
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or otherwise transferred all your Shares in the Company, you should at once hand this circular and the accompanying form of proxy to the stockbroker or other agent through whom the sale or transfer was effected or to the transferee.

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PROSPERITY INVESTMENT INTERNATIONAL

嘉進投資國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3105)

CONTINUING CONNECTED TRANSACTIONS INVESTMENT MANAGEMENT

Financial Adviser to the

Opus Capital Limited
創富融資有限公司

Independent Financial Adviser to
the Independent Board Committee and the

EDA CAPITAL
智略資本

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 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 40 of this circular.

A notice convening a special general meeting of the Company to be held at 11:00 a.m. at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 31 December 2015 is set out on pages 55 to 56 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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

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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 IM Agreement; and (ii) dividends or distributions paid to Shareholders whether in cash or in specie
“Board”	the board of Directors
“Company”	Prosperity Investment Holdings Limited, a company incorporated in Bermuda with limited liability, with its issued Shares listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing IM Agreement”	the agreement dated 18 July 2013 (as amended by a supplemental agreement dated 24 September 2013) 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 November 2013 to 31 December 2015
“Financial Year”	a financial year of the Company during the Management Period, commencing from 1 January 2016
“GC Capital” or “Investment Manager”	Greater China Capital Limited, a company incorporated in Hong Kong with limited liability and licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“GDP”	Gross Domestic Product
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IM Agreement”	the agreement dated 24 November 2015 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 January 2016 to 31 December 2018
“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 IM Agreement and the annual caps thereunder

DEFINITIONS

“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the IM Agreement and the annual caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM
“Latest Practicable Date”	9 December 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Period”	the period from 1 January 2016 to 31 December 2018
“Net Asset Value”	the consolidated net asset value of the Group as reflected in its audited financial statements
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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, to approve the IM Agreement and the annual caps thereunder
“Share(s)”	share(s) of the Company
“Shareholders”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	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

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

Suite 2701, Shui On Centre

6–8 Harbour Road

Wanchai

Hong Kong

Hong Kong, 14 December 2015

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION INVOLVING INVESTMENT MANAGEMENT AGREEMENT

INTRODUCTION

On 24 November 2015, the Board announced that the Company entered into the IM Agreement with GC Capital in relation to the appointment of GC Capital as the Company's investment manager for the Management Period, which follows immediately the expiry date of the Existing IM Agreement on 31 December 2015.

The purpose of this circular is to provide the Shareholders with further details of, amongst other things, (i) the IM Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM.

* for identification purpose only

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IM AGREEMENT

Principal terms

The principal terms of the IM Agreement include:

Duration

The IM Agreement is for the duration of the Management Period, i.e. from 1 January 2016 to 31 December 2018, unless terminated earlier by either party by 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 IM Agreement, the Investment Manager will be entitled to:

- (a) a management fee of a fixed amount of HK\$600,000 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) the Net Asset Value for the year ending 31 December 2015; and (ii) the Adjusted NAV of the most recent Financial Year after year 2015 for which the Investment Manager is paid a discretionary bonus (“**High Watermark**”). The amount of such bonus shall not in any event exceed 5% 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 IM Agreement, the Directors have reviewed the latest renewal continuing connected transactions announcements in relation to the appointment of investment managers and/or latest annual 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 investment management service agreements, and identified 9 transactions with their remuneration packages, that is, such packages must consist of a management fee and performance fee structure (“**Comparable Companies**”). The Board has included all such investment companies regardless of their net asset values or nature of investments and the selection base is solely on the comparability of their remuneration packages. The Board considers that the Comparable Companies, which have management

LETTER FROM THE BOARD

fee arrangement with investment managers similar to that of the IM Agreement, are appropriate samples and could provide a general reference for the market range of the remuneration package. The details of these 9 transactions extracted from the information disclosed by the Comparable Companies in the relevant announcements and/or annual reports are set out below:

Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value (note 1)	The full year compensation fee given to the respective investment manager as a percentage to the net asset value (note 2)
China Merchants China Direct Investments Limited (133)	<p>The aggregate of:</p> <p>(a) on the invested portion of the assets of the group 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 group represented by securities listed on a recognised stock exchange:</p> <p>(i) during the lockup period following listing: 2.25% of the book value (net of taxes);</p> <p>(ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</p> <p>(iii) thereafter: 1.50% of the book value (net of taxes); and</p> <p>(iv) in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and</p> <p>(c) on the un-invested portion of the assets of the group: 0.75% of the book value.</p> <p><i>Note:</i> the book value (net of taxes) of unlisted securities or interests mentioned above is based on fair value; whilst the book value (net of taxes) of listed securities mentioned above is based on market value.</p>	8% of the amount by which the net asset value as at the end of the relevant financial year (as adjusted) exceeds the high watermark provision	Yes	1.59%	3.28%

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Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value (note 1)	The full year compensation fee given to the respective investment manager as a percentage to the net asset value (note 2)
China Assets (Holdings) Limited (170)	The aggregate of: (i) 2.75% per annum on the aggregate cost to the company of the investments (less any provisions in respect thereof) held by it from time to time; and (ii) 1% per annum on the value of the un-invested net assets of the company.	Return on net assets: — On the first 10%: Nil — On the next 10%: 15% x (net profit after tax minus 10% of net assets) — On the excess over 20%: 20% x (net profit after tax minus 20% of net assets); and an additional performance bonus equivalent to 20% of the net capital gains of the company if the net asset value as at a quarter day would be equal to or greater than 100% of the aggregate of the original subscription price of all shares in the company which then remain outstanding	Yes	0.8%	0.8%
DT Capital Limited (356)	1.5% per annum of the gross net asset value, calculated as the arithmetical average of the published gross net asset value on the last day of each calendar month during each relevant year	15% on the amount of audited consolidated net asset value of the company (calculated as at the end of each respective financial year) exceeding the high watermark as at the relevant financial year, subject to adjustments by disregarding the effects of any new issue of securities or distribution on the gross net asset value	Yes	0.68%	0.68%
Huge China Holdings Limited (428)	1.5% per annum on the net asset value as per the management account of the company in the preceding month and payable by the company monthly in advance	10% of the audited net profit of the company in the financial year and for the purpose of calculating the audited net profit of the financial year; (i) 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, and; (ii) the audited net profit of the financial year shall be calculated before accrual of any incentive fee that will be payable	Yes	1.93%	1.93%

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Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value (note 1)	The full year compensation fee given to the respective investment manager as a percentage to the net asset value (note 2)
SHK Hong Kong Industries Limited (666)	0.375% per quarter (equivalent to 1.5% per annum) of the gross net asset value, calculated as the arithmetical average of the published gross net asset value on the last day of each calendar month during each relevant quarter, and payable quarterly in arrears	20% of the amount by which the audited net asset value of each year ended 31 December exceeds the high watermark as at the relevant financial year	Yes	1.48%	3.04%
UBA Investments Limited (768)	1.5% per annum of the net asset value of the company as at the immediately preceding valuation date	20% of the net profit of the company before taxation and before deduction of the management fee payable	No	1.23%	6.34%
Shanghai International Shanghai Growth Investment Limited (770)	0.5% per quarter (equivalent to 2.0% per annum) of the net asset value calculated before deduction of the fees payable to the investment manager and the company's investment adviser and custodian for that quarter	20% of the amount by which the net asset value as at 31 December in the calculation year exceeds the high watermark	Yes	2.15%	2.15%
Eagle Ride Investment Holdings Limited (901)	2% per annum of the net asset value as at each valuation date and no management fee is payable on the un- invested portion of the company's assets and such portion shall be excluded from the net asset value when calculating the management fee	15% per annum of any net appreciation in the net asset value at the relevant performance fee valuation date above the high watermark	Yes	N/A (note 3)	N/A (note 3)
OP Financial Investments Limited (1140)	1.5% per annum of the net asset value as at the immediately preceding valuation date	10% of the appreciation in the net asset value per share calculated as at the relevant performance fee valuation date over the base net asset value per share, subject to a high watermark provision	Yes	1.54%	1.54%
			Minimum	0.68%	0.68%
			Maximum	2.15%	6.34%
			Mean	1.43%	2.47%

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Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value <i>(note 1)</i>	The full year compensation fee given to the respective investment manager as a percentage to the net asset value <i>(note 2)</i>
The Company	a management fee of a fixed amount of HK\$600,000 per month	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) the Net Asset Value for the year ending 31 December 2015; and (ii) the Adjusted NAV of the most recent Financial Year after year 2015 for which the Investment Manager is paid a discretionary bonus. The amount of such bonus shall not in any event exceed 5% of such excess.	Estimated percentage over Net Asset Value	2016: 1.42% 2017: 1.35% 2018: 1.28%	2016: 1.66% 2017: 1.59% 2018: 1.52%

Notes:

1. *The figures are referenced to the latest annual reports of the Comparable Companies, i.e. the annual management fee provided to the respective investment manager as a percentage of the audited net asset value.*
2. *The figures are referenced to the latest annual reports of the Comparable Companies, i.e. the annual management fee and incentive fee (if any) provided to the respective investment manager as a percentage of the audited net asset value.*
3. *The management fee given to the investment manager is not on an annual basis.*

In determining the management fee, the Board has also considered: (i) preliminary quotation on management fee from two other investment management companies which is based on 2%–2.5% of the net asset value to be managed, calculated either monthly or quarterly, whereas the management fee of HK\$7,200,000 per annum payable under the IM Agreement (the “**Management Fee**”) represents approximately 1.49% to the net asset value of the Company of approximately HK\$484,168,000 as at 30 June 2015 as published in the interim report of the Company for the six months ended 30 June 2015; (ii) the management fee under the Existing IM Agreement has remained the same since 2011; (iii) the annual inflation from 2011 to 2015; and (iv) the management fee of HK\$600,000 per month (i.e. HK\$7,200,000 per annum) under the IM Agreement falls within the market range payable by the Comparable Companies as stated above. The Management Fee represents approximately 1.49% to the net asset value of the Company of approximately HK\$484,168,000 as at 30 June 2015. The Board is aware that in the event the net asset value of the Company increases, the Management Fee will represent a percentage lower than 1.49%; and in the event that the net asset value of the Company decreases, the Management Fee will represent a percentage higher than 1.49%.

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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 5% to 20% of the amount of increase in the net asset value. The High Watermark under the IM Agreement therefore also falls within the market range.

In light of the above, 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 IM Agreement is: (i) fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) on normal commercial terms that are generally in line with the market practice of investment companies listed on the Stock Exchange.

Historical amounts of remuneration paid and annual caps

Set out below are the historical annual maximum remuneration for the Existing IM Agreement and 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\$	Proposed annual cap HK\$
1 November 2013 to 31 December 2013	600,000	—	600,000	3,450,000
1 January 2014 to 31 December 2014	3,600,000	—	3,600,000	6,740,000
1 January 2015 to 30 November 2015 (note 1)	3,300,000	— (note 2)	3,300,000 (note 2)	7,050,000

Notes:

1. No information is available for the period from 1 December to 31 December 2015 yet.
2. As the 2015 financial year has not yet ended, the Board has not yet deliberated whether any discretionary bonus will be paid. The remuneration amount of HK\$3,300,000 paid represents the fixed monthly fee paid for January to November of 2015.

A summary of the historical performance of the Company's investments for the three years ended 31 December 2012, 2013 and 2014 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) realised gain for top 3 investments; (iv) realised loss for top 3 investments and the reasons for the disposal; and (v) top 3 investments impairment loss and the reasons for making impairment.

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Proposed Annual Caps

It is proposed that the maximum annual remuneration (“**Annual Caps**”) payable by the Company to the Investment Manager in terms of management fee and discretionary bonus under the IM Agreement be limited as follows:

Period covered	Management Fee HK\$	Discretionary Bonus HK\$	Proposed Annual Cap HK\$
1 January 2016 to 31 December 2016	7,200,000	1,220,000	8,420,000
1 January 2017 to 31 December 2017	7,200,000	1,280,000	8,480,000
1 January 2018 to 31 December 2018	7,200,000	1,340,000	8,540,000

The proposed Annual Caps were computed taking into account the fixed monthly fee, projected Net Asset Value for each Financial Year based on the net asset value as at 30 June 2015 on the assumption that the Group will achieve an annual growth of 5% in Net Asset Value, the historical records of the remuneration paid to GC Capital under the Existing IM Agreement as set out above, as well as the cap on the discretionary bonus.

In the event that the aggregate fees payable by the Group under the IM Agreement exceeds the Annual Caps, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules as and when necessary.

For reference only, 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 2014, 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.

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	Comparison with Hang Seng Index					Comparison with Hang Seng China Affiliated Index		
	Audited Consolidated Net Asset Value HK\$	Change in % Increase/ (Decrease)	Hang Seng Index	Change in % Increase/ (Decrease)	Direction	Hang Seng China Affiliated Index	Change in % Increase/ (Decrease)	Direction
Financial Year								
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	108.2	27,812.65	39.31	Same	6,111.20	83.52	Same
	<i>(Note 1)</i>							
ended 31 December 2008	312,366,000	(39.8)	14,387.48	(48.27)	Same	3,292.40	(46.13)	Same
	<i>(Note 2)</i>							
ended 31 December 2009	354,884,000	13.61	21,872.50	52.02	Same	4,059.89	23.31	Same
	<i>(Note 3)</i>							
ended 31 December 2010	211,380,000	(40.44)	23,035.45	5.32	Opposite	4,170.15	2.72	Opposite
	<i>(Note 4)</i>							
ended 31 December 2011	298,678,000	41.3	18,434.39	(19.97)	Opposite	3,682.18	(11.70)	Opposite
	<i>(Note 5)</i>							
ended 31 December 2012	284,792,000	(4.7)	22,656.92	22.91	Opposite	4,531.12	23.06	Opposite
ended 31 December 2013	288,168,000	1.2	23,306.39	2.87	Same	4,553.64	0.50	Same
ended 31 December 2014	273,987,000	(4.9)	23,605.04	1.28	Opposite	4,350.00	(4.47)	Same
For the six months period ended 30 June 2015	399,098,000	45.66	26,250.03	11.21	Same	4,876.74	12.11	Same
	<i>(Note 6)</i>	<i>(Note 7)</i>		<i>(Note 7)</i>			<i>(Note 7)</i>	

Notes:

1. *This figure has excluded a sum of HK\$29,156,760 raised by the issue of new Shares during year 2007.*
2. *This figure has excluded a sum of HK\$58,896,000 raised by the issue of new Shares during year 2008.*
3. *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.*
4. *This figure has excluded a sum of HK\$125,414,000 raised by the issue of new Shares during year 2010.*
5. *This figure has added back a sum of HK\$1,724,000 for the repurchase of Shares during year 2011.*
6. *This figure has excluded a sum of HK\$85,070,000 raised by the issue of new Shares during year 2015.*
7. *The figures are calculated based on figures as at 30 June 2015.*

Due to the financial meltdown in 2008 and 2009, the subsequent European debt crisis and the sluggish recovery of the global economy, the Group reduced activities in both securities trading and unlisted investments in 2012 to mitigate the impact of such economic instability, which has contributed to the decrease in Net Asset Value for the three years ended 31 December 2012. The decrease in Net Asset Value from 2009 to 2010 was due to the pay out of an approximately HK\$100 million dividends in 2009. In order to avoid the market instability, the Group reduced its activities and hence there was only slight movements in Net Asset Value between 2012 and 2014. For the six months period ended 30 June 2015, due to the favorable market condition, the Group achieved a growth of over 40% in the net asset value which outperformed the percentage increase in Hang Seng Index and the Hang Seng China Affiliated Index.

LETTER FROM THE BOARD

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 2016, 2017 and 2018, on the assumption that the Group will achieve an annual growth of 5% in its Net Asset Value consecutively for each of such years. The assumption of an annual growth rate of 5% is determined after taking into account of: (i) the anticipation of the sluggish but positive growth of about 7% in the PRC GDP as mentioned below; and (ii) the Company's current strategy to focus on investments 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 compound annual growth rate ("CAGR") of approximately 12.3% from 2008 to 2014, reaching approximately RMB63,613.9 billion in 2014. According to National Bureau of Statistics of the PRC, for the six months ended 30 June 2015, the PRC's nominal GDP amounted to approximately RMB31,417.8 billion, indicating a year-on-year real growth rate of approximately 6.9%. Mr. Li Keqiang, as the Premier of the PRC, 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 still maintain a positive growth of approximately 7% 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.

As the investments of the Group are significantly related to the PRC economy, and considering the anticipated growth in the PRC economy 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 5% 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 IM Agreement

The IM Agreement is conditional upon the passing of the requisite resolution by the Independent Shareholders approving the IM Agreement and the Annual Caps thereunder at the SGM. If such approval cannot be obtained by 31 December 2015 or such later date as the parties may agree, the IM 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 IM Agreement

GC Capital has served as the 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 current volatile market.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors) considers that the terms of the IM Agreement are: (i) fair and reasonable; (ii) on normal commercial terms; and (iii) in the ordinary and usual course of business of the Group and the entering into of the IM Agreement is in the interests of the Company and the Shareholders as a whole, and that the Annual Caps are fair and reasonable. None of the Directors have a material interest in the IM Agreement and therefore no Director was required to abstain from voting on the relevant Board resolution approving the IM Agreement.

Decision making process

Similar to the Existing IM Agreement, under the 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.

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 and 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 comprises investments in listed securities held for one year or less whereas strategic portfolio consists of investments in both listed and unlisted securities held for more than one year;
- (ii) a full time securities trading head, who is 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 relating to 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 million, 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 conduct 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 specialises 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 are 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; 1 responsible officer who is not director; and 2 licensed representatives who are licensed to carry out Type 9 regulated activities under the SFO. One of the 2 licensed representatives who reports directly to the 2 executive directors, is designated to provide service to the Group in addition to the executive directors.

Potential conflict of interest

The services provided by the Investment Manager to the Company are not exclusive. Currently, the Investment Manager 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 the Investment Manager 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;
 - (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

LETTER FROM THE BOARD

- (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).

The Investment Manager will also put in place compliance manual which requires its staff 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.

Executive Directors

The Investment Manager has two executive directors, namely Mr. Wong Chi Keung and Mr. Ng Hon Cheung Sannio. Their background and experience are as follows:

Mr. Wong Chi Keung (“Mr. Wong”)

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 on the Stock Exchange and the stock exchange of 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 itself up into a conglomerate with businesses focusing in property, infrastructure and industrial plants mainly located in Hong Kong and the PRC. Mr. Wong has gained relevant experience in investment management by participating in analysis and appraisal of potential investment projects of the 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 IM Agreement.

Mr. Ng Hon Cheung Sannio (“Mr. Ng”)

Mr. Ng joined GC Capital as a director on 1 December 2000. He has been appointed as a 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 the Waly Group from February 1993

LETTER FROM THE BOARD

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-governmental organisation for entrepreneurship, in mid-2011.

Mr. Lam Kwok Ho (“Mr. Lam”)

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 his 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 GROUP

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Group is principally engaged in investment in both listed and unlisted investments and other related 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 14A.08 of the Listing Rules and the transaction contemplated under the IM Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps is more than 25%, the IM Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and accordingly is subject to the reporting, announcement, Independent Shareholders' approval and the annual review requirements of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the IM Agreement and the Annual Caps thereunder and Veda Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the IM Agreement and the Annual Caps thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE BOARD

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 IM 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 IM Agreement and the Annual Caps thereunder and therefore none of the Directors are required to abstain from voting on the Board resolution approving the IM Agreement and the Annual Caps thereunder.

SGM

A notice of the SGM, to be held at 11:00 a.m. at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 31 December 2015 for the purposes of considering and, if thought fit, approving the IM Agreement and the Annual Caps thereunder, is set out on pages 55 to 56 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 IM Agreement and therefore no Shareholders must abstain from voting in the SGM. Accordingly, all Shareholders are permitted to vote at the SGM on the resolution to approve the IM 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 40 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 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 IM 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 IM 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 set out in the notice of 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, 14 December 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION INVOLVING
INVESTMENT MANAGEMENT AGREEMENT**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the IM Agreement and the Annual Caps thereunder, details of which are set out in the letter from the Board in the circular dated 14 December 2015 (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.

Veda Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the IM Agreement and the Annual Caps thereunder.

Your attention is drawn to the “Letter from the Board” set out on pages 3 to 19 of the Circular which contain, *inter alia*, information about the terms of the IM Agreement and the Annual Caps thereunder and the “Letter from the Independent Financial Adviser” set out on pages 22 to 40 of the Circular which contains its advice in respect of the terms of the IM Agreement and the Annual Caps thereunder.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the 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 IM 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 IM Agreement is in the interests of the Company and the 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 IM 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 THE INDEPENDENT FINANCIAL ADVISER

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

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Room 1106, 11/F.,
Wing On Centre,
111 Connaught Road
Central,
Hong Kong

14 December 2015

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS INVOLVING INVESTMENT MANAGEMENT AGREEMENT

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the continuing connected transactions contemplated under the IM Agreement, and the relevant proposed annual caps thereof (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular to the Shareholders dated 14 December 2015 (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

On 24 November 2015, the Company entered into the IM Agreement with GC Capital, pursuant to which GC Capital is appointed as the investment manager of the Company for a further term from 1 January 2016 to 31 December 2018, immediately following the expiry of the Existing IM Agreement on 31 December 2015.

As GC Capital is the investment manager of the Company, GC Capital is a connected person of the Company under Rule 14A.08 of the Listing Rules and the transaction contemplated under the IM Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps is more than 25%, the IM Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules and accordingly is subject to the reporting, announcement, Independent Shareholders’ approval and the annual review requirements of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 and whether the terms of the IM Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

We, Veda Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the IM Agreement and the Annual Caps and to make a recommendation as to, among others, whether the transactions contemplated under the 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 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 OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time when they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

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. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the IM

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the IM Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

I. Information of the Group and GC Capital

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.

GC Capital is a corporation licensed to conduct 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 specialises 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.

As the expiry date of the Existing IM Agreement is on 31 December 2015, the Company entered into the IM Agreement with GC Capital in relation to the appointment of GC Capital as the Company's investment manager for a further term from 1 January 2016 to 31 December 2018. Pursuant to the IM Agreement, GC Capital 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 IM Agreement have been and will continue to be carried out in the ordinary and usual course of business of the Group and of GC Capital.

GC Capital has 2 executive directors who are also responsible officers and are licensed to carry out Type 9 regulated activities under the SFO, i.e. Mr. Wong Chi Keung (“**Mr. Wong**”) and Mr. Ng Hon Cheung Sannio (“**Mr. Ng**”); 2 non-executive directors; 1 responsible officer who is not director; and 2 licensed representatives who are licensed to carry out Type 9 regulated activities under the SFO. One of the 2 licensed representatives who reports directly to the 2 executive directors, is designated to provide service to the Group in addition to the executive directors. The bibliography of Mr. Wong and Mr. Ng is set out in the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. The IM Agreement

Principal terms

Set out below are the principal terms of the IM Agreement, which includes:

- Duration : The IM Agreement is for the duration of the Management Period, i.e. from 1 January 2016 to 31 December 2018, unless terminated earlier by either party by 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 IM Agreement, the Investment Manager will be entitled to:
- (a) a management fee of a fixed amount of HK\$600,000 per month (exclusive of disbursements) (“**Management Fee**”); and
 - (b) discretionary bonus (“**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) the Net Asset Value for the year ending 31 December 2015; and (ii) the Adjusted NAV of the most recent Financial Year after year 2015 for which the Investment Manager is paid a discretionary bonus (“**High Watermark**”). The amount of such bonus shall not in any event exceed 5% 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.
- Condition precedent : The IM Agreement is conditional upon the passing of the requisite resolution by the Independent Shareholders approving the IM Agreement and the Annual Caps thereunder at the SGM. If such approval cannot be obtained by 31 December 2015 or such later date as the parties may agree, the IM Agreement shall lapse and be of no further effect and neither party shall have any claim against the other thereon.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon comparing the terms of the Existing IM Agreement and the IM Agreement, we noted that the major differences are the level of Management Fee and Discretionary Bonus offered to the Investment Manager.

As noted from the Board Letter, in considering the Management Fee, the Board has made references to (i) the terms of other investment companies listed under Chapter 21 of the Listing Rules that the Board has found (“**Board Comparables**”); (ii) the preliminary quotation provided by two investment management companies; (iii) the existing management fee has remained the same since 2011; and (iv) the annual inflation of Hong Kong from 2011 to 2015.

As further noted from the Board Letter, in arriving at the level of Discretionary Bonus and the High Watermark assessment, the Board has also made reference to the Board Comparables. We have obtained and reviewed the Board Comparables and noticed that the High Watermark basis under the IM Agreement falls within the market range of the Board Comparables.

Assessment of the Management Fee and Discretionary Bonus

Upon reviewing the major terms of the Existing IM Agreement, we noticed that the proposed increment of the Management Fee is 100% (i.e. HK\$300,000 to HK\$600,000 per month). Despite it is a 100% increase, we understand the fact that the Management Fee has been remained constant since 1 September 2010, i.e. the date when the Company starts to offer GC Capital a monthly investment management fee of HK\$300,000 per month. Therefore, we consider that it is more reasonable to analyze the increment for a 5-year period i.e. 1 January 2011 to 31 December 2015, and the compound annual growth rate (CAGR) of the Management Fee for the 5-year period is approximately 14.87%. As disclosed in the Census and Statistics Department of the Hong Kong Government, the consumer price index of Hong Kong, which measures the inflation rate, increased approximately 5.3% in 2011, 4.1% in 2012, 4.3% in 2013, 4.4% in 2014 and an estimated increase of 3.5% in 2015. Hence, we consider that the increase of the Management Fee during the 5-year period is in line with the increasing trend of the inflation rate in Hong Kong for the abovementioned period.

We observed that the increment rate of the Management Fee is comparatively higher than the growth of inflation rate in Hong Kong for the corresponding period, such that we also looked into other market comparables to perform a more thorough analysis in relation to the reasonableness of the Management Fee and the Discretionary Bonus (collectively, the “**Remuneration Package**”).

Market Comparables

To determine whether or not the proposed terms of the IM Agreement are comparable to those remuneration packages charged by other investment companies whose shares are listed on the Stock Exchange, we have reviewed, so far as we are aware, 9 transactions, details of which are made reference to the latest renewal continuing connected transactions announcements in relation to the appointment of investment managers and/or latest annual reports of investment companies listed under Chapter 21 of the Listing Rules on the Main

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Board of the Stock Exchange relating to entering into of investment management service agreements, being an exhaustive list, with their remuneration packages, that is, such packages must consist of a management fee and a performance fee structure (the “**Market Comparables**”). We have included all such investment companies regardless of their net asset value or nature of investments and our selection base is solely on the comparability of their remuneration packages. We consider that the Market Comparables, which have management fee arrangement with investment managers similar to that of the IM Agreement, are appropriate samples and the analysis of which could provide a general reference for the fairness and reasonableness of the Remuneration Package under the IM Agreement. Details of the Market Comparables as extracted from the information disclosed in the relevant announcements and/or annual reports are summarized as below:

Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value <i>(note 1)</i>	The full year compensation fee given to the respective investment manager as a percentage to the net asset value <i>(note 2)</i>
China Merchants China Direct Investments Limited (133)	<p>The aggregate of:</p> <p>(a) on the invested portion of the assets of the group 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 group represented by securities listed on a recognised stock exchange:</p> <p>(i) during the lockup period following listing: 2.25% of the book value (net of taxes);</p> <p>(ii) for the one year after the lockup period lapses: 1.75% of the book value (net of taxes);</p> <p>(iii) thereafter: 1.50% of the book value (net of taxes); and</p> <p>(iv) in respect of listed securities purchased from the secondary market: 1.50% of the book value (net of taxes); and</p> <p>(c) on the un-invested portion of the assets of the group: 0.75% of the book value.</p>	8% of the amount by which the net asset value as at the end of the relevant financial year (as adjusted) exceeds the high watermark provision	Yes	1.59%	3.28%

Note: the book value (net of taxes) of unlisted securities or interests mentioned above is based on fair value; whilst the book value (net of taxes) of listed securities mentioned above is based on market value.

Company name

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Management fee	Incentive fee	High watermark basis	The full year management fee given to the respective investment manager as a percentage to the net asset value (note 1)	The full year compensation fee given to the respective investment manager as a percentage to the net asset value (note 2)
UBA Investments Limited (768)	1.5% per annum of the net asset value of the company as at the immediately preceding valuation date	20% of the net profit of the company before taxation and before deduction of the management fee payable	No	1.23%	6.34%
Shanghai International Shanghai Growth Investment Limited (770)	0.5% per quarter (equivalent to 2.0% per annum) of the net asset value calculated before deduction of the fees payable to the investment manager and the company's investment adviser and custodian for that quarter	20% of the amount by which the net asset value as at 31 December in the calculation year exceeds the high watermark	Yes	2.15%	2.15%
Eagle Ride Investment Holdings Limited (901)	2% per annum of the net asset value as at each valuation date and no management fee is payable on the un-invested portion of the company's assets and such portion shall be excluded from the net asset value when calculating the management fee	15% per annum of any net appreciation in the net asset value at the relevant performance fee valuation date above the high watermark	Yes	N/A (note 3)	N/A (note 3)
OP Financial Investments Limited (1140)	1.5% per annum of the net asset value as at the immediately preceding valuation date	10% of the appreciation in the net asset value per share calculated as at the relevant performance fee valuation date over the base net asset value per share, subject to a high watermark provision	Yes	1.54%	1.54%
				Minimum	0.68%
				Maximum	2.15%
				Mean	1.43%
The Company	a management fee of a fixed amount of HK\$600,000 per month	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) the Net Asset Value for the year ending 31 December 2015; and (ii) the Adjusted NAV of the most recent Financial Year after year 2015 for which the Investment Manager is paid a discretionary bonus. The amount of such bonus shall not in any event exceed 5% of such excess.	Estimated percentage over Net Asset Value	2016: 1.42% 2017: 1.35% 2018: 1.28%	2016: 1.66% 2017: 1.59% 2018: 1.52%

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

Notes:

- The figures are referenced to the latest annual reports of the Market Comparables, i.e. the annual management fee provided to the respective investment manager as a percentage of the audited net asset value.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. *The figures are referenced to the latest annual reports of the Market Comparables, i.e. the annual management fee and incentive fee (if any) provided to the respective investment manager as a percentage of the audited net asset value.*
3. *The management fee given to the investment manager is not on an annual basis.*

Our views

The Management Fee

Based on (i) the Net Asset Value of the Group as at 30 June 2015 of approximately HK\$484,168,000; and (ii) the assumption used in calculating the Annual Caps that the Group will achieve an annual growth of 5% in the Net Asset Value, the Management Fee of HK\$600,000 per month (i.e. HK\$7,200,000 per annum) represents approximately 1.42%, 1.35% and 1.28% of the projected Net Asset Value as at 31 December 2016, 31 December 2017 and 31 December 2018 respectively based on the 5% annual growth assumption. As noted from the latest annual reports of the Market Comparables, the management fees given to their respective investment managers, which are converted as percentage of the respective net asset value as at the latest financial year end, ranges from approximately 0.68% to 2.15% with a mean of approximately 1.43%. It is noted that the Management Fee falls within the range and lies close to the mean of the Market Comparables. Nevertheless, it is advised that the Board is aware that in the event the Net Asset Value increases, the Management Fee will represent a lower percentage; and in the event that the Net Asset Value decreases, the Management Fee will represent a higher percentage.

We observed that the management fee structure under the Market Comparables are offered at a fixed percentage of their respective net asset value or invested and un-invested portion of the asset, such that the annual management fee payable by the Market Comparables will vary in accordance to the performance of the investment managers in that particular period, as compared to a fixed amount of annual payment pursuant to the IM Agreement. Despite the slight difference in nature of the management fee of the Market Comparables, we consider that given an investment portfolio of an investment company may vary from one to another in terms of risk profile, investment products and other factors, we take the view that dissimilar methodology of deriving the underlying management fee for different investment companies is normal. In addition, the fixed basis for the management fee has been adopted for more than five years and it is advised by the Company that they have maintained a good relationship with GC Capital and 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 current volatile market.

We have also obtained the details of the preliminary quotations from the two investment managers in relation to providing investment manager services to the Company and noticed that the management fee offered by the two companies are comparatively higher than the Management Fee of HK\$600,000 per month (i.e. HK\$7,200,000 per annum) as expressed to the projected Net Asset Value. 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.

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Having considered that (i) the Management Fee has remained constant since 1 January 2011; (ii) the increment of Management Fee is in line with the increasing trend of the inflation rate in Hong Kong from 2011 to 2015; (iii) the Management Fee as a percentage of Net Asset Value falls within the range and is slightly close to the mean of the Market Comparables; (iv) different investment companies have their own strategy to derive management fee which could be influenced by other external factors which vary by companies to companies; (v) the stable relationship and continuity for provision of investment management services by GC Capital is beneficial to the Group's investment strategy; and (vi) the quotes from other two investment management companies are comparatively higher than the Management Fee, we are of the view that the Management Fee under the IM Agreement is fair and reasonable and in the interests of the Company and Independent Shareholders as whole.

The Discretionary Bonus

The Discretionary Bonus shall be determined using a high watermark mechanism with a rate of 5%. To explain, the Discretionary Bonus for each of the relevant 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 for the year ending 31 December 2015; 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 5% 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 IM Agreement; and (ii) dividends or distributions paid to Shareholders whether in cash or in specie

As noted from the analysis on the Market Comparables, 8 out of 9 of the Market Comparables adopt high watermark mechanism in determining incentive fee, 7 of which are based on increment in net asset value and 1 of which are based on net profit (as adjusted by net loss carried forward).

We also noted that such high watermark mechanisms adopted by the Market Comparables, while slightly deviated in some cases, closely similar the mechanism under the 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 Market 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 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 Market 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 IM Agreement, instead of simply comparing with that of the immediate preceding financial year,

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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 IM Agreement is in line with market practice, and is fair and reasonable.

As for the rate of incentive fee, we noted that the rates utilised by the 7 Market Comparables adopting high watermark mechanism that are based on increment in net asset value which is similar to that adopted under the IM Agreement range from 8% to 20%, with a mean of approximately 15%. The rate of 5% for the Discretionary Bonus under the IM Agreement falls below the range and the mean of that of the relevant Market 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.

As advised by the Company, the Company has paid a Discretionary Bonus of HK\$225,000 to GC Capital during the Financial Year 2011 and since then the Company has not given any Discretionary Bonus. We are of the view that adopting the High Watermark basis for determining the Discretionary Bonus is fair and reasonable as the underlying principle under the High Watermark permits a reasonably equitable recognition of an investment manager's performance insofar as an investment company and its other stakeholders are concerned. We are of the opinion that an investment manager also needs to be appropriately motivated to perform in rendering its investment management services and if the "hurdle" to achieve a performance bonus is perceived to be unachievable, it may not necessarily be in the interests of an investment company and its shareholders. After all, a performance fee is only payable after a performance is reached (which is also subject to the Board's discretion) and as a result, the relevant investors or shareholders would have been benefited.

Having considered that (i) the High Watermark mechanism of 5% falls below the range and mean of the Market Comparables; (ii) adopting the High Watermark basis for determining the Discretionary Bonus permits a reasonably equitable recognition of the Investment Manager's performance; (iii) the Discretionary Bonus (which is subject to the Board's discretion) can motivate the performance of the Investment Manager reasonably; and (iv) the Board can still decide whether or not to give out the Discretionary Bonus even the High Watermark is achieved, we are of the view that the High Watermark basis under the IM Agreement is fair and reasonable and in the interests of the Company and Independent Shareholders as whole.

The Remuneration Package

We are of the view that in order to provide a deeper investigation of the Remuneration Package, we have further studied the latest annual reports of the Market Comparables, and recognized that 3 of the Market Comparables i.e. China Merchants China Direct Investments Limited (133), SHK Hong Kong Industries Limited (666) and UBA Investments Limited (768) have given incentive fee for their respective latest financial year and we have also converted the aggregated compensation fee, which is the sum of management fee and incentive fee (incentive fee will be treated as nil if not given during the financial year) as

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percentage to their respective net asset value as at the latest financial year end. We noted that the figure for the Market Comparables ranges from 0.68% to 6.34% with a mean of approximately 2.47%.

It is estimated that based on (i) the Net Asset Value of the Group as at 30 June 2015 of approximately HK\$484,168,000; and (ii) the assumption used in calculating the Annual Caps that the Group will achieve an annual growth of 5% in the Net Asset Value, the total of the Management Fee of HK\$600,000 per month (i.e. HK\$7,200,000 per annum) and the maximum amount of Discretionary Bonus (i.e. HK\$1,220,000 for 2016, HK\$1,280,000 for 2017 and HK\$1,340,000 for 2018), the figures for the Company as at 31 December 2016, 31 December 2017 and 31 December 2018 represents approximately 1.66%, 1.59% and 1.52% of the projected Net Asset Value respectively.

From the Market Comparables, we noticed that the Remuneration Package as expressed as a percentage of the projected Net Asset Value for the Company under the IM Agreement falls within the range and lies below the mean of the Market Comparables.

Therefore, we are of the view that the proposed Remuneration Package, which includes both the Management Fee and Discretionary Bonus (as discussed in the above paragraphs), are broadly in line with market practice and as such, they are on normal commercial terms, are in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Term of appointment

Pursuant to the IM Agreement, the appointment of GC Capital is for a fixed term commencing on 1 January 2016 and ending on 31 December 2018, conditional upon the approval by the Independent Shareholders at the SGM in accordance with the requirements of the Listing Rules.

Thereafter, subject to and conditional upon compliance with all applicable requirements under Chapter 14A of the Listing Rules (including but not limited to independent shareholders' approval, if applicable), the appointment of GC Capital under the IM Agreement shall be renewed for further periods of three years after the expiry of each fixed term, unless terminated earlier by either party by giving to the other party not less than six months written notice.

Given the above, and also the importance of the continuity of management services provided by investment managers to investment companies, we consider that the term of the IM Agreement is fair and reasonable and is on normal commercial terms.

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III. 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 up to the Latest Practicable Date:

Period covered	Management Fee	Discretionary Bonus	Total Remuneration Paid	Proposed Annual cap
1 November 2013 to 31 December 2013	600,000	—	600,000	3,450,000
1 January 2014 to 31 December 2014	3,600,000	—	3,600,000	6,740,000
1 January 2015 to 30 November 2015 (note 1)	3,300,000	— (note 2)	3,300,000 (note 2)	7,050,000

Notes:

1. No information is available for the period from 1 December to 31 December 2015 yet.
2. As the 2015 financial year has not yet ended, the Board has not yet deliberated whether any discretionary bonus will be paid. The remuneration amount of HK\$3,300,000 paid represents the fixed monthly fee paid for January to November of 2015.

The following table sets out the proposed Annual Caps for remuneration payable by the Company to the Investment Manager in terms of the Management Fee and Discretionary Bonus under the IM Agreement is limited as follows:

Period covered	Management Fee HK\$	Discretionary Bonus HK\$	Total proposed Annual Cap HK\$
1 January 2016 to 31 December 2016	7,200,000	1,220,000	8,420,000
1 January 2017 to 31 December 2017	7,200,000	1,280,000	8,480,000
1 January 2018 to 31 December 2018	7,200,000	1,340,000	8,540,000

We have discussed with the Company regarding the calculation of the proposed Annual Caps and understand that the proposed Annual Caps were computed taking into account (i) the fixed monthly Management Fee (i.e. HK\$600,000 per month which equivalent to HK\$7,200,000 per annum); (ii) the projected Net Asset Value for each Financial Year (i.e. 2016 to 2018) based on the Net Asset Value as at 30 June 2015 on the assumption that the Group will achieve an annual growth of 5% in Net Asset Value; and (iii) the historical records of the aggregate remuneration (Management Fee and Discretionary Bonus) paid to GC Capital under the Existing IM Agreement as set out above.

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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 2018 based on the assumption that the Group will achieve an annual growth of 5% in its audited consolidated Net Asset Value consecutively for each of the three years ending 31 December 2016, 2017 and 2018. As mentioned in the section headed “the 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) the Net Asset Value of the Group as at 31 December 2015; and (ii) the Adjusted NAV for the most recent Financial Year after the year ended 31 December 2015 for which GC Capital is paid a Discretionary Bonus, and in any event the amount of such Discretionary Bonus shall not exceed 5% of such excess.

Taking the unaudited Net Asset Value of the Group for the six months period ended 30 June 2015 of approximately HK\$484,168,000 as reference, the 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 IM Agreement are decided to be paid, for the three years ending 31 December 2018 are as follows:

HK\$	1 January 2016 to 31 December 2016	1 January 2017 to 31 December 2017	1 January 2018 to 31 December 2018
Net Asset Value (assuming 5% growth from prior year)	484,168,000 × (1+5%) = 508,376,400	508,376,400 × (1+5%) = 533,795,220	533,795,220 × (1+5%) = 560,484,981
Maximum amount of Discretionary Bonus (5% of excess over the Net Asset Value as at 30 June 2015/Net Asset Value of prior year for which Discretionary Bonus is paid)	(508,376,400 – 484,168,000) × 5% = 1,210,420 (round up to 1,220,000)	(533,795,220 – 508,376,400) × 5% = 1,270,941 (round up to 1,280,000)	(560,484,981 – 533,795,220) × 5% = 1,334,488 (round up to 1,340,000)

As noted from the Board Letter, the assumption of an annual growth rate of 5% is determined after taking into account of: (i) the anticipation of the sluggish but positive growth of about 7% in the PRC gross domestic product; and (ii) the Company’s current strategy to focus on investment in the PRC market for the coming years.

Based on our discussion with the management of the Company, we were given to understand that the assumption of 5% annual growth in the Net Asset Value used for the calculating the proposed Annual Caps has taken into account the prospect of the PRC economy. We were given to understand that, due to the financial meltdown in 2008 and 2009, the subsequent European debt crisis and the sluggish recovery of the global economy, the Group reduced activities in both securities trading and unlisted investments in 2012 to mitigate the impact of such economic instability, which has contributed to the decrease in Net Asset Value for the 3 years ended 31 December 2012. It is further advised by the Company that, despite the Group expects the economic growth in PRC will slow down, the Group remains 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 2014.

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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 2014	Percentage of market value to Net Asset Value as at 31 December 2014
Listed equity securities			<i>Approximate HK\$ million</i>	<i>Approximate %</i>
PYI Corporation Limited (Stock code: 498)	Development of ports facilities and ports related properties, operation of ports, LPG and logistics businesses, development, sale and leasing of real estate properties and formed land, provision of credit services and securities trading.	Hong Kong and the PRC	25.86	9.44
China Development Bank International Investment Limited (Stock code: 1062)	Holding of securities and equity investments as a single business.	Hong Kong and the PRC	11.19	4.08
Rosedale Hotel Holdings Limited (Stock code: 1189)	Hotel operation and trading of securities.	Hong Kong and the PRC	15.39	5.62
ITC Properties Group Limited (Stock code: 199)	Property development and investment in Macau, the PRC and Hong Kong, development and operation of golf resort and hotel in the PRC, securities investments and the provision of loan financing services.	Hong Kong, Macau and the PRC	18.41	6.72
ITC Corporation Limited (Stock code: 372)	Provision of loan financing services; investment in convertible notes, investment in other financial assets and trading of securities; leasing of investment property, leasing of motor vehicles and management services.	Hong Kong and the PRC	7.24	2.64
SMI Culture Group Holdings Limited (Stock code: 2366)	Provision of cross-media services including investment in the production and distribution of films and television programmes and related services.	Hong Kong and the PRC	1.97	0.72

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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 2014	Percentage of market value to Net Asset Value as at 31 December 2014
Listed equity securities			<i>Approximate HK\$ million</i>	<i>Approximate %</i>
HSBC Holdings Plc (Stock code: 5)	Provision of a comprehensive range of banking and related financial services through an int'l network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa.	Global	1.01	0.37
<i>Subtotal</i>			<i>81.07</i>	<i>29.59</i>
Unlisted equity securities				
Rakarta Limited	Investments in securities and other investments/Hong Kong and the PRC	Hong Kong and the PRC	54.05	19.73
Yantai Juli Fine Chemical Co., Ltd	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry/the PRC	The PRC	7.36	2.69
<i>Subtotal</i>			<i>61.41</i>	<i>22.42</i>
Loan note receivable				
ITC Properties Group Limited	N/A	N/A	52.75	19.25
<i>Subtotal</i>			<i>52.75</i>	<i>19.25</i>

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 2014 amounted to approximately HK\$80.06 million, representing approximately 98.75% of the total market value of listed equity securities. We have studied the financial information and business operations of the Group's portfolio of listed equity securities from their respective annual reports and noted that among which, all of them have business operations in the PRC or held interests in companies that derive revenue from the PRC. In particular, we noted that (i) PYI Corporation Limited focuses on ports and infrastructure development and investment, and the operation of ports and logistics facilities, in the Yangtze River region of China, that are in our view highly correlated with the domestic economy and both the export and import condition, which strongly supported by the "Yangtze River Economic Belt", "One Belt, One Road" and "21st Century Maritime Silk Road" strategies which are policies implemented by the PRC Government with the intention to integrate of the PRC region into a cohesive economic area through building infrastructure to broaden international trades; (ii) out of the top five investments of China Development Bank International Investment

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Limited as at 31 December 2014, four of them have business operations in the PRC; (iii) Rosedale Hotel Holdings Limited generates more than 30% of its revenue from the PRC hotel operations in Guangzhou, Shenyang and Luoyang, PRC, respectively; and (iv) the attributable gross floor area of the PRC properties held for development/sale/investment for ITC Properties Group Limited as at 31 March 2015 contributed approximately 45.09% of the total gross floor area of the properties held by ITC Properties Group Limited. 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.

From the research we have conducted on the PRC's economy, it is understood that the PRC has been undergoing a substantial economic growth in recent years. Based on the National Bureau of Statistics of China's (the "NBS") statistics, gross domestic product (the "GDP") surged to a record high of 63,613.87 billion yuan in 2014 from 48,412.35 billion yuan in 2011. The GDP growth rate had been stayed approximately 8% per year and based on the new target set by the PRC government in 2015, the GDP growth rate for the coming years are set as 7% per year.

In the first half of 2015, to cope with complicated and changing macro-economic situations inside and outside China, as well as the downward pressure on China's economy, the Central Government adopted comprehensive measures to stabilise economic growth in the first half of the year, with three interest rate cuts and the two reductions in the reserve requirement ratio. The State Council of the PRC released an article 《7%左右的經濟增長在全球仍名列前茅》 "About 7% economic growth is still among the best in the world" stated that GDP in the PRC for the third quarter in 2015 recorded 48,777.4 billion yuan, which is an increase of 6.9% comparing to the corresponding period in 2014. The overall trend of the PRC's economic development was in line within the plans and expectations from the PRC government. Comparing to other countries' growth rates in the first half of 2015, there were only 3% GDP growth rate in the United States and 1% GDP growth rate in Europe.

Also, as illustrated in the NBS, the per capita disposable income nationwide recorded approximately RMB20,167 in 2014, representing a growth rate of 10.14% as compared to the corresponding period in 2013 of approximately RMB18,310. As further noted from the NBS, the household consumption expenditure has been going up from RMB13,134 in 2011 to RMB17,705 in 2014 and from 2011 to 2014, the rate of expansion in the household consumption expenditure has been recorded approximately 10% year-on-year basis. In particular, the urban household consumption expenditure stood at RMB25,315 in 2014 as compared to RMB19,912 in 2011.

In addition, according to "a Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road" issued by the National Development and Reform Commission of the PRC (國家發展和改革委員會), which outlined that Chinese President Xi Jinping put forward two strategies in line with Eurasia economic integration: the Silk Road economic belt strategy and the 21st century maritime Silk Road economic belt strategy, abbreviated as "One Belt One Road". In 2014, the bilateral trade volume between China and the countries and regions along the route of "One Belt One Road" approached RMB7 trillion, growing at about 7% and representing a quarter of PRC's total import and export value in the same period.

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It is anticipated there will be an upsurge in the investment and construction of infrastructure, interconnection and interworking and therefore the “One Belt One Road” will give a boost to rapid improvement and development of the overall level of logistics in the PRC.

Despite the sluggish but positive growth of roughly 7% of the PRC economy whereas the proposed Annual Caps is based on the assumption of 5% annual growth in the Net Asset Value, we have also taken into consideration that (i) the historical amount of remuneration paid to GC Capital since the adoption of a fixed basis management fee has not exceeded the respective annual caps; (ii) under the IM Agreement, the amount of the Discretionary Bonus shall not in any event exceed 5% of the excess of the High Watermark such that the Discretionary Bonus shall be limited to an extent; and (iii) the fact that the Company has only paid the Discretionary Bonus to GC Capital during the Financial Year 2011 and since then the Company has not given any Discretionary Bonus, therefore we are of the view that the proposed Annual Caps are fair and reasonable. Furthermore, it is further advised by the Company that in the event that the aggregate fees payable by the Group under the IM Agreement exceeds the Annual Caps, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules as and when necessary.

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 5% consecutively in the Net Asset Value; (ii) the assumption of 5% 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; (iii) the historical amount of remuneration paid to GC Capital; (iv) the Discretionary Bonus shall not in any event exceed 5% of the excess of the High Watermark; and (v) the minimal occurrence of paying Discretionary Bonus to the Investment Manager by the Company, we are of the view that the setting of the Annual Caps, after making reference to the aforesaid factors, is fair and reasonable.

IV. Conditions of the Annual Caps

There are review mechanisms of the Annual Caps under the 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 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 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 IM Agreement and safeguard the interests of the Independent Shareholders.

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V. Recommendations

Having considered the principal factors and reasons above, we are of the opinion that the entering into the 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, and that the terms of the 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 IM Agreement (including the Annual Caps).

Yours faithfully,
For and on behalf of
Veda Capital Limited

Hans Wong
Chairman

Julisa Fong
Managing Director

Notes:

Mr. Hans Wong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.

Ms. Julisa Fong is a responsible officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 19 years of experience in investment banking and corporate finance.

APPENDIX I

**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2014**

For the year ended 31 December 2012

(i) Top 10 investments as at 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
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 (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 2014**

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

Summary of historical performance of the Company's investment for the year ended 31 December 2012

(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

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2014**
For the year ended 31 December 2013
(i) Top 10 investments as at 31 December 2013

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 received during the year <i>HK\$ million</i>	Impairment losses 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	29.02	1.58	24.84	Infrastructure investment and the operation of bulk cargo ports and logistics facilities/the PRC	For the year ended 31 March 2014, the profit after tax was HK\$136 million. Net Asset Value was HK\$5,507 million. Dividend declared was HK\$0.01 per share. Share price as at 31 December 2013 was HK\$0.184 per share
China Development Bank International Investment Limited (Stock code: 1062)	0.90%	32.56	19.25	—	—	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 2013, the profit after tax was HK\$18 million. Net Asset Value was HK\$1,064 million. No dividend was declared. Share price as at 31 December 2013 was HK\$0.74 per share
Rosedale Hotel Holdings Limited (Stock code: 1189)	4.11%	15.55	16.47	—	5.69	Operation of hotel business/Hong Kong and the PRC	For the year ended 31 December 2013, the profit after tax was HK\$443 million. Net Asset Value was HK\$2,219 million. No dividend was declared. Share price as at 31 December 2013 was HK\$0.61 per share
ITC Properties Group Limited (Stock code: 199)	0.69%	14.37	14.18	1.00	—	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 2014, the profit after tax was HK\$386 million. Net Asset Value was HK\$3,737 million. Dividend declared was HK\$0.52 per share. Share price as at 31 December 2013 was HK\$2.98 per share

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2014**

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 losses since acquisition	Principal activities/ places of operation	Performance of investee companies
		HK\$ million	HK\$ million	HK\$ million	HK\$ million		
ITC Corporation Limited (Stock code: 372)	0.86%	5.19	5.59	0.55	1.18	Investments in securities, properties and other investments/Hong Kong and the PRC	For the year ended 31 March 2014, the profit after tax was HK\$110 million. Net Asset Value was HK\$3,005 million. Dividend declared was HK\$0.07 per share. Share price as at 31 December 2013 was HK\$0.51 per share
SMI Culture Group Holdings Limited (Stock code: 2366)	1.02%	4.58	4.00	—	—	Provision of media services/the PRC	For the year ended 31 December 2013, the profit after tax was HK\$116 million. Net Asset Value was HK\$2,810 million. Dividend declared was HK\$0.0041 per share. Share price as at 31 December 2013 was HK\$0.204 per share
HSBC Holdings Plc (Stock code: 5)	0.00007%	1.32	1.15	0.06	—	Banking and financial services/global operation	For the year ended 31 December 2013, the profit after tax was US\$17,800 million. Net Asset Value was US\$190,459 million. Dividend declared was US\$0.41 per share. Share price as at 31 December 2013 was HK\$84.15 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	0.64	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	48.99	3.13	—	N/A	Investment was valued by an independent external valuer

Summary of historical performance of the Company's investment for the year ended 31 December 2013

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

Name of investment	Equity/Number of shares purchased	Cost HK\$'000
<i>Listed equity securities</i>		
SMI Culture Group Holdings Ltd.	5,710,000 shares	4,578
China Shenhua Energy Company Limited	40,000 shares	1,251
Tracker Fund of Hong Kong	40,000 shares	921

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

Name of investment	Realised gain HK\$'000
ITC Properties Group Limited — Loan Note	3,129
PYI Corporation Limited	1,577
ITC Properties Group Limited	999

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

Name of investment	Realised loss HK\$'000	Reason for realizing the loss
China Shenhua Energy Company Limited	134	Reduction of loss on investment
Tracker Fund of Hong Kong	93	Reduction of loss on investment
Shanghai Electric Group Company Limited	3	Reduction of loss on investment

(v) *No impairment loss for the year*

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2014**
For the year ended 31 December 2014
(i) Top 10 investments as at 31 December 2014

Name	Proportion of investee's capital owned	Cost HK\$ million	Market values of listed equity securities/ Director's valuations HK\$ million	Dividend/ interest received during the year HK\$ million	Impairment losses since acquisition HK\$ million	Principal activities/ places of operation	Performance of investee companies
Listed equity securities							
PYI Corporation Limited (Stock code: 498)	3.45%	50.70	25.86	1.58	24.84	Infrastructure investment and the operation of bulk cargo ports and logistics facilities/the PRC	For the year ended 31 March 2015, the profit after tax was HK\$128 million. Net Asset Value was HK\$5,553 million. Dividend declared was HK\$0.01 per share. Share price as at 31 December 2014 was HK\$0.164 per share
China Development Bank International Investment Limited (Stock code: 1062)	0.90%	32.56	11.19	—	—	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 2014, the profit after tax was HK\$49 million. Net Asset Value was HK\$1,113 million. No dividend was declared. Share price as at 31 December 2014 was HK\$0.43 per share
Rosedale Hotel Holdings Limited (Stock code: 1189)	4.11%	15.55	15.39	2.70	5.69	Operation of hotel business/Hong Kong and the PRC	For the year ended 31 December 2014, the profit after tax was HK\$373 million. Net Asset Value was HK\$2,490 million. Dividend declared was HK\$0.10 per share. Share price as at 31 December 2014 was HK\$0.57 per share
ITC Properties Group Limited (Stock code: 199)	0.59%	14.37	18.41	3.24	—	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 2015, the profit after tax was HK\$801 million. Net Asset Value was HK\$4,194 million. Dividend declared was HK\$0.42 per share. Share price as at 31 December 2014 was HK\$3.87 per share

APPENDIX I
**SUMMARY OF HISTORICAL PERFORMANCE OF
THE COMPANY'S INVESTMENT FOR EACH OF
THE THREE YEARS ENDED 31 DECEMBER 2014**

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 losses since acquisition	Principal activities/ places of operation	Performance of investee companies
		HK\$ million	HK\$ million	HK\$ million	HK\$ million		
ITC Corporation Limited (Stock code: 372)	0.76%	5.19	7.24	1.10	1.18	Investments in securities, properties and other investments/Hong Kong and the PRC	For the year ended 31 March 2015, the profit after tax was HK\$240 million. Net Asset Value was HK\$3,108 million. Dividend declared was HK\$0.08 per share. Share price as at 31 December 2014 was HK\$0.66 per share
SMI Culture Group Holdings Limited (Stock code: 2366)	1.02%	4.58	1.97	—	—	Provision of media services/the PRC	For the year ended 31 December 2014, the profit after tax was HK\$125 million. Net Asset Value was HK\$3,365 million. Dividend declared was HK\$0.0037 per share. Share price as at 31 December 2014 was HK\$0.28 per share
HSBC Holdings Plc (Stock code: 5)	0.00007%	1.32	1.01	0.05	—	Banking and financial services/global operation	For the year ended 31 December 2014, the profit after tax was US\$14,705 million. Net Asset Value was US\$199,978 million. Dividend declared was US\$0.36 per share. Share price as at 31 December 2014 was HK\$74 per share
Unlisted equity securities							
Rakarta Limited	14.70%	54.05	54.05	—	—	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	0.25	18.45	Production of hi-tech chemical products including toluene diisocyanate for manufacturing industry/the PRC	The investee incurred loss for the year
Loan note receivable							
ITC Properties Group Limited	—	43.12	52.75	3.19	—	N/A	Investment was valued by an independent external valuer

Summary of historical performance of the Company's investment for the year ended 31 December 2014

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

Name of investment	Equity/Number of shares purchased	Cost HK\$'000
<i>Listed equity securities</i>		
Poly Culture Group Corporation Limited	28,000 shares	806
Kunlun Energy Company Limited	60,000 shares	600
<i>Unlisted equity securities</i>		
Rakarta Limited	6.70%	1,000

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

Name of investment	Realised gain HK\$'000
ITC Properties Group Limited — Loan Note	3,191
ITC Properties Group Limited	3,235
PYI Corporation Limited	1,577

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

Name of investment	Realised loss HK\$'000	Reason for realizing the loss
China Life Insurance Company Limited	91	Reduction of loss on investment
China Shenhua Energy Company Limited	86	Reduction of loss on investment
Industrial and Commercial Bank of China Limited	67	Reduction of loss on investment

(v) *Only 1 impairment loss for the year*

Name of investment	Realised loss HK\$'000	Reason for realizing the loss
East Best Holdings Limited	5,941	Carrying amount was higher than estimated future cash flow

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	0.77%
Lau Tom Ko Yuen	Interest of spouse and interest of controlled corporation	266,890,840 (Note)	22.03%

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 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	22.03%
Sun Matrix Limited	Interest of controlled corporation	266,890,840 (Notes 1&2)	22.03%
Lau Tom Ko Yuen	Interest of spouse and interest of controlled corporation	266,890,840 (Notes 1&2)	22.03%
Lan Yi	Interest of spouse and interests of controlled corporation	266,890,840 (Notes 1&2)	22.03%
Glory Avenue Limited	Interest of controlled corporation	266,890,840 (Notes 1&3)	22.03%
Silvery Fortune Holdings Limited	Interest of controlled corporation	266,890,840 (Notes 1&3)	22.03%
Liu Min	Interest of controlled corporation	266,890,840 (Notes 1&3)	22.03%

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 is 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 is wholly controlled by Silvery Fortune Holdings Limited which is 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, 2014, 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 at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014 (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
Veda Capital	a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Veda Capital:

- (a) did not have any direct or indirect interests in any assets which have been, since 31 December 2014 (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.

Veda Capital 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 Mr. Yau Wing Yiu.
- (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 from 9:00 a.m. to 5:00 p.m. 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 from the date of this Circular up to and including the date of the SGM:

- (a) the IM Agreement;
- (b) the memorandum of association and Bye-laws 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 the Independent Financial Adviser, the text of which is set out in this circular;
- (e) the written consent of the Independent Financial Adviser referred to in the section headed “Expert’s disclosure of interest and consent” in this Appendix; and
- (f) this circular.



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 11:00 a.m. on 31 December 2015 at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the IM Agreement as defined in the circular of the Company dated 14 December 2015 (the “**Circular**”) (a copy of each of the IM Agreement and the Circular having been produced at the meeting and marked “A” and “B” respectively and each initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the proposed Annual Caps, as described in the Circular, for the remuneration payable under the IM Agreement be and are hereby approved; and
- (c) the board of directors of the Company be and is hereby authorised to execute all such documents and agreements and do such acts or things as it may in its discretion consider to be necessary, desirable or expedient to implement and/or give effect to the terms of the IM Agreement.”

By Order of the Board

PROSPERITY INVESTMENT HOLDINGS LIMITED

Cheng Hairong

Chairman and Executive Director

Hong Kong, 14 December 2015

Notes:

1. Any shareholder entitled to attend and vote at the special general meeting shall be entitled to appoint another person as his/

NOTICE OF SGM

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Share Registrar in Hong Kong, Tricor Secretaries Ltd. at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the special general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy will not preclude a shareholder from attending and voting in person at the special general meeting and in such event, the instrument in which a proxy is appointed shall be deemed to be revoked and void.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders are present at the special general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be counted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the special general meeting is attached herewith.
6. Any voting at the special general meeting shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
8. In the event of inconsistency, the English text of this notice and the attached form of proxy shall prevail over the Chinese text.