementation of the Group's investment strategy, we are of the view that it is fair and reasonable and in the interests of the Company and its Shareholders to continue to appoint GC Capital as the Company's investment manager.

Having considered that (i) continuing connected transactions under the New IM Agreement have been and will continue to be carried out in the ordinary and usual course of the Group and of GC Capital; (ii) GC Capital and its investment professional have ample experience and qualifications to be competent in investment management which the Group can leverage on; and (iii) GC Capital has advantage in managing the Group's investment earned through the long partnership since 1992, we are of the view that the entering into of the New IM Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Major terms of the New IM Agreement

The New IM Agreement for the appointment of GC Capital as the investment manager of the Company is of a term commencing from 1 November 2013 to 31 December 2015. The principal terms of the New IM Agreement, save for the fee structure, are substantially the same as that of the Existing IM Agreement.

Pursuant to the New IM Agreement, GC Capital will be entitled to the management fee of a fixed amount of HK\$300,000 per month, exclusive of disbursements (the “Management Fee”), which is identical to that of the Existing IM Agreement. In addition to such monthly management fee, GC Capital will be entitled to discretionary bonus (the “Discretionary Bonus”), if any and at such amount as the Board may at its discretion determine, provided that no such bonus shall be payable unless the Adjusted NAV as at the end of each Financial Year exceeds the higher of: (i) HK\$284,792,000, being the Net Asset Value of the Group as at 31 December 2012; and (ii) the Adjusted NAV for the most recent Financial Year after the year ended 31 December 2012 for which GC Capital is paid a Discretionary Bonus (the “High Watermark”) and the amount of such Discretionary Bonus shall not exceed 10% of such excess. The Discretionary Bonus for any Financial Year, if any, shall be paid within 30 days after the issue of the audited financial statements of the Group for the relevant financial year.

Pursuant to the provisions under the New IM Agreement, for the purpose of calculating the Discretionary Bonus, the Net Asset Value (and where applicable, the High Watermark) for the financial years during the term of the New IM Agreement shall be adjusted by (a) excluding effects attributed to the issue of new Shares, Share repurchase and fund raisings; and (b) adding back (i) remuneration paid to the Investment Manager under the Existing IM Agreement and the New IM Agreement; and (ii) dividends or distributions paid to Shareholders whether in cash or in specie.

We have reviewed, so far as we are aware, 10 transactions as set out in the latest announcements and/or latest annual/interim reports of investment companies listed under Chapter 21 of the Listing Rules on the Main Board of the Stock Exchange relating to entering into of management service agreements, being an exhaustive list, with fee structure comprising (i) management fee as fixed fee/based on net asset value; and (ii) incentive fee based on increment in net asset value/net profit (the “Comparables”). We

LETTER FROM GOLDIN FINANCIAL

consider that the Comparables, which relate to investment management arrangement of investment companies similar to that of the New IM Agreement, are appropriate samples and the analysis of which could provide a general reference for the fairness and reasonableness of the fee structure under the New IM Agreement. Details of the Comparables are summarized as below:

Company name (Stock code)	Management fee	Incentive fee	High watermark basis
China Asset (Holdings) Limited (170)	(a) 2.75% per annum on the aggregate cost to the company of the investment (less any provisions in respect thereof) held by it from time to time; and (b) 1% per annum on the value of the uninvested net assets of the company	(a) nil on the first 10%; (b) 15% x (net profit after tax minus 10% of the net assets); (c) 20% x (net profit after tax minus 20% of the net assets). An additional performance fee of 20% of the net capital gains is also payable if the net asset value at the end of each quarterly month equals to or greater than 100% of the aggregate of the original subscription price of the remaining shares The incentive fee and/or the performance fee are/is payable in respect of any year if and only if the net asset value for the relevant year is greater than the greatest of all previous net asset values (both prior to deduction of any incentive fee or performance fee payable)	Yes
China Financial International Investments Limited (721)	0.75% per annum of the net asset value of the group	5% of the appreciation in the net asset value of the portfolio above a 10% hurdle rate per annum	No

LETTER FROM GOLDIN FINANCIAL

Company name (Stock code)	Management fee	Incentive fee	High watermark basis
China Merchants China Direct Investment Limited (133)	<p>(a) on the invested portion of the assets of the company represented by unlisted securities or interests: 2.25% of the book value (net of taxes);</p> <p>(b) on the invested portion of the assets of the company represented by securities listed on a recognized stock exchange:</p> <ul style="list-style-type: none"> — during the lockup period following listing: 2.25% of the book value (net of taxes); — for the one year after the lockup period lapses: 1.75% of the book value (net of taxes); — thereafter: 1.50% of the book value (net of taxes); and — in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and <p>(c) on the un-invested portion of the assets of the Company: 0.75% of the book value</p>	<p>Conditional upon the net asset value at the end of each financial year exceeding:</p> <p>(a) the net asset value of the financial year ended 31 December 2009 (the “Reference Year”); and</p> <p>(b) the net asset value of the most recent financial year after the Reference Year in which an incentive fee was paid</p> <p>An annual incentive fee will be paid equal to 8% of the amount by which the net asset value of at the end of the relevant financial year exceeds the higher of (a) or (b)</p>	Yes

LETTER FROM GOLDIN FINANCIAL

Company name (Stock code)	Management fee	Incentive fee	High watermark basis
China New Economy Fund Limited (80)	1.8% per annum of the net asset value of the group	20% of the increase in the net asset value over the greater of: (a) the net asset value of 6 January 2011 (date of listing); (b) the net asset value of the most recent financial year in which an incentive fee was paid	Yes
Harmony Asset Limited (428)	1.5% per annum of the net asset value of the group	10% of the audited net profit of the company of the financial year Any audited net loss of the company in any financial year commencing 1 January 2013 shall be carried forward and set off against the audited net profit of the company in subsequent financial years. The audited net profit of the financial year shall be calculated before accrual of any incentive fee that will be payable	Yes
OP Financial Investments Limited (1140)	1.5% per annum of the net asset value of the group	10% of the increase in the net asset value over the greater of: (a) the net asset value of 1 April 2011 (being the commencement date of the new investment management agreement); (b) the net asset value of the most recent financial year in which an incentive fee was paid	Yes
Opes Asia Development Limited (810)	2% per annum of the net asset value of the group	15% of the increase in the net asset value over the greater of: (a) the net asset value of 30 June or 31 December (as the case may be) whichever is immediately before the commencement of the new investment management agreement (b) the net asset value of the most recent financial year in which an incentive fee was paid	Yes
Shanghai International Shanghai Growth Investment Limited (770)	0.5% per quarter of the net asset value of the group (equivalent to 2% per annum)	(a) for year ended on 31 December 2011, the incentive fee equals to 15% of the amount by which the net asset value as at 31 December 2011 exceeds 115% of the net asset value as at 31 December 2010; and	

LETTER FROM GOLDIN FINANCIAL

Company name (Stock code)	Management fee	Incentive fee	High watermark basis
		(b) effective for the year ended 31 December 2012, the incentive fee shall equal to 20% of the amount by which the net asset value as at 31 December of each year during the term of the investment management agreement exceeds 108% of the net asset value of the immediate preceding year	No
SHK Hong Kong Industries Limited (666)	0.375% of net asset value of each quarter as calculated by the average last day net asset value of each month in the relevant quarter. (equivalent to 1.5% per annum of net asset value of the group)	20% of the amount by which the audited consolidated net asset value of the group attributable to the owners of the company of each year ending 31 December exceeds that of the higher of: (a) the net asset value of the 1st January 2013; and (b) the net asset value of the most recent financial year in which an incentive fee was paid since the commencement of the prior investment management agreement	Yes
UBA Investments Limited (768)	1.5% per annum of the net asset value of the group	20% of net profit of the group before taxation and before deduction of management fee	No

Source: The website of the Stock Exchange (www.hkex.com.hk)

The Management Fee

Based on (i) the Net Asset Value of the Group as at 31 December 2012 of approximately HK\$284.79 million; and (ii) the assumption used in calculating the Annual Caps that the Group will achieve an annual growth of 10% in the Net Asset Value, the Management Fee of HK\$300,000 per month (i.e. HK\$3,600,000 per annum) represents approximately 1.15%, 1.04% and 0.95% of the projected Net Asset Value as at 31 December 2013, 31 December 2014 and 31 December 2015 respectively based on the 10% annual growth assumption. As noted from the Comparables, the management fees based on net asset value or as fixed fee (which are converted as percentage of the respective net asset value as at the latest financial year end) ranges from approximately 0.75% to 2% with a mean of approximately 1.57% (with China Asset (Holdings) Limited and China Merchants China Direct Investment Limited excluded which adopt a split management fee structure based on invested/uninvested assets). It is noted that the Management Fee falls within the range and is below the mean of the Comparables. As such, we are of the view that the Management Fee is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

LETTER FROM GOLDIN FINANCIAL

The Discretionary Bonus

The Discretionary Bonus shall be determined using a high watermark mechanism with a rate of 10%. To explain, the Discretionary Bonus for each Financial Year will be determined by the Board at its discretion, provided that no such bonus shall be payable unless the Adjusted NAV as at the end of each Financial Year exceeds the higher of (i) the Net Asset Value as at 31 December 2012; and (ii) the High Watermark, being the Adjusted NAV of the most recent Financial Year for which a Discretionary Bonus is paid, and the amount of such bonus shall not exceed 10% of such excess. The Adjusted NAV, if applicable, shall be adjusted by (a) excluding effects attributed to the issue of new Shares, Share repurchase and fund raisings; and (b) adding back (i) remuneration paid to the Investment Manager under the Existing IM Agreement and the New IM Agreement; and (ii) dividends or distributions paid to Shareholders whether in cash or in specie, to reflect changes in Net Asset Value only as a result of the performance of the Group's investment.

As noted from the analysis on the Comparables, 7 out of 10 Comparables adopt high watermark mechanism in determining incentive fee, 5 of which are based on increment in net asset value and 2 of which are based on net profit (as adjusted by net loss carried forward / excess of net profit over a certain percentage of net asset value). We also noted that such high watermark mechanisms adopted by the Comparables, while slightly deviated in some cases, closely resemble the mechanism under the New IM Agreement, which also base on a percentage of increment in net asset value, adjusted too for certain fund raising and equity events, comparing with the higher of the net asset value of a reference year and of the most recent financial year for which an incentive fee is paid. It is further noted that, unlike the Comparables under which any incentive fee must be paid once the stipulated criteria are met, the actual payment of the Discretionary Bonus, while having satisfied the high watermark provision under the New IM Agreement, will be made, in whole or in part, at the sole discretion of the Directors, thus providing additional flexibility to the Company than the Comparables do. We were given to understand that the Discretionary Bonus serves as an incentive to GC Capital to achieve greater return to the Group's capital, and the adoption of the high watermark mechanism is a more stringent, capital appreciation-oriented provision that motivates GC Capital to achieve a Net Asset Value higher than the highest Net Asset Value recorded during the term of the New IM Agreement, instead of simply comparing with that of the immediate preceding financial year, or in form of discretionary bonus. As such, we are of the view that the adoption of the high watermark mechanism and the mechanism itself under the New IM Agreement is in line with market practice, and fair and reasonable.

LETTER FROM GOLDIN FINANCIAL

As for the rate of incentive fee, we noted that the rates utilised by the 5 Comparable adopting high watermark mechanism that are based on increment in net asset value which is similar to that adopted under the New IM Agreement range from 8% to 20%, with a mean of approximately 14.6%. The rate of 10% for the Discretionary Bonus under the New IM Agreement falls within the range and is below the mean of that of the relevant Comparables. As such, we are of the view that the Discretionary Bonus and its determination basis are fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

Having considered that (i) the Management Fee as a percentage of net asset value falls within the range and is below the mean of the Comparables; (ii) the Discretionary Bonus and its determination basis including the adoption of high watermark mechanism are in line with market practice, with the rate utilised of 10% below the mean of the Comparables adopting high watermark mechanism; and (iii) the Discretionary Bonus serves as an incentive to GC Capital to achieve greater return to the Group's capital, we are of the view that terms of the New IM Agreement is fair and reasonable and in the interests of the Company and Independent Shareholders as whole.

3. Proposed annual caps and historical transaction amounts

The following table sets out the aggregate annual caps and the actual payments made under the Existing IM Agreement:

HK\$	1 September 2010 to 31 December 2010	1 January 2011 to 31 December 2011	1 January 2012 to 31 December 2012	1 January 2013 to 31 August 2013
Historical annual caps	2,200,000	6,800,000	7,200,000	5,000,000
<i>As management fee</i>	<i>1,200,000</i>	<i>3,600,000</i>	<i>3,600,000</i>	<i>2,400,000</i>
<i>As discretionary bonus</i>	<i>1,000,000</i>	<i>3,200,000</i>	<i>3,600,000</i>	<i>2,600,000</i>
Historical aggregate amount paid to GC Capital	1,200,000	3,825,000	3,600,000	2,100,000 <i>(up to 31 July 2013)</i>
<i>As management fee</i>	<i>1,200,000</i>	<i>3,600,000</i>	<i>3,600,000</i>	<i>2,100,000</i>
<i>As discretionary bonus</i>	—	<i>225,000*</i>	—	—

* Note: HK\$45,000 was paid as outsourcing expenses incurred in the PRC for due diligence works by GC Capital.

LETTER FROM GOLDIN FINANCIAL

The following table sets out the proposed Annual Caps for the New IM Agreement for the two months ending 31 December 2013 and for the two years ending 31 December 2014 and 2015:

HK\$	1 November 2013 to 31 December 2013	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2015
Proposed Annual Caps	3,450,000	6,740,000	7,050,000
<i>As Management Fee</i>	<i>600,000</i>	<i>3,600,000</i>	<i>3,600,000</i>
<i>As Discretionary Bonus</i>	<i>2,850,000</i>	<i>3,140,000</i>	<i>3,450,000</i>

The Discretionary Bonus portion of the proposed Annual Caps are calculated based on the Net Asset Value of the Group for the three years ending 31 December 2015 based on the assumption that the Group will achieve an annual growth of 10% in its audited consolidated net asset value consecutively for each of the three years ending 31 December 2013, 2014 and 2015. As mentioned in the section headed “Major terms of the New IM Agreement” above, if a Discretionary Bonus is to be paid, decided at the Board’s sole discretion, such bonus shall not be payable unless the Adjusted NAV as at the end of each Financial Year exceeds the higher of: (i) HK\$284,792,000, being the Net Asset Value of the Group as at 31 December 2012; and (ii) the Adjusted NAV for the most recent Financial Year after the year ended 31 December 2012 for which GC Capital is paid a Discretionary Bonus, and in any event the amount of such Discretionary Bonus shall not exceed 10% of such excess. Calculations of the Discretionary Bonus portion of the proposed Annual Caps, assuming that the maximum amounts of the Discretionary Bonus allowable under the aforesaid mechanism pursuant to the New IM Agreement are decided to be paid, for the three years ending 31 December 2015 are as follows:

HK\$	1 November 2013 to 31 December 2013	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2015
Net Asset Value (assuming 10% growth from prior year)	284,792,000 x (1+10%) = 313,271,200	313,271,200 x (1+10%) = 344,598,320	344,598,320 x (1+10%) = 379,058,152
Maximum amount of Discretionary Bonus (10% of excess over the Net Asset Value as at 31 December 2012/Net Asset Value of prior year for which Discretionary Bonus is paid)	(313,271,200–284,792,000) x 10% = 2,847,920 (round up to 2,850,000)	(344,598,320–313,271,200) x 10% = 3,132,712 (round up to 3,140,000)	(379,058,152–344,598,320) x 10% = 3,445,983 (round up to 3,450,000)

The assumption of an annual growth rate of 10% is determined after taking into account of (i) the anticipation of the positive growth of the RMB and PRC economy; and (ii) the Company’s strategy to focus on investment in the PRC market for the coming years.

LETTER FROM GOLDIN FINANCIAL

Based on our discussion with the management of the Company, we were given to understand that the assumption of 10% annual growth in the Net Asset Value used for the calculating the Annual Caps has taken into account the prospect of the PRC economy as well as the potential appreciation in value of RMB. We were given to understand that, while the Group reduced activities in both securities trading and unlisted investments in order to avoid the economic instability while disposed of certain investments with return which led to reduction in loss of the Group for 2012, looking forward the Group is positive of the economic outlook of the PRC and will focus on investing in the region to capitalise on its growth. Set out below is a summary of the Group's top 10 investments in listed equity securities and unlisted equity securities as at 31 December 2012.

Name (Stock code)	Principal activities	Places of operation/ major source of revenue	Market values of listed equity securities/ director's valuations as at 31 December 2012 <i>Approximate HK\$ million</i>	Percentage of market value to Net Asset Value as at 31 December 2012 <i>Approximate %</i>
Listed equity securities				
PYI Corporation Limited (498)	Building construction and civil engineering, infrastructure investment and the operation of bulk cargo ports and logistics facilities	Hong Kong and the PRC	26.97	9.47
China Development Bank International Investment Limited (1062)	Investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis	Hong Kong and the PRC	22.90	8.04
Rosedale Hotel Holdings Limited (1189)	Operation of hotel business	Hong Kong and the PRC	10.94	3.84
ITC Corporation Limited (372)	Investments in securities, properties and other investments	Hong Kong and the PRC	5.48	1.92
HSBC Holdings Plc (5)	Banking and financial services	Global	1.10	0.39
Hong Kong Exchange and Clearing Limited (388)	Operation of the only stock exchange and futures exchange in Hong Kong	Hong Kong	0.66	0.23
		Subtotal	68.05	23.89
Unlisted equity securities				
Rakarta Limited	Investments in securities and other investments	Hong Kong and the PRC	53.05	18.63
Yantai Juli Fine Chemical Co., Ltd	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry	The PRC	7.36	2.58
		Subtotal	60.41	21.21

LETTER FROM GOLDIN FINANCIAL

As shown from the table above, with respect to the Group's investment in listed equity securities within its top 10 investments, market value of investments in companies with the PRC being one of the principal places of operation as at 31 December 2012 amounted to approximately HK\$66.29 million, representing approximately 97.41% of the total market value of listed equity securities. We have analysed the financial information of the Group's portfolio of listed equity securities and noted that among which, China Development Bank International Investment Limited, Rosedale Hotel Holdings Limited and ITC Corporation Limited derived over 50% of their revenue from the PRC/held material interests in companies that derived over 50% of their revenue from the PRC. We also noted that PYI Corporation Limited has been actively developing its ports and port-related business in the Yangtze River in the PRC that are in our view highly correlated with the domestic economy and both the export and import condition. With respect to the Group's investment in unlisted equity securities, we were given to understand that Rakarta Limited is principally engaged in developing a mining project in relation to a lead and zinc mine in the PRC, and Yantai Juli Fine Chemical Co., Ltd is principally engaged in the production of chemical products in the PRC. As such, we are of the view that the Group's investments, of both listed and unlisted equity securities, have a strong PRC focus, and so is the exposure to the PRC economy and the potential appreciation in value of RMB.

In respect of the potential appreciation in value of RMB, we noted that exchange rate of RMB to HK\$ increased from RMB1 to HK\$1.066 on 1 January 2008 to RMB1 to HK\$1.227 on 31 December 2012, representing a compound annual growth rate of approximately 2.85% over 5 years, and further increased to RMB1 to HK\$1.262 as at the Latest Practicable Date (*source: www.oanda.com*). The 10% annual growth assumption serves as a buffer for the effect of potential appreciation in value of RMB on the Net Asset Value given the Group's investment focus in the PRC market.

In respect of the PRC economy, we have conducted researches on information from the public domain in respect of the economic outlook of the PRC. According to the National Bureau of Statistics of China (the "Statistics Bureau"), based on the preliminary accounting results published on 16 July 2013, the country's GDP for the first half of 2013 is expected to achieve a growth rate of 7.6% over the same period in 2012, a stable level comparable to the annual growth rate of 7.8% for 2012 as announced by the Statistics Bureau on 18 January 2013. On 2 September 2013, the Statistics Bureau announced that the manufacturing purchasing manager index for August 2013 were 51.0%, which is 0.7% higher than the corresponding figure in the previous month and is over the threshold of 50%, meaning that the manufacturing industries were generally in expansion. New orders index for manufacturing industries continued to stay above the threshold at 52.4% respectively, which is 1.8% higher than the previous month, meaning that market demands have generally increased. Apart of the positive economic indicators, as announced by the

LETTER FROM GOLDIN FINANCIAL

PRC government at the meeting of the 12th National People's Congress held on 5 March 2013 (*source: www.gov.cn*), the target GDP growth of 2013 is set at 7.5%. According to China Daily (*www.chinadaily.com.cn*), Premier Li Keqiang stated on 11 July 2013 that the central government strives to strike a balance between economic growth and reform and endeavors to achieve sustainable economic development through various supportive policies including, but not limited to, supporting small and micro entrepreneurs, enhancing financial support for central and western regions, and encouraging private investment. Having considered the lead economic indicators of the PRC as well as the government policies in support of economic growth, we are positive of stable economic growth in the PRC and are of the view that the Group's investment focus could allow it to capitalise on the growth and achieve capital appreciation, and the assumption of 10% annual growth in the Net Asset Value used for the calculating the Annual Caps is justifiable.

Having considered that (i) the Annual Caps are calculated based on the Net Asset Value of the Group, assuming that the Group will achieve an annual growth of 10% consecutively in the Net Asset Value; (ii) the assumption of 10% annual growth in the Net Asset Value used for the calculating the Annual Caps partially serves as a buffer for the effect of potential appreciation in value of RMB on the Net Asset Value; and (iii) the assumption of 10% annual growth in the Net Asset Value is justifiable having also considered the Group's investment focus in the PRC and the economic prospect of the PRC as analysed above, we are of the view that the setting of the Annual Caps, after making reference to the aforesaid factors, is fair and reasonable.

CONDITIONS OF THE ANNUAL CAPS

There are review mechanisms of the Annual Caps under the New IM Agreement pursuant to the Listing Rules such as the annual review by the independent non-executive Directors of the terms of the relevant transactions and the Annual Caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. In addition, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the relevant transactions are conducted in accordance with the New IM Agreement and that the Annual Caps not being exceeded. Pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of the New IM Agreement or the Annual Caps not being exceeded. As such, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the New IM Agreement and safeguard the interests of the Independent Shareholders.

LETTER FROM GOLDIN FINANCIAL

RECOMMENDATIONS

Having considered the principal factors and reasons above, we are of the opinion that the entering into the New IM Agreement (as supplemented by the Supplemental Agreement) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and that the terms of the New IM Agreement (including the Annual Caps) are normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM for approving the New IM Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**
For the year ended 31 December 2010
(i) Top 10 investments as at 31 December 2010

Name	Proportion of investee's capital owned	Cost		Fair value	Dividend/ interest income received during the year	Provision made	Unrealised gain/(loss)	Principal activities/ place of operation	Performance of investee companies
		HK\$ million	HK\$ million						
Listed equity securities									
ITC Properties Group Limited (Stock code: 199)	4.71%	45.59	51.58	—	—	5.99	Property development and investment, golf resort and leisure operations, securities trading and loan financing services/ Hong Kong, Macau and the PRC	For the year ended 31 March 2011, the profit after tax was HK\$79 million. Net Asset Value was HK\$2,383 million. No dividend was declared. Share price as at 31 December 2010 was HK\$1.74 per share	
PYI Corporation Limited (Stock code: 498)	3.24%	48.46	47.00	—	11.75	(1.46)	Infrastructure investment and the operation of bulk cargo ports and logistics facilities/the PRC	For the year ended 31 March 2011, the profit after tax was HK\$299 million. Net Asset Value was HK\$6,325 million. Dividend declared was HK\$0.03 per share. Share price as at 31 December 2010 was HK\$0.32 per share	
New Capital International Investment Limited (Stock code: 1062)	2.69%	33.07	35.93	—	—	2.86	Investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis/Hong Kong and the PRC	For the year ended 31 December 2010, the loss after tax was HK\$8 million. Net Asset Value was HK\$298 million. No dividend was declared. Share price as at 31 December 2010 was HK\$1.36 per share	
Rosedale Hotel Holdings Limited (Stock code: 1189)	4.11%	15.55	12.69	2.70	—	(2.86)	Operation of hotel business/ Hong Kong and the PRC	For the year ended 31 December 2010, the profit after tax was HK\$413 million. Net Asset Value was HK\$2,269 million. Dividend declared was HK\$0.10 per share. Share price as at 31 December 2010 was HK\$0.47 per share	

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**

Name	Proportion of investee's capital owned	Cost		Dividend/ interest			Principal activities/ place of operation	Performance of investee companies	
		HK\$ million	HK\$ million	Fair value	income received during the year	Provision made			Unrealised gain/(loss)
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million			HK\$ million
ITC Corporation Limited (Stock code: 372)	1.32%	4.89	3.80	4.77	—	(1.09)	Investments in securities, properties and other investments/Hong Kong and the PRC	For the year ended 31 March 2011, the loss after tax was HK\$592 million. Net Asset Value was HK\$2,130 million. Dividend declared was HK\$0.02 per share. Share price as at 31 December 2010 was HK\$0.37 per share	
HSBC Holdings Plc (Stock code: 5)	0.00022%	3.84	3.15	0.11	—	(0.69)	Banking and financial services/ global operation	For the year ended 31 December 2010, the profit after tax was US\$14,191 million. Net Asset Value was US\$154,915 million. Dividend declared was US\$0.36 per share. Share price as at 31 December 2010 was HK\$79.7 per share	
Unlisted equity securities									
GCA Professional Services Group Limited	20.00%	5.00	5.00	—	—	—	Provision of professional services/Hong Kong and the PRC	Subsidiaries listed on HKSE (Stock code: 8193). For the year ended 31 March 2011, the profit after tax was HK\$25 million. Net Asset Value was HK\$36 million. No dividend was declared. Share price as at 30 December 2011 was HK\$0.200 per share	
Yantai Juli Fine Chemical Co., Ltd	1.50%	25.81	25.81	—	—	—	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry/ the PRC	Production plant occupying an area of 500 mu. It had nearly 700 staff with annual production capacity of 20,000 tonnes of the end products and fixed assets valued at RMB650 million.	
A Stars Entertainment Group Limited	13.33%	5.00	5.00	—	—	—	Multi-media production, publication and talent agencies/Hong Kong and the PRC	The Investment was in setup stage.	

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**

Name	Proportion of investee's capital owned	Cost		Dividend/ interest			Unrealised gain/(loss)	Principal activities/ place of operation	Performance of investee companies
		HK\$ million	HK\$ million	Fair value	income received during the year	Provision made			
Convertible note									
Hanny Holdings Limited	N/A	12.33	16.29		0.33	—	N/A	Trading of securities, holding of vessels for sand mining, industrial water supply business, property development and trading and other strategic investments/ Hong Kong and the PRC	Investment was valued by independent external valuer

(ii) Top 3 investments purchased during the year

Name of investment	Equity/Number of shares purchased	Cost HK\$'000
Listed equity securities		
ITC Properties Group Limited	26,588,000 shares	45,592
New Capital International Investment Limited	27,520,000 shares	34,431
Unlisted equity securities		
Yantai Juli Fine Chemical Co., Ltd	1.5%	25,810

(iii) Top 3 realised gain for the year

Name of investment	Realised gain HK\$'000
Neo Telemedia	1,713
New Capital International Investment Limited	311
Hutchison Whampoa Limited	262

(iv) Top 3 realised loss for the year

Name of investment	Realised loss <i>HK\$'000</i>	Reason for realizing the loss
EPI Holdings Limited	18,886	Reduction of loss on investment
Rosedale Hotel Holdings Limited — Convertible Notes	10,978	Loss arise due to redemption of convertible notes by issuer
HSBC Holdings Plc	1,447	Reduction of loss on investment

(v) Only 1 impairment loss for the year

Name of investment	Impairment loss <i>HK\$'000</i>	Reason for making impairment loss
PYI Corporation Limited	11,749	Prolong decrease in market price

APPENDIX I

**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**

For the year ended 31 December 2011

(i) Top 10 investments as at 31 December 2011

Name	Proportion of investee's capital owned	Cost <i>HK\$ million</i>	Market values of listed equity securities/director's valuations <i>HK\$ million</i>	Dividend/ interest income received during the year <i>HK\$ million</i>	Impairment loss made since acquisition <i>HK\$ million</i>	Principal activities/ places of operation	Performance of investee companies
Listed equity securities							
ITC Properties Group Limited (Stock code: 199)	4.71%	45.59	53.97	—	—	Property development and investment, golf resort and leisure operations, securities trading and loan financing services/Hong Kong, Macau and the PRC	For the year ended 31 March 2012, the profit after tax was HK\$162 million. Net Asset Value was HK\$2,237 million. Dividend declared was HK\$0.10 per share. Share price as at 30 December 2011 was HK\$2.03 per share
PYI Corporation Limited (Stock code: 498)	3.36%	49.93	29.07	4.41	20.86	Infrastructure investment and the operation of bulk cargo ports and logistics facilities/the PRC	For the year ended 31 March 2012, the profit after tax was HK\$369 million. Net Asset Value was HK\$5,288 million. Dividend declared was HK\$0.005 per share. Share price as at 30 December 2011 was HK\$0.19 per share
China Development Bank International Investment Limited (Formerly Known as "New Capital International Investment Limited") (Stock code: 1062)	2.65%	32.56	25.50	—	—	Investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis/Hong Kong and the PRC	For the year ended 31 December 2011, the loss after tax was HK\$17 million. Net Asset Value was HK\$284 million. No dividend was declared. Share price as at 30 December 2011 was HK\$0.98 per share
Rosedale Hotel Holdings Limited (Stock code: 1189)	4.11%	15.55	10.94	—	5.69	Operation of hotel business/ Hong Kong and the PRC	For the year ended 31 December 2011, the loss after tax was HK\$219 million. Net Asset Value was HK\$2,094 million. No dividend was declared. Share price as at 30 December 2011 was HK\$0.405 per share

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**

Name	Proportion of investee's capital owned	Cost HK\$ million	Market values of listed equity securities/director's valuations HK\$ million	Dividend/ interest income received during the year HK\$ million	Impairment loss made since acquisition HK\$ million	Principal activities/ places of operation	Performance of investee companies
ITC Corporation Limited (Stock code: 372)	1.32%	4.89	3.70	0.21	1.18	Investments in securities, properties and other investments/Hong Kong and the PRC	For the year ended 31 March 2012, the profit after tax was HK\$434 million. Net Asset Value was HK\$2,613 million. Dividend declared was HK\$0.04 per share. Share price as at 30 December 2011 was HK\$0.36 per share
HSBC Holdings Plc (Stock code: 5)	0.00008%	1.31	0.80	0.09	—	Banking and financial services/global operation	For the year ended 31 December 2011, the profit after tax was US\$17,944 million. Net Asset Value was US\$166,093 million. Dividend declared was US\$0.41 per share. Share price as at 30 December 2011 was HK\$59 per share
Unlisted equity securities							
Rakarta Limited	8.00%	53.05	53.05	—	—	Investments in securities and other investments/Hong Kong and the PRC	Investment was valued by an independent external valuer
GCA Professional Services Group Limited	20.00%	5.00	10.60	—	—	Provision of professional services/Hong Kong and the PRC	Subsidiaries listed on HKSE (Stock code: 8193). For the year ended 31 March 2012, the profit after tax was HK\$10 million. Net Asset Value was HK\$96 million. Dividend declared was HK\$0.01 per share. Share price as at 30 December 2011 was HK\$0.200 per share
Yantai Juli Fine Chemical Co., Ltd	1.50%	25.81	14.86	—	10.95	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry/the PRC	The production plant was in operation and making profits for the year.
A Stars Entertainment Group Limited	13.33%	5.00	5.00	—	—	Multi-media production, publication and talent agencies/Hong Kong and the PRC	The investment was in setup stage.

(ii) *Top 3 investments purchased during the year*

Name of investment	Equity/Number of shares purchased	Cost <i>HK\$'000</i>
Listed equity securities		
Hanny Holdings limited	956,266 shares	4,671
Hong Kong Exchanges and clearing Limited	20,000 shares	3,530
Unlisted equity securities		
Rakarta Limited	8%	53,050

(iii) *Top 3 realised gain for the year*

Name of investment	Realised gain <i>HK\$'000</i>
Hanny Holdings Limited — Convertible Note	4,441
Hanny Holdings Limited — Rights	830
Petrochina Company Limited	196

(iv) *Top 3 realised loss for the year*

Name of investment	Realised loss <i>HK\$'000</i>	Reason for realizing the loss
Hanny Holdings Limited	4,139	Reduction of loss on investment
China Boon Holdings Limited	1,540	Reduction of loss on investment
HSBC Holdings Plc	644	Reduction of loss on investment

(v) *The top 3 impairment loss for the year*

Name of investment	Impairment loss <i>HK\$'000</i>	Reason for making impairment loss
Yantai Juli Fine Chemical Co., Ltd	10,949	Carrying amount was higher than estimated future cash flows
PYI Corporation Limited	9,111	Prolong decrease in market price
Rosedale Hotel Holdings Limited	5,690	Prolong decrease in market price

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**
For the year ended 31 December 2012
(i) Top 10 investments as at 31 December 2012

Name	Proportion of investee's capital owned	Cost <i>HK\$ million</i>	Market values of listed equity securities/ director's valuations <i>HK\$ million</i>	Dividend/ interest income received during the year <i>HK\$ million</i>	Impairment loss made since acquisition <i>HK\$ million</i>	Principal activities/ places of operation	Performance of investee companies
Listed equity securities							
PYI Corporation Limited (Stock code: 498)	3.45%	50.70	26.97	2.34	24.84	Infrastructure investment and the operation of bulk cargo ports and logistics facilities/ the PRC	For the year ended 31 March 2013, the profit after tax was HK\$305 million. Net Asset Value was HK\$5,372 million. Dividend declared was HK\$0.015 per share. Share price as at 31 December 2012 was HK\$0.171 per share
China Development Bank International Investment Limited (Formerly Known as "New Capital International Investment Limited") (Stock code: 1062)	0.90%	32.56	22.90	—	—	Investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis/Hong Kong and the PRC	For the year ended 31 December 2012, the loss after tax was HK\$9 million. Net Asset Value was HK\$1,049 million. No dividend was declared. Share price as at 31 December 2012 was HK\$0.88 per share
Rosedale Hotel Holdings Limited (Stock code: 1189)	4.11%	15.55	10.94	—	5.69	Operation of hotel business/ Hong Kong and the PRC	For the year ended 31 December 2012, the loss after tax was HK\$149 million. Net Asset Value was HK\$1,890 million. No dividend was declared. Share price as at 31 December 2012 was HK\$0.405 per share
ITC Corporation Limited (Stock code: 372)	1.39%	5.19	5.48	0.41	1.18	Investments in securities, properties and other investments/Hong Kong and the PRC	For the year ended 31 March 2013, the profit after tax was HK\$214 million. Net Asset Value was HK\$2,854 million. Dividend declared was HK\$0.04 per share. Share price as at 31 December 2012 was HK\$0.50 per share

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2012**

Name	Proportion of investee's capital owned	Cost	Market values of listed equity securities/ director's valuations	Dividend/ interest income received during the year	Impairment loss made since acquisition	Principal activities/ places of operation	Performance of investee companies
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>		
HSBC Holdings Plc (Stock code: 5)	0.00007%	1.31	1.10	0.05	—	Banking and financial services/ global operation	For the year ended 31 December 2012, the profit after tax was US\$15,334 million. Net Asset Value was US\$183,129 million. Dividend declared was US\$0.45 per share. Share price as at 31 December 2012 was HK\$81.9 per share
Hong Kong Exchanges and Clearing Limited (Stock code: 388)	0.0004%	0.64	0.66	—	—	Operation of the only stock exchange and futures exchange in Hong Kong	For the year ended 31 December 2012, the profit after tax was HK\$4,084 million. Net Asset Value was HK\$18,304 million. Dividend declared was HK\$3.31 per share. Share price as at 31 December 2012 was HK\$131.9 per share
Unlisted equity securities							
Rakarta Limited	8.00%	53.05	53.05	—	—	Investments in securities and other investments/ Hong Kong and the PRC	Investment was valued by an independent external valuer
Yantai Juli Fine Chemical Co., Ltd	1.50%	25.81	7.36	—	18.45	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry/the PRC	The production capacity was increased and profits for the year was increased.
Loan note receivable							
ITC Properties Group Limited	—	43.12	45.69	2.34	—	N/A	Investment was valued by an independent external valuer
Convertible notes							
ITC Properties Group Limited	—	10	9.89	—	—	N/A	Investment was valued by an independent external valuer

(ii) *Top 3 investments purchased during the year*

Name of investment	Equity/Number of shares purchased	Cost <i>HK\$'000</i>
Listed equity securities		
China Merchants Holdings (International) Company Limited	70,000 shares	1,799
iShares FTSE A50 China Index ETF	90,000 shares	954
Convertible notes		
ITC Properties Group Limited	—	10,000

(iii) *Top 3 realised gain for the year*

Name of investment	Realised gain <i>HK\$'000</i>
ITC Properties Group Limited	13,484
GCA Professional Services Group Limited	5,578
ITC Properties Group Limited — Loan Note	2,344

(iv) *Top 3 realised loss for the year*

Name of investment	Realised loss <i>HK\$'000</i>	Reason for realizing the loss
China Construction Bank Corporation	76	Reduction of loss on investment
Jiangxi Copper Company Limited	40	Reduction of loss on investment
Industrial and Commercial Bank of China Limited	39	Reduction of loss on investment

(v) *Only 2 impairment loss for the year*

Name of investment	Impairment loss <i>HK\$'000</i>	Reason for making impairment loss
Yantai Juli Fine Chemical Co., Ltd	7,500	Carrying amount was higher than estimated future cash flows
PYI Corporation Limited	3,978	Prolong decrease in market price

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and the short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and 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 they are 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Nature of Interest	Number of Shares held	Approximate % of Shareholding
Cheng Hairong	Beneficial Owner	9,370,000	1.32%
Lau Tom Ko Yuen	Interest of spouse and interest of controlled corporation	266,890,840 (Note)	37.46%

Note: 266,890,840 Shares were held by Favor Hero Investments Limited, a company controlled as to 51% by Sun Matrix Limited. Sun Matrix Limited was in turn controlled as to 50% by Mr. Lau Tom Ko Yuen and 50% by Ms. Lan Yi, the spouse of Mr. Lau Tom Ko Yuen.

Save as disclosed above, none of the Directors and the chief executive of the Company, as at the Latest Practicable Date, have any the interests and the short positions in the Shares, underlying Shares and debentures of the Company and 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 they are 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of Shares held	Approximate % of Shareholding
Favor Hero Investments Limited	Beneficial Owner	266,890,840	37.46%
Sun Matrix Limited	Interest of controlled corporation	266,890,840 (Notes 1&2)	37.46%
Lau Tom Ko Yuen	Interest of spouse and interest of controlled corporation	266,890,840 (Notes 1&2)	37.46%
Lan Yi	Interest of spouse and interests of controlled corporation	266,890,840 (Notes 1&2)	37.46%
Glory Avenue Limited	Interest of controlled corporation	266,890,840 (Notes 1&3)	37.46%
Silvery Fortune Holdings Limited	Interest of controlled corporation	266,890,840 (Notes 1&3)	37.46%
Liu Min	Interest of controlled corporation	266,890,840 (Notes 1&3)	37.46%

Notes:

1. 266,890,840 Shares were held by Favor Hero Investments Limited, a company controlled as to 51% by Sun Matrix Limited and as to 49% by Glory Avenue Limited.
2. Sun Matrix Limited was controlled as to 50% by Mr. Lau Tom Ko Yuen and 50% by Ms. Lan Yi, the spouse of Mr. Lau Tom Ko Yuen.
3. Glory Avenue Limited was wholly controlled by Silvery Fortune Holdings Limited which was wholly controlled by Mr. Liu Min.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at the Latest Practicable Date, had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the

Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS

The Directors confirm that none of the Directors has any contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

The Directors confirm that none of the Directors has any interests, direct or indirect, in any assets which have been, since 31 December, 2012, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' SERVICE CONTRACTS

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

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests, directly or indirectly, in a business which competes or is likely to compete with the business of the Group.

8. MATERIAL CONTRACTS

No member of the Group has entered into any material contracts, not being contracts entered into in the ordinary course of business, during the two years preceding the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company for the 6 months ended 30 June 2013 dated 28 August 2013, there was a significant increase in loss from that of the 6 months ended 30 June 2012 due to the increase in loss arisen from the change in fair value of held-for-trading listed equity investments which was caused by the fluctuation of the stock market.

As at the Latest Practicable Date, save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012 (being the date to which the latest published audited accounts of the Group were made up).

10. LITIGATION

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

11. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

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

Name	Qualification
Goldin Financial	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Goldin Financial:

- (a) did not have any direct or indirect interests in any assets which have been, since 31 December 2012 (being the date to which the latest published audited accounts of the Group were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Goldin Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion/letter/advice and/or references to its name, in the form and context in which it respectively appears.

12. MISCELLANEOUS

- (a) The principal place of business of the Company in Hong Kong is at Suite 2701, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.
- (b) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (c) The company secretary of the Company is Ms. Fung Mei Ling.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the principal place of business of the Company in Hong Kong at Suite 2701, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong up to and including 25 October 2013 and at the SGM:

- (a) the New IM Agreement and the Supplemental Agreement;
- (b) the memorandum of association and articles of association of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from Goldin Financial, the text of which is set out in this circular; and
- (e) the written consent of Goldin Financial referred to in the section headed “Expert’s disclosure of interest and consent” in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 310)

NOTICE IS HEREBY GIVEN that a special general meeting of Prosperity Investment Holdings Limited (the “Company”) will be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 25 October 2013 at 11:00 a.m. for the purposes of considering and, if thought fit, passing (with or without amendments) the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the New IM Agreement (as amended by the Supplemental Agreement) (both as defined in the circular of the Company dated 27 September 2013 (the “Circular”), copies of which have been produced to the meeting marked “A” and “B” respectively and signed by the chairman of the meeting for identification purpose, and the transactions contemplated therein be and are hereby generally and unconditionally approved and the directors of the Company be and are hereby authorized to do such acts and things and deliver all documents under the common seal of the Company, if necessary, as they may consider necessary, desirable or expedient in connection with the transactions contemplated under the New IM Agreement (as amended by the Supplemental Agreement); and

* *for identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (b) the annual caps for the remuneration payable by the Company to Greater China Capital Limited under the New IM Agreement (as amended by the Supplemental Agreement) is limited as follows:

Period covered	Management Fee HK\$	Discretionary Bonus HK\$	Total Annual Caps HK\$
From 1 November 2013 to 31 December 2013	600,000	2,850,000	3,450,000
1 January 2014 to 31 December 2014	3,600,000	3,140,000	6,740,000
1 January 2015 to 31 December 2015	3,600,000	3,450,000	7,050,000

By Order of the Board
PROSPERITY INVESTMENT HOLDINGS LIMITED
Cheng Hairong
Chairman and Executive Director

Hong Kong, 27 September 2013

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be returned to the Hong Kong share registrar of the Company, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. As at the date of this notice, the Board comprises one executive Director, namely Mr. Cheng Hairong, one non-executive Director, namely Mr. Lau Tom Ko Yuen and three independent non-executive Directors, namely Mr. Feng Nien Shu, Mr. Lui Siu Tsuen, Richard and Ms. Wong Lai Kin, Elsa.