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**If you have sold or transferred your Ordinary Shares in the Company, you should send this document along with the Form of Proxy at once to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

However, the foregoing must not be distributed, forwarded or transmitted in or into any Restricted Jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document constitutes an admission document in accordance with the AIM Rules for Companies. This document is not an approved prospectus for the purposes of Sections 85 and 87 of FSMA and as such has not been approved by the Financial Conduct Authority as a prospectus. This document does not constitute a financial promotion and has not been approved for issue as such in the United Kingdom for the purposes of Section 21 of FSMA.

The Company and the Directors, whose names appear on page 4, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.**

**Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.**

**The London Stock Exchange has not itself examined or approved the contents of this document.**

**Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Enlarged Issued Share Capital to be admitted to trading on any other recognised trading exchange. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 19 February 2014.**

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# China Private Equity Investment Holdings Limited

*(Incorporated in the British Virgin Islands with registration number 1459602)*

**Proposed acquisition of certain investments from Elysis Solutions Limited**

**Fundraising to raise US\$5.016 million (approximately £3.02 million)**

**Proposed change of name to Adamas Finance Asia Limited**

**Admission to trading on AIM**

**Notice of General Meeting**

**Nominated Adviser**

**WH Ireland Limited**

**Broker**

**Laurel Capital Kingsway LLP**

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WH Ireland Limited (“WH Ireland”), which is authorised and regulated by the Financial Conduct Authority of the United Kingdom, is acting as nominated adviser to China Private Equity Investment Holdings Limited for the purposes of the AIM Rules for Companies and will not be acting for any other person or otherwise be responsible to any person for providing the protection afforded to clients of WH Ireland or for advising any other person in respect of the arrangements set out in this document. WH Ireland’s responsibilities as nominated adviser under the AIM Rules for Nominated Advisers are owed to London Stock Exchange Plc and are not owed to the Company or to any Director or to any person in respect of his decision to acquire or dispose of Ordinary Shares in the Company in reliance on this document (without limiting the statutory rights of any person to whom this document is issued). No representation or warranty, expressed or implied, is made by WH Ireland as to any of the contents of this document and accordingly, no liability is accepted by WH Ireland for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.

Laurel Capital Kingsway LLP (“Laurel Capital”), which is authorised and regulated by the Financial Conduct Authority of the United Kingdom, is acting as broker to China Private Equity Investment Holdings Limited for the purposes of the AIM Rules for Companies and will not be acting for any other person or otherwise be responsible to any person for providing the protection afforded to clients of Laurel Capital or for advising any other person in respect of the arrangements set out in this document. No representation or warranty, expressed or implied, is made by Laurel Capital as to any of the contents of this document and accordingly, no liability is accepted by Laurel Capital for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible.

**The whole of this document should be read. Your attention is drawn, in particular, to Part I “Letter from the Chairman” and Part II “Risk Factors” for a more complete but not exhaustive discussion of the factors that could affect the Enlarged Group’s future performance and the industry in which it will operate.**

A notice convening a General Meeting of China Private Equity Investment Holdings Limited to be held at 1801-03,18F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong on 18 February 2014 commencing at 8.00 a.m. GMT/4.00 p.m. HKT is set out at the end of this document. The Form of Proxy for use in connection with the General Meeting is enclosed with this document and should be returned as soon as possible and, in any event, so as to be received at the offices of the Company's registrars, Computershare Investor Services PLC, by no later than 8.00 a.m. GMT/4.00 p.m. HKT on 16 February 2014. The form of proxy can be delivered by post or by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom as soon as possible but in any event not later than 8.00 a.m. GMT/4.00 p.m. HKT on 16 February 2014, being 48 hours (excluding weekends and public holidays) before the time appointed for the holding of the General Meeting. The completion and depositing of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the General Meeting.

If you are a holder of Depositary Interests, a form of instruction is enclosed. To be valid, the form of instruction should be completed, signed and returned in accordance with the instructions printed thereon to the Company's depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event should arrive not later than 8.00 a.m. GMT/4.00 p.m. HKT on 15 February 2014.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document or any subscriptions made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

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## DIRECTORS AND ADVISERS

### Directors and Registered Office

John Croft (*Executive Chairman until Admission, then Non-Executive Chairman*)  
Conor MacNamara (*Non-Executive Director*)  
Ernest Wong (*Executive Director until Admission, then Non-Executive Director*)

**All of whose business address is at the Company's registered office:**

Romasco Place, Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands VG1110

### Company Secretary

Codan Trust Company (BVI) Ltd.  
Romasco Place, Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands VG1110

### Company website

www.cpe-invest.com (up to Admission)  
www.adamasfinance.com (from Admission)

### Investment Manager (with effect from Admission)

Adamas Global Alternative Investment Management Inc.  
Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

### Nominated Adviser

WH Ireland Limited  
24 Martin Lane  
London  
EC4R 0DR

### Broker

Laurel Capital Kingsway LLP  
9 Gray's Inn Square  
London  
WC1R 5JD

### Legal adviser to the Company as to English law

Pinsent Masons LLP  
30 Crown Place  
Earl Street  
London  
EC2A 4ES

### Legal Adviser to the Company as to BVI law

Conyers Dill & Pearman  
Romasco Place, Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands VG1110

|   |   |
|---|---|
| <b>Legal Adviser to the Company as to Hong Kong law</b> | Pinsent Masons<br>50th Floor<br>Central Plaza<br>18 Harbour Road<br>Hong Kong   |
| <b>Legal Adviser to the Company as to PRC law</b>       | Beijing DHH Law Firm<br>16/F, CBD International Mansion<br>No. 16 Yong'an Dong Li, Chaoyang District<br>Beijing, 100022<br>People's Republic of China |
| <b>Legal Adviser to the Nominated Adviser</b>           | Squire Sanders (UK) LLP<br>7 Devonshire Square<br>London<br>EC2M 4YH  |
| <b>Auditors and Reporting Accountants</b>               | Crowe Clark Whitehill LLP<br>St Bride's House<br>10 Salisbury Square<br>London<br>EC4Y 8EH  |
| <b>Valuation Adviser</b>                                | Roma Appraisals Limited<br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands                               |
| <b>Financial Public Relations Consultant</b>            | Tavistock Communications<br>131 Finsbury Pavement<br>London EC2A 1NT  |
| <b>Registrars</b>                                       | Computershare Investor Services (BVI) Limited<br>Woodbourne Hall<br>PO Box 3162<br>Road Town<br>Tortola<br>British Virgin Islands                     |
| <b>Depository Interest Registrars</b>                   | Computer Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol<br>BS99 6ZY   |

## ADMISSION STATISTICS

|   |                     |
|---|---------------------|
| Number of Existing Ordinary Shares  | 126,284,645         |
| Number of Bonus Shares  | up to 42,094,881    |
| Number of Consideration Shares  | 1,445,416,667       |
| Number of Subscription Shares   | 83,600,000          |
| Number of Ordinary Shares in issue on Admission   | up to 1,697,396,193 |
| Consideration Shares as a percentage of the Enlarged Issued Share Capital   | 85.2 per cent.      |
| Number of Shareholder Warrants  | up to 63,142,322    |
| Number of Consideration Warrants  | 722,708,333         |
| Number of outstanding Warrants and Options on Admission (including the Shareholder Warrants and the Consideration Warrants) | up to 788,100,655   |
| Gross Proceeds of the Fundraising   | US\$5.02 million    |
| Issue Price   | US\$0.06            |
| Market capitalisation of the Company at the Issue Price on Admission  | US\$101.8 million   |
| ISIN on Admission   | VGG008271089        |
| AIM ticker from Admission   | ADAM                |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|  |  |
|--|--|
| Despatch and date of this document   | 30 January 2014                                    |
| Latest time and date for receipt of forms of instruction from holders of DIs for the General Meeting                           | 8.00 a.m. GMT/4.00 p.m. HKT<br>on 15 February 2014 |
| Latest time and date for receipt of the completed Forms of Proxy to be valid at the General Meeting                            | 8.00 a.m. GMT/4.00 p.m. HKT<br>on 16 February 2014 |
| General Meeting  | 8.00 a.m. GMT/4.00 p.m. HKT on 18 February 2014    |
| Record Date  | close of business on 18 February 2014              |
| Completion of the Acquisition, Fundraising, Admission and commencement of dealings on AIM in the Enlarged Issued Share Capital | 8.00 a.m. on 19 February 2014                      |

All references to times in this document are to UK time unless otherwise stated.

**Save for the date of publication of this document, each of the times and dates above is subject to change. Any such change, including any consequential change in the Admission statistics above, will be notified to Shareholders by an announcement on a Regulatory Information Service.**

## KEY INFORMATION

The following information is derived from and should be read in conjunction with, the full text of this document. The Ordinary Shares are only suitable for investors who understand the risk of capital loss, for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. Investors should read the whole document and not rely solely on the information contained in this section.

### Introduction

On 31 December 2013, the Company announced that it had entered into a conditional agreement to acquire a portfolio of four investments from Elypsis, a wholly owned subsidiary of APCF. The consideration for the Acquisition will be satisfied through the issue of the Consideration Shares (representing approximately 85.2 per cent. of the Enlarged Issued Share Capital) and the Consideration Warrants.

On Admission, Shareholders will be allotted Bonus Shares on the basis of one new Ordinary Share for every three Ordinary Shares held on the Record Date. Shareholders will also receive the Shareholder Warrants.

The Company has entered into subscription agreements with certain investors, conditional on Admission, for the issue of 83,600,000 new Ordinary Shares at a price of US\$0.06 per share, raising an aggregate of US\$5.02 million (approximately £3.02 million).

In addition, the Company has entered into the Services Agreement under which, conditional on Admission, Adamas Global Alternative Investment Management Inc. will provide investment management services in respect of all of the assets of the Enlarged Group.

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies and is therefore conditional, *inter alia*, upon the approval of Shareholders. Such approval is being sought at the General Meeting which will be held at 8.00 a.m. GMT/4.00 p.m. HKT on 18 February 2014. Notice of the General Meeting is set out at the end of this document. Also, at the General Meeting, a resolution will be proposed to change the name of the Company to Adamas Finance Asia Limited.

### Investing Policy

Following Admission, the Investing Policy of the Company will be as follows:

- The transactions will be structured as senior debt, bridge loans, mezzanine finance and other types of structured private financing.
- Target companies will be SMEs in Asia with a focus on Greater China.
- The Company is generally sector agnostic, but will focus on agriculture, clean energy, consumer, food and beverage, healthcare, new materials, real estate and resources.
- The average maturity of the transactions will range from 24 to 36 months.
- Each new asset will have a targeted internal rate of return of 20 per cent. per annum.
- The investments in each new asset will not represent more than 20 per cent. of the Company's net asset value immediately following the transaction.
- The Company has an indefinite life and is targeting both capital and income returns over time for its Shareholders.
- Assets will be managed actively, including through appropriate investor protections which will be negotiated on each transaction.
- The Company will not use debt to finance individual investments, but may take on debt at the Company level with no specific limit.

- The Company is designed for investors seeking access to yield-producing investment opportunities in Asia.

The objective of the Investing Policy will be to develop the Company into a diversified non-bank financial institution providing credit and structured financing in Asia. The Board believes that the Company will benefit from the arbitrage present in the system whereby SMEs are finding it difficult to access credit from traditional bank channels. The Board wishes to support the entrepreneurs of these underserved SMEs and participate in their expansion. Through the above commitment, the Board intends to assist in the creation of jobs, enhance corporate governance and serve as a financing bridge between the high growth markets in Greater China to the rest of the world.

### **Reasons for the Proposals**

The Board (excluding Conor MacNamara, who is a member of the senior executive team of Adamas) believes that the Proposals are in the best interests of Shareholders for the following reasons:

- the New Assets will provide the Company with exposure to a diverse asset base with strong potential equity upside and limited downside risk;
- the Acquisition will result in the gross assets of the Enlarged Group increasing to in excess of US\$100 million based on the latest reported valuations;
- entering into the Services Agreement with Adamas GAIM will provide the Company with access to consistent deal flow, managed with a rigorous pre and post financing methodology; and
- greater scale should increase liquidity in the Ordinary Shares and improve the Company's attractiveness to institutional investors.



**PART I**  
**LETTER FROM THE CHAIRMAN**  
**China Private Equity Investment Holdings Limited**  
*(Incorporated in the British Virgin Islands with registration number 1459602)*

*Directors:*

John Croft (*Executive Chairman*)  
Ernest Wong (*Executive Director*)  
Conor MacNamara (*Non-Executive Director*)

*Registered Office:*

Romasco Place  
Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands VG1110

30 January 2014

To all holders of Ordinary Shares and, for information purposes only, to holders of Options

Dear Shareholder

**Proposed acquisition of certain investments from Elypsis Solutions Limited**  
**Fundraising to raise US\$5.016 million (approximately £3.02 million)**  
**Proposed change of name to Adamas Finance Asia Limited**  
**Admission to AIM**  
**and**  
**Notice of General Meeting**

**Introduction**

On 31 December 2013, the Company announced that it had entered into a conditional agreement to acquire a portfolio of four private equity investments from Elypsis, a wholly owned subsidiary of APCF. The consideration for the Acquisition will be satisfied through the issue of the Consideration Shares (representing approximately 85.2 per cent. of the Enlarged Issued Share Capital) and the Consideration Warrants. Further details of the Acquisition are set out below under the heading “Principal Terms of the Acquisition” in this Part I and in paragraph 8.11 of Part VI of this document.

On Admission, Shareholders will be allotted Bonus Shares on the basis of one new Ordinary Share for every three Ordinary Shares held on the Record Date. Shareholders will also receive warrants to subscribe for new Ordinary Shares with an exercise price of US\$0.06 per share and which are capable of exercise at any time within 12 months of Admission on the basis of one Shareholder Warrant for every two Ordinary Shares held at the Record Date.

The Company has entered into subscription agreements with certain investors, conditional on Admission, for the issue of 83,600,000 new Ordinary Shares at a price of US\$0.06 per share, raising gross aggregate proceeds of US\$5.02 million (approximately £3.02 million).

In addition, the Company has entered into the Services Agreement under which, conditional on Admission, Adamas Global Alternative Investment Management Inc. will provide investment management services in respect of all of the assets of the Enlarged Group.

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies and is therefore conditional, *inter alia*, upon the approval of Shareholders. Such approval is being sought at the General Meeting which will be held at 1801-03,18F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong at 8.00 a.m. GMT/4.00 p.m. HKT on 18 February 2014. Notice of the General Meeting is set out at the end of

this document. Also, at the General Meeting, a resolution will be proposed to change the name of the Company to Adamas Finance Asia Limited.

If the Resolutions are passed at the General Meeting, and the other conditions set out in the Acquisition Agreement are satisfied or waived, completion of the Acquisition will occur on Admission, which is expected to occur on 19 February 2014.

The purpose of this document is to (i) provide you with the background to, reasons for and details of the Acquisition (ii) explain why the Directors consider the Proposals to be in the best interests of the Company and its Shareholders as a whole, and (iii) seek Shareholder approval for the Resolutions.

This document also contains the Independent Directors' recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting. Shareholders should note that the Resolutions are inter-conditional upon one another and consequently, if any of Resolutions 1 to 7 is not passed, the Acquisition, Fundraising and Admission will not occur. The Directors and certain Shareholders have irrevocably undertaken to vote in favour of the Resolutions in respect of their beneficial holdings, which amount in aggregate to 36,727,926 Existing Ordinary Shares, representing 29.1 per cent. of all Existing Ordinary Shares.

You should read the whole of this document and your attention in particular is drawn to the risk factors set out in Part II of this document.

## **Background**

The Company was admitted to AIM in October 2009 in conjunction with a fundraising of US\$5 million. At that time CPE's principal asset was a 37 per cent. holding in Fortel, a content distribution and licensing business in mainland China.

In November 2010 CPE made its first investment since its admission to AIM in China iEducation, a digital content services provider to the schools in mainland China. An investment of US\$2 million resulted in a 40 per cent. holding in the company.

In March 2011 the Company issued 10 million new Ordinary Shares in return for a US\$6 million investment in Enfinium, an online financial services business headquartered in Hong Kong.

In April 2011 the Company generated US\$3.8 million in cash through Fortel repurchasing part of CPE's holding. Fortel financed the purchase through the issue of convertible loan notes to Amazing Quality Investments Limited, a wholly owned subsidiary of APCF. As at 27 January 2014, the balance due from Fortel to Amazing Quality Investments Limited was US\$1.18 million which is payable by 31 March 2014.

In October 2012 the Company exchanged its holding in Enfinium for a 2.45 per cent. holding in Enfinium's parent company AIP Global, which was subsequently sold in November 2013 for a consideration of US\$1.5 million.

In November 2012 the Company announced that it had entered into a memorandum of understanding relating to the formation of a strategic partnership with Adamas (then called Gen2 Capital Partners Limited).

Under the partnership, Adamas acts as a strategic consultant to the Company. In addition, the Board identified a number of assets controlled by Adamas that they considered would be attractive additions to the Company and the memorandum of understanding recognised an injection of assets from Adamas into the Company as one of the objectives of the partnership and that Adamas may become a significant Shareholder in due course.

The relationship between the Company and Adamas strengthened in July 2013 when each party announced a programme to co-invest a total of up to US\$20 million over a seven year period in opportunities in predominantly income-generating assets located in Greater China.

In 2013 the Company made two investments in companies quoted on the Malaysian Stock Exchange. The first was in February 2013 when the Company invested US\$1.5 million for a 5.2 per cent. stake in Patimas, a data services management group based in Kuala Lumpur. This was followed in May 2013 with an investment of US\$1.1 million in Asia Bioenergy, representing a 13.1 per cent. holding in the company.

In August 2013 CPEH invested US\$1 million in the newly launched Greater China Credit Fund managed by Adamas GAIM.

The Company and Adamas entered into a non-binding heads of agreement on 27 September 2013 which set out the principal terms and conditions of the proposed transaction and pursuant to which the interests held by Elypsis in the Target Companies would be acquired. The Company and Adamas continued discussions and negotiations on the proposed transaction and the Company carried out legal due diligence.

The Company and Adamas then entered into a legally binding letter of intent on 31 December 2013, pursuant to which the Company agreed to acquire Adamas' interests in the Target Companies conditional on obtaining Shareholder approval at a duly convened general meeting of the Company. As the Acquisition constitutes a reverse takeover under the AIM Rules for Companies, trading in the Ordinary Shares was suspended on the announcement of the entering into of the legally binding letter of intent.

The Board (excluding Conor MacNamara, who is a member of the senior executive team of Adamas) strongly believes that the Proposals are in the best interests of Shareholders for the following reasons:

- the New Assets will provide the Company with exposure to a diverse asset base with strong potential equity upside and limited downside risk;
- the Acquisition will result in the gross assets of the Enlarged Group increasing to in excess of US\$100 million based on latest reported valuations;
- entering into the Services Agreement with Adamas GAIM will provide the Company with access to consistent deal flow, managed with a rigorous pre and post financing methodology; and
- greater scale should increase liquidity in the Ordinary Shares and improve the Company's attractiveness to institutional investors.

### **Principal Terms of the Acquisition**

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of each of Lead Winner, Dynamite Win and Swift Wealth Investments, together with 75 per cent. of the issued share capital of Blazer Delight from Elypsis with the consideration to be satisfied by the issue of 1,445,416,667 Consideration Shares, representing approximately 85 per cent. of the Enlarged Share Capital, and 722,708,333 Consideration Warrants. The Acquisition Agreement contains warranties in relation to the Target Companies and the investment in each of them. The Acquisition is conditional upon, *inter alia*:

- the approval by the Shareholders of the Resolutions proposed at the General Meeting convened for 18 February 2014; and
- Admission having occurred not later than 5.00 p.m. on 28 February 2014 (or such later time and/or date as the Company and Elypsis may determine).

Further details of the Acquisition Agreement are set out in paragraph 8.11 of Part VI of this document.

### **Bonus Issue and Warrants**

On Admission, the Company will allot, for nil consideration, Bonus Shares to Shareholders on the basis of one new Ordinary Share for every three Ordinary Shares held on the Record Date. Entitlements to Bonus Shares will be rounded down and fractional entitlements will be ignored.

The Company will also issue, conditional on Admission, warrants to subscribe for new Ordinary Shares with an exercise price of US\$0.06 per share:

- to existing Shareholders on the basis of one Shareholder Warrant for every two Ordinary Shares held by such Shareholder on the Record Date and which are capable of exercise at any time within 12 months of Admission. Entitlements to Shareholder Warrants will be rounded down and fractional entitlements will be ignored; and
- to Elypsis on the basis of one Consideration Warrant for every two Consideration Shares issued to it pursuant to the Acquisition and which are capable of exercise at any time between the date falling on the first anniversary of Admission and the date falling on the sixth anniversary of Admission.

## **Fundraising**

The Company has entered into the Subscription Agreements which, conditional only on Admission, will result in the issue of 83,600,000 new Ordinary Shares at a price of US\$0.06 per share, raising approximately US\$5.02 million (approximately £3.02 million). Under the Subscription Agreements, the consideration will be held in escrow pending Admission.

## **Information about Adamas and Adamas GAIM**

### *Background on Adamas*

Adamas Asset Management (HK) Limited, which is wholly owned by Barry Lau and Paul Heffner, is a specialist financier in Greater China with firm-wide assets under management of approximately US\$400 million. The senior executive team at Adamas is Paul Heffner (Chief Executive Officer), Barry Lau (Chief Investment Officer), Conor MacNamara (Head of Business Development) and Alan Lau (Chief Financial Officer and Chief Operating Officer). The firm holds a Type 9 licence issued by the Securities and Futures Commission of Hong Kong. The firm is headquartered in Hong Kong, with a further office in Shanghai and employs 21 investment professionals.

Adamas launched its first fund, Asia Private Credit Fund Limited in March 2010 and its second fund, Greater China Credit Fund LP at the end of August 2013.

### *Track Record*

Adamas is focused on the provision of collateralised lending and APCF was awarded Best Asia Mezzanine Platform 2013 by Acquisition Magazine International. Adamas has recently been nominated as “Best Asia Lender 2013” by Private Debt Investor magazine. Adamas’ team of professionals is experienced in credit and asset management with strong sourcing capabilities. The team’s investment focus to date has been in the energy, mining and natural resources, healthcare and real estate sectors.

### *Adamas’ Strategy*

Adamas typically utilises instruments such as convertible instruments, structured equity and/or preferred equity.

Adamas’ primary focus is on downside risk management which it achieves by using structures which provide for redemption or other exit terms favourable to Adamas. Adamas seeks to add value, identify catalysts for positive change and instill industry standard principles of corporate governance where possible.

### *Adamas GAIM*

With effect from Admission, Adamas Global Alternative Investment Management Inc., an affiliated company of Adamas Asset Management (HK) Limited, will be the investment manager to the Company for the purposes of the AIM Rules for Companies.

Adamas GAIM is incorporated in the Cayman Islands. It was incorporated on 5 January 2005 under the Cayman Islands Companies Law, its registered office is as set out on page 4 of this document and with registered number 143604. Adamas GAIM is registered with the Cayman Islands Monetary Authority. Adamas GAIM manages both APCF and GCCF. On Admission, the Company will enter into the Services Agreement with Adamas GAIM under which Adamas GAIM will provide investment management services in respect of all of the assets of the Enlarged Group and will source and propose future financing opportunities.

## **The Opportunity**

### *Economic Overview of China*

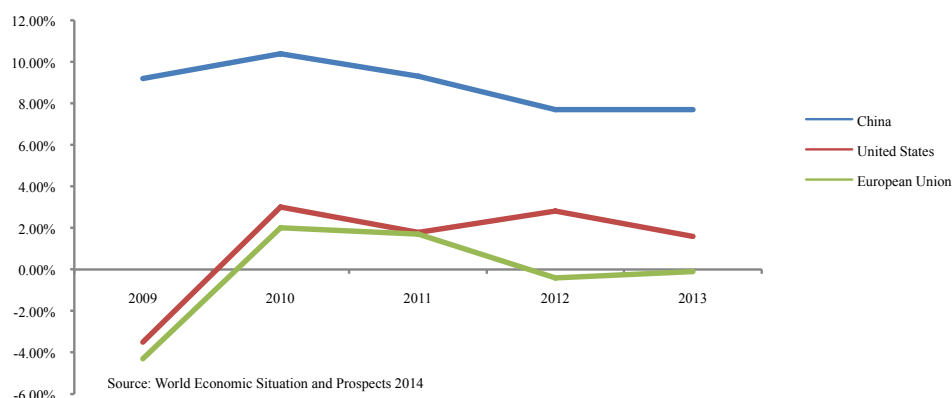
China has a dynamic, predominantly export driven, economy which is moving towards more of a domestic consumption model. In the past three decades, China has experienced exponential growth, shifting from a centrally planned economy to a market based economy. The Chinese economy surpassed Japan as the second

largest economy in the world behind the United States in 2010. China has a large investment economy which provides huge market potential, abundant labour resources, comparative advantage in labour cost, sound and steady government and society. Gross domestic product for the Chinese economy stood at US\$8.26 trillion in 2012. China's foreign reserves amount to US\$3.31 trillion (equivalent to 44 per cent. of GDP), the largest in the world.

### *Economic Outlook for China*

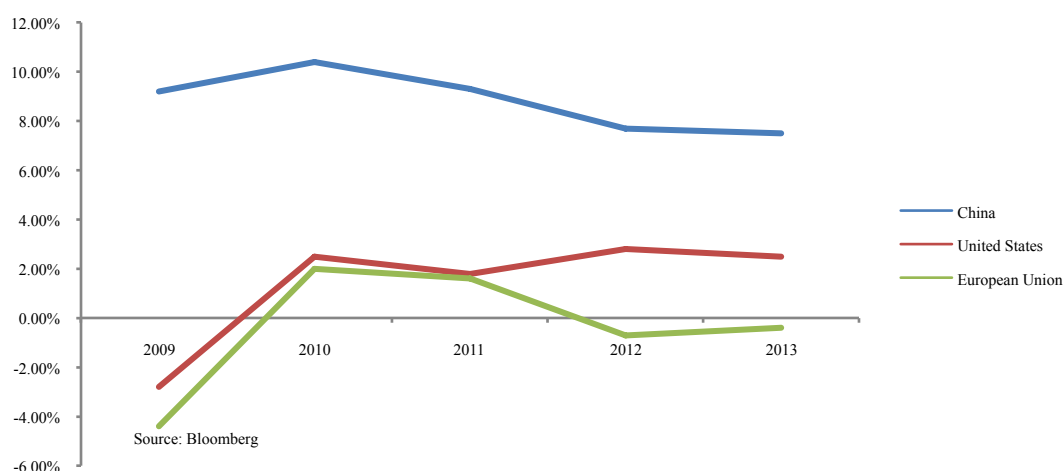
China has achieved a period of rapid growth and is the largest contributor to the world's total output.

**Growth of World Output, Annual Percentage Change, 2009-2013**



Despite the recent economic slowdown, the growth rate in China is still considerably higher than those in other developed and mature markets such as the European Union and the United States. The reasons that China's growth has slowed down are primarily policy tightening affecting the property market and infrastructure investment. The Chinese government is likely to fine-tune its policy tightening and the pace of reform. Consensus estimate forecasts for China's GDP growth in 2013 and 2014 are 7.70 per cent. and 7.50 per cent. respectively. This suggests that although there will be policy tightening to tackle rising CPI (Consumer Price Index) inflation and housing prices, and reducing the financial risks that stem from rapid credit expansion, the consensus view is based largely on the expectation that policy is likely to be more supportive of growth.

**Historic and Projected GDP Growth Rate, 2009-2013**



## **Investing Policy**

Following Admission, the Investing Policy of the Company will be as follows:

- The transactions will be structured as senior debt, bridge loans, mezzanine finance and other types of structured private financing.
- Target companies will be SMEs in Asia with a focus on Greater China.
- The Company is generally sector agnostic, but will focus on agriculture, clean energy, consumer, food and beverage, healthcare, new materials, real estate and resources.
- The average maturity of the transactions will range from 24 to 36 months.
- Each new asset will have a targeted internal rate of return of 20 per cent. per annum.
- The investment in each new asset will not represent more than 20 per cent. of the Company's net asset value immediately following the transaction.
- The Company has an indefinite life and is targeting both capital and income returns over time for its Shareholders.
- Assets will be managed actively, including through appropriate investor protections which will be negotiated on each transaction.
- The Company will not use debt to finance individual investments, but may take on debt at the Company-level with no specific limit.
- The Company is designed for investors seeking exposure to yield-producing investment opportunities in Asia.

The objective of the Investing Policy will be to develop the Company into a diversified non-bank financial institution providing credit and structured finance lending in Asia. The Board believes that the Company will benefit from the arbitrage present in the system whereby SMEs are finding it difficult to access credit from traditional bank channels. The Board wishes to support the entrepreneurs of these underserved SMEs and participate in their expansion. Through the above commitment, the Board intends to assist in the creation of jobs, enhance corporate governance and serve as a financing bridge between the high growth markets in Greater China and the rest of the world.

The Board believes that the Company will be well positioned to gain access to these Greater China financing opportunities caused by the current substantial, unmet financing requirement for private enterprises, through the regional networks for deal origination to which both the current Company and Adamas have access.

The Investing Policy may only be varied materially by consent of the Shareholders in a general meeting.

## ***Types of Financing***

Financing will be provided through credit and/or asset backed structures. A range of instruments may be deployed to provide flexibility and protection against downside risk and transactions will typically be structured with an identified exit path.

The Board plans to manage and grow the Company by focusing on the provision of collateralised lending to enable annual distributions to Shareholders and to pay out special dividends in case of exceptionally strong earnings.

### ***Deal Sourcing***

The Board intends to expand the business by sourcing transactions from a variety of channels, including advisers, strategic relationships, professionals and other intermediaries in the Company's network. The Board intends to pursue financing opportunities where the Company possesses a deep knowledge of, or experience in, the sector, focusing on companies that demonstrate, or are expected to develop:

- a proven and experienced management team;
- leadership positioning in the field of business, sustainable advantages, or ability to create meaningful barriers to entry;
- strong market share or a new market;
- substantial EBITDA margin and free cash flow; and
- a clear path to a short term and measurable liquidity event.

### ***Research and Due Diligence***

The Board, in collaboration with Adamas GAIM, will adhere to a disciplined and consistent approach to the due diligence process relating to the potential investee companies, including some or all of the following as appropriate:

- review of historical filings, financial information and other related information;
- assessment of monthly, quarterly and annual financial projections;
- in-depth business and industry due diligence;
- meetings with management team, operational staff, suppliers and customers;
- attendance on an ad hoc basis to observe the day-to-day operations of the investee company;
- site visits;
- accounting and quality of earnings review;
- channel checks on the investee company, the industry and background checks on key management members; and
- legal analysis of material contracts and key documentation of the investee company.

### ***Monitoring***

The Board, in collaboration with Adamas GAIM, will:

- actively monitor the activities and financial condition of the investee company;
- typically seek a position on the board of the investee company and/or maintain close contact with the board of the investee company;
- hold regular meetings with the management team of the investee company; and
- assess performance and seek to develop and maintain an open dialogue with senior management as well as operational staff.

The Company will also seek to maintain approval or veto rights over certain matters of the investee company, including joint controls of accounts and approval of expenses beyond certain pre-set amounts.

The Board believes that proactive asset and risk management are critical to growing a sustainable and prosperous business. The Board and Adamas will regularly stress test each transaction to seek to minimise the risk to the Company.



## **Services Agreement**

The Company and Adamas GAIM entered into a Services Agreement on 29 January 2014 pursuant to which Adamas GAIM has been given sole responsibility for the management of the Company's assets in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors.

Adamas GAIM is entitled to receive from the Company, in respect of its services provided under the Services Agreement, a management fee which is calculated and paid bi-annually in advance calculated at an annual rate of one per cent. of the higher of the net asset value of the Company's portfolio of assets or market capitalisation, in each case, calculated on the relevant half year date (being either 30 June or 31 December). The Services Agreement is for an initial term of three years, thereafter being terminable upon twelve months' written notice. The Services Agreement is subject to earlier termination in specified circumstances.

Adamas GAIM will also calculate the net asset value of the Company. The net asset value of the Company will be calculated using Adamas GAIM's internal audit function on a quarterly basis. The net asset value will be verified by third party valuation consultants on an annual basis.

Any quoted or listed investments will be held through a third party custodian. Any investments into private companies will be held by the Company directly or through special purpose vehicles.

## **Existing Assets**

A summary of the Company's principal existing investments is set out below:

### ***Fortel***

Fortel, in which the Company owns a 33.6 per cent. equity interest, is a platform provider for online content distribution in China and has developed an integrated content distribution platform – Fortel Online Content Utility System ("FOCUS") – which provides a one-stop solution for both content providers and consumers to sell and purchase premium digital content in China. FOCUS provides the infrastructure for content providers to deliver their content to their customers by integrating content servers, payment collection and settlement interfaces, customer information databases, metering and billing services and network security services. It also provides integrated sales, information, operations support, and customer services portals. Content is distributed to consumers through the company's website [www.contentchina.com](http://www.contentchina.com).

In addition to distributing its corporate customers' content, Fortel's in-house development team has also created a number of online products which are available to users through a variety of subscription models.

Fortel is planning to apply for listing on the Hong Kong Stock Exchange during 2015.

As at 30 June 2013, the carrying value of the Company's investment in Fortel was US\$17.12 million.

### ***China iEducation***

China iEducation, in which the Company holds a 40 per cent. interest, develops and distributes digital education content to elementary and middle schools within a market that receives substantial annual funding from the Chinese government to upgrade education resources.

As at 30 June 2013, the carrying value of the Company's investment in China iEducation was US\$2.17 million.

### ***Asia Bioenergy***

Asia Bioenergy, in which the Company holds a 13.1 per cent. interest, is a holding company engaged in technology incubation, investing in both information technology as well as biotechnology businesses. The company is quoted on the main market of the Bursa Malaysia.

As at 29 January 2014 (based on the closing share price on that day), the Company's holding in Asia Bioenergy was valued at US\$1,575,000.



## ***GCCF***

In August 2013, the Company invested US\$1 million in the GCCF managed by Adamas GAIM. The investment was valued at US\$1.007 million as at 30 September 2013.

## **New Assets**

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the whole of the share capital of each of Lead Winner, Dynamite Win and Swift Wealth Investment, together with 75 per cent. of the share capital of Blazer Delight which hold indirect interests, respectively, in CJRE, HKMH, Meize Energy and Global Pharm.

The interests to be acquired by the Company pursuant to the Acquisition Agreement, together with their current valuation for the purposes of the Acquisition, are as follows:

| <i>Company</i> | <i>Effective Interest</i> | <i>Instrument type</i>                   | <i>Valuation *<br/>US\$ million</i> |
|----------------|---------------------------|--|-------------------------------------|
| CJRE           | 15%                       | Structured equity                        | 48,436,000                          |
| Global Pharm   | 4.29%                     | Redeemable convertible bond              | 22,354,500                          |
| HKMH           | 5.68%                     | Structured equity                        | 9,932,000                           |
| Meize Energy   | 7.9%                      | Redeemable convertible preference shares | 6,726,000                           |
| Total          |                           |  | 87,448,500                          |

\* Valuations by Roma Appraisals Limited as at 31 December 2013

## ***CJRE***

Lead Winner is a special purpose vehicle which owns an indirect interest in a substantial resort and residential development project; the Tian Tong Shan Villa Project in Zhangzhou City, Fujian Province, China. The project is focused on a hot spring resort with ancillary residential, commercial and recreational facilities. The project was the only resort that was granted the title of “Best Ecological Hot-spring Resort in Asia” by World Real Estate Academy, China Real Estate Enterprises League and World Executive Group on 28 September 2013.

CJRE has, as at the date of this document, been granted to it a total of 384 mu, and leased to it or its affiliates a total of 2,980 mu of land, together comprising approximately 67 per cent. of the total of 5,000 mu of land CJRE is seeking to have granted or leased to it for the entire Phase I development. Phase I of the development will comprise approximately 5,000 mu (approximately 824 acres) and Phase II approximately 6,000 mu (approximately 988 acres). Transport links are convenient: both Xiamen International Airport and Xiamen city centre are within approximately one hour’s drive by car. CJRE may choose to commence Phase II development after the completion of Phase I. The valuation of the project is based on Phase I development and sales only.

The villa development plan has been approved by the local government in relation to the C-01 plot and a number of the required permits have also been received. CJRE has reported to Adamas that the topping out of 57 villas in this first zone, totalling 83 mu, was completed in March 2013 and the pre-sale of these villas started in October 2013.

The Board expects the value of the land to appreciate with the economic development of the surrounding area, particularly as a result of China entering into economic cooperation with Taiwan, which the Board believes will bring increasing business flows into the Fujian region.

Under the terms of the Acquisition, the Company will acquire an equity interest of 15 per cent. in CJRE, together with a put option to sell one third of such equity holding to the second largest shareholder in CJRE at a pre-determined price representing a 25 per cent. premium on the original investment cost. The Company will seek to exit the investment in due course by supporting a trade sale of the business.

Due to the significant value of the holding as a proportion of the gross assets of the Group on Admission, further information on CJRE is set out in Parts VII and VIII of this document.

### ***Global Pharm***

Global Pharm is a pharmaceutical company headquartered in Shenzhen, China. The business operates through three units, namely Traditional Chinese Medicine (“TCM”) herb cultivation, TCM processing and distribution, and pharmaceutical distribution.

Summary audited results of Global Pharm for the three financial years ended 31 December 2012 are set out below:

| <b>RMB ‘000</b>   | <b>Year ended<br/>31 December 2010</b> | <b>Year ended<br/>31 December 2011</b> | <b>Year ended<br/>31 December 2012</b> |
|-------------------|--|--|--|
| Sales             | 950,070                                | 1,683,707                              | 1,844,287                              |
| Gross profit      | 178,785                                | 272,346                                | 247,211                                |
| Profit before tax | 107,755                                | 179,592                                | 132,536                                |
| Profit after tax  | 75,388                                 | 136,787                                | 101,200                                |

Global Pharm has appointed a tier-one investment bank as lead arranger for an IPO on the HKSE which is targeted to occur in the first half of 2014.

Under the terms of the Acquisition, the Company will acquire a redeemable convertible bond issued by Global Pharm. The primary exit strategy is through converting the bond into equity and selling in, or subsequent, to the proposed IPO.

In addition, this redeemable convertible bond includes an option at the discretion of the bondholder to require Global Pharm to redeem the bond at an IRR of 25 per cent. per annum at any time before maturity. In the event that the A-1 IPO document is filed with the HKSE, such redemption option would not be exercisable until after six months from the date of such A-1 filing with the condition that the IPO has not been completed by then.

### ***HKMH***

HKMH’s primary asset is a large dolomite magnesium limestone mine in the province of Shanxi, China.

Magnesium consumption is forecast to grow strongly in China with upward pressure on pricing due to magnesium alloys being used increasingly in car production as an alternative to steel.

HKMH is planning to file for an IPO on the HKSE in 2014 with a major Chinese bank as lead arranger.

Under the terms of the Acquisition, the Company will acquire an equity interest of 5.68 per cent. in HKMH. The primary exit strategy is through the planned IPO. If the IPO is delayed or fails, the Company can chose to exercise a put option to sell its interest to the major shareholder of HKMH at a premium based on an IRR of 25 per cent. per annum on the original investment amount.

### ***Meize Energy***

Meize Energy is a privately-owned wind turbine blade design and manufacturing company. The company’s products include 1.5MW and 2.0MW blades with the 2.5MW version in the research and development phase.

The wind power industry forms part of the twelfth Five Year Plan in China and benefits from significant Government support, including discounts on the costs of land acquisition, preferential tax treatment, and a restriction on competition within certain geographical areas.

All Meize Energy products are certified to international and domestic safety and quality standards.

| US\$            | Year ended<br>30 September 2010<br>Audited | Year ended<br>30 September 2011<br>Audited | Year ended<br>30 September 2012<br>Unaudited |
|-----------------|--|--|--|
| Sales           | —  | 16,498,708                                 | 10,374,779                                   |
| Gross profit    | —  | 1,589,646                                  | 1,506,950                                    |
| Loss before tax | (4,543,046)                                | (5,880,195)                                | (18,160,125)                                 |
| Loss after tax  | (4,016,184)                                | (5,680,088)                                | (18,062,061)                                 |

The Company will acquire an interest in redeemable convertible preference shares which, on conversion, would represent an equity holding of 7.94 per cent. in Meize Energy. The exit strategy will be either a sale of the shares held by the Company to an investor in a future round of financing, a merger or trade sale of Meize Energy, or through a redemption obligation under which Meize Energy is contractually bound to repay the investment, together with 12 per cent. per annum compound interest on the original investment amount, which is exercisable at any time from March 2014.

## Directors

The Directors are:

John Croft (aged 61), *Executive Chairman until Admission, then Non-Executive Chairman*

Mr. Croft is an experienced director of AIM-quoted companies and has previously worked in executive and non-executive capacities with a number of fast growth companies in the technology and financial services sectors. He is also currently Non-Executive Chairman of Fusionex International PLC (AIM:FXI) and a Non-Executive Director of Goal Group Limited, a leading class action service provider and tax reclamation services specialist. He previously held senior director level positions in Racal Electronics and NCR Corporation, following an early career in banking with HSBC and Grindlays Bank.

Ernest Wong Yiu Kit (aged 46), *Executive Director until Admission, then Non-Executive Director*

Mr. Wong has over 20 years of experience in venture capital, corporate finance, business development, legal, IT, financial and general management. He has worked for the Hong Kong Applied Science and Technology Research Institute Company Limited, Vertex Management, Guangdong Investment Ltd, Transpac Capital and Andersen Consulting. He has a BBA (University of Hong Kong) and a MSc in investment management (University of Science & Technology, Hong Kong) and a MSc in Electronic Engineering (Chinese University of Hong Kong). Mr. Wong's professional qualifications include: FCCA, FCPA, CFA, ACA and MHKSI.

Conor MacNamara (aged 47), *Non-Executive Director*

Mr. MacNamara is Head of Business Development at Adamas and is responsible for the capital raising for all of their funds, including the Asia/Japan fund of funds and the Asia and Greater China private credit funds. He is an experienced investment banker with significant experience in structuring alternative investment products. Mr. MacNamara has spent most of his career in the Japanese and Asian markets, holding senior positions at a number of institutions including ABN Amro, RBS Global Banking, Gen Re Securities and RBC Dominion Securities.

## Adamas GAIM

The key investment professionals who will be providing investment management services pursuant to the Services Agreement on behalf of Adamas GAIM are set out below.

Barry Lau

Mr. Lau is a co-founder, Managing Partner and Chief Investment Officer of Adamas. Prior to the founding of Adamas, he was Head of Fund Derivatives Asia at BNP Paribas focused on structured collateralised lending

on hedge fund assets. The portfolio of collateralised loans he originated, executed and managed was around US\$1 billion. Prior to BNP Paribas, he was Head of Fund Derivatives Asia at ABN AMRO focused on writing dynamic guarantees by structuring derivative instruments on hedge funds. He was formerly a lawyer at Clifford Chance LLP, London, focused on private equity and hedge fund establishments and investments. Mr. Lau obtained a law degree from University College London.

#### Paul Heffner

Mr. Heffner has extensive experience in asset management, investments, and entrepreneurial ventures. Mr. Heffner is the co-founder, Managing Partner and Chief Executive Officer of Adamas, currently managing assets of approximately US\$400 million with offices in Hong Kong and Shanghai. Prior to forming Adamas, Mr. Heffner was a Partner and Chief Investment Officer of Ajia Partners and the founder of its fund of funds business. He was also a Managing Director for a major family office in Hong Kong responsible for all technology, media and communication investments, including hedge funds, private equity funds and direct investments. Mr. Heffner was previously an Associate Director with Morgan Stanley Private Wealth Management in Hong Kong and New York and has 19 years of investment experience in Hong Kong. He obtained an MBA from Columbia Business School and graduated with Honours in Asia Studies from Trinity College in Hartford, Connecticut. Mr. Heffner also serves as a Non-Executive Director of New Times Energy Corporation Limited (166.HK).

#### Alan Lau

Mr. Lau is Chief Financial Officer and Chief Operating Officer of Adamas. Prior to joining Adamas, Mr. Lau was the Operations Director for Samena Capital and Vision Investment Management. He was in charge of the operational due diligence on hedge fund managers before investment. He was previously the Chief Operations Officer for TPG-Axon Capital (HK) Limited, the Hong Kong office of the U.S.-based hedge fund manager. His primary responsibility was to set up the Hong Kong operation and assumed responsibility for setting up the operational and IT infrastructure and was the principal architect in formulating compliance policies and risk management systems. From 2002 to 2004, Mr. Lau was a tax consultant in Deloitte & Touche's Financial Services Tax Practice in New York. His clients included multi-billion dollar, U.S.-based hedge funds and private equity funds. He had also spent seven years as Head of Operations and Finance for two Hong Kong-based alternative investment managers. Mr. Lau has an MBA and Master of Science in Taxation from Fordham University in New York.

#### Edmund Ho

Mr. Ho is a director of Adamas. Prior to joining Adamas, Mr. Ho was Vice President of Fortress Investment and D. B. Zwirn Co., L.P. He was a core member of the investment/asset management team of their Asian portfolio (with size of US\$1 billion at the peak in 2007), covering investments in Greater China, India and the Philippines. He was responsible for investment evaluation and execution of new/follow-on transactions, formulation and implementation of resolution & exit strategies. Prior to D. B. Zwirn, Mr. Ho was a manager at Deloitte & Touche Corporate Finance Limited, where he provided investment advisory services and independent fund valuation services to private equity firms and direct investment companies. Prior to that, he joined KPMG Corporate Finance Limited as a manager. Mr. Ho started his career as an analyst in the business and intangible asset valuation team at American Appraisal (Hong Kong) Limited. Mr. Ho has an MBA from Simon Fraser University, Canada and a Bachelor of Commerce with honours from University of British Columbia, Canada.

#### Chloe Yu

Ms. Yu is a director and portfolio manager of Adamas. Since Ms. Yu joined Adamas, she has gained extensive experience in private credit investments in Greater China and has also been responsible for the portfolio management and overall coordination of Adamas' onshore China direct lending platform. Previously she worked at BNP Paribas with Barry Lau and was actively involved in market research, deal structuring and execution, and the overall coordination of deal documents with clients, the legal team and regulators relating

to structured products. Prior to BNP Paribas, Ms. Yu was an accountant at Ernst & Young. Ms. Yu has received a Masters degree in Chemistry from Oxford University.

#### David Kiang

Mr. Kiang is a senior advisor to Adamas. Mr. Kiang started his career in aviation consulting in Canada, before embarking on a career in finance with Citibank in 1975 and he subsequently held senior positions with several banks in Hong Kong, including tenure as Country Manager of First Interstate Bank of California, CEO China/Macau of Standard Chartered Bank, COO of CITIC Kowloon Bank and Managing Director of NM Rothschild. He moved to Shanghai in 2001 to serve as CEO of First Sino Bank and Ping An Bank. Mr. Kiang is currently the President of Thai Jiang Jin Investment Consulting (Shanghai) Co. Ltd, an investment advisory company advising and assisting foreign companies in investing in China. Mr. Kiang was a former member of the People's Political Consultative Council of China's Jiangsu Province. Mr. Kiang received a "World Manager Achievement" award in 2005 and "China's 10 New Outstanding Leadership Award" in 2006. Mr. Kiang graduated from the Massachusetts Institute of Technology with degrees in Aeronautics & Astronautics in 1969 (BS) and 1970 (MS), and earned his MBA from Harvard Business School in 1975.

Duncan Chui, the current chief investment officer of the Company, will provide consulting services to Adamas GAIM in relation to the assets currently owned by the Company.

#### Corporate governance

There is no mandatory corporate governance regime in the BVI with which the Company must comply. However, the Board recognises the importance of sound corporate governance and, save as disclosed below, the Company will, from Admission, take into consideration the main provisions of the AIC Code of Corporate Governance. The AIC Code of Corporate Governance sets out a framework of best practice in respect of the governance of investment companies. It has been endorsed by the Financial Reporting Council as an alternative means for investment companies to meet their obligations in relation to the UK Corporate Governance Code. The Company also proposed to take into consideration the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

The Company has adopted a code similar to the Model Code, for Directors' dealings in securities of the Company, which is appropriate for a company quoted on AIM. The Directors will also comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings.

The Directors believe that the Company has sufficient accounting systems and controls which will provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Enlarged Group.

The Company intends to adopt an anti-corruption and bribery policy shortly after Admission which will be designed to achieve compliance with applicable laws and regulations, including the UK Bribery Act 2010 where relevant and appropriate.

The Board is responsible for reviewing and approving the Company's Investing Policy and for monitoring the performance of Adamas GAIM in the performance of its obligations under the Services Agreement. The Company intends to hold board meetings as required and not less than six times annually. The Board does not intend to constitute committees for audit, remuneration and nomination at the present time given there are only three Directors currently appointed to the Board. The Directors will absent themselves, at the appropriate time, from discussions on matters directly affecting their remuneration and responsibility for those tasks normally undertaken by the audit and nomination committees will be shared between the Directors. As further directors are appointed to the Board, it is the intention of the Company to constitute these committees.

The Company and Adamas have agreed certain provisions in the Services Agreement and the Relationship Agreement which set out how any potential conflicts of interest between the Company, Adamas and Adamas GAIM should be dealt with. In particular, to the extent Adamas, Elypsis or any other affiliate of

Adamas holds Ordinary Shares, it is precluded pursuant to the Relationship Agreement from voting to amend the Investing Policy or the terms of the Services Agreement. Pursuant to the terms of the Services Agreement, to the extent such investment is within the parameters of the Investing Policy and above a deal size of US\$10,000,000, Adamas GAIM has agreed, subject to, and based on, the Company's available capital at the time, to offer any such potential investment opportunity to the Company for investment on a pro rata basis as between the Company, APCF, GCCF or such other funds as may be managed by Adamas GAIM in the future. In the event that the investment opportunity is less than US\$10 million then Adamas GAIM has discretion as to whether any offer to invest is extended to the Company.

### **Current Trading and Prospects of the Enlarged Group**

In July 2013 the Company announced its plan to co-invest up to US\$20 million with Adamas over a seven year period. This followed earlier announcements regarding the building of a strategic relationship with Adamas and that Adamas had taken a strategic stake in the Company.

In August 2013, the Company announced that it had invested US\$1 million in the GCCF managed by Adamas GAIM.

In September 2013 the Company announced its intention to participate in a rights issue by Asia Bioenergy by subscribing for 50 million shares. It is anticipated that this rights issue will be completed in the first quarter of 2014 once approval has been obtained from Bursa Malaysia.

In November 2013 the Company announced the completion of the disposal of its remaining interest in AIP Global for US\$1.5 million resulting in a net book profit of US\$0.5 million.

Also in November 2013, trading in the shares of Patimas was suspended by Bursa Malaysia. Patimas is now in the process of preparing a reorganisation plan which must be submitted to the regulatory authorities by 28 February 2014. Provided the authorities approve the plan, Patimas will avoid its shares being delisted. The Company had acquired 43 million shares in Patimas in January 2013 for a consideration of approximately US\$1.5 million. At the suspension price, the Company's holding is valued at approximately US\$129,000.

The investment focus of the Enlarged Group over the next 12 months will be less strategic equity-driven with a greater emphasis on private lending via bridge financing, direct loans and structured finance deals. The focus will be predominantly asset backed structures to generate equity upside with credit-like downside protection.

The Board sees the potential for two IPOs in each of 2014 and 2015 from companies in the portfolio on Admission. These IPOs will generate returns to shareholders, with proceeds being re-invested into future deals and distributions made to existing Shareholders.

### **Borrowing Policy**

The Board has no current intention to borrow funds. However, as the lending business expands, it may become expedient for the Company to part finance that growth through borrowing. In addition, the Company may be indirectly exposed to the effects of gearing to the extent that the companies which the Company provides financings to have outstanding borrowings. There are no limits on borrowing or leverage limits on the Company.

### **Buy Back of Ordinary Shares**

Conditional on Admission, in the period from Admission until the next annual general meeting, the Directors will have Shareholder authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue immediately following Admission. The Directors intend to seek renewal of this authority from Shareholders at the next annual general meeting and, thereafter, at subsequent annual general meetings. The making and timing of any buy-backs will be at the absolute discretion of the Board. Any Ordinary Shares bought back by the Company will either be held by the Company in treasury (and which may be reissued) or forthwith be cancelled.



### **Further issuance of Ordinary Shares**

The Articles provide that either further issues of Ordinary Shares or reissues of Ordinary Shares held in treasury could be made. Subject to prevailing market conditions, the Board may decide to make one or more further such issues or reissues of Ordinary Shares for cash from time to time. Any further issues of new Ordinary Shares or reissues of Ordinary Shares held in treasury will rank *pari passu* with Ordinary Shares in issue. There are no provisions of the BVIBCA which have been adopted by the Company providing pre-emption rights for existing Shareholders on the allotment of equity securities for non-cash consideration cash equivalent to section 561 of the UK Companies Act 2006, which subject to certain exceptions, confers pre-emption rights on existing Shareholders in connection with the allotment of shares for cash.

### **The Takeover Code**

As a company incorporated in the British Virgin Islands, the Company will not be subject to the Takeover Code. As a result certain protections that are afforded to shareholders under the Takeover Code, for example in relation to a takeover of a company or certain stake-holding activities by shareholders, do not apply to the Company.

However, certain protections have been incorporated into the Articles which, to an extent, mirror the pRelevant Code Provisions to the extent that it is possible to do so. The Articles provide that if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights of the Company, the acquirer and, depending on the circumstances, the concert parties, will be required (except with the agreement of the Company in general meeting by ordinary resolution of independent Shareholders) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the person's percentage of voting rights. The main difference between these provisions and the Relevant Code Provisions is that the Takeover Panel does not have any jurisdiction to enforce these provisions. Details of the key provisions of the Articles may be found in paragraph 4 of Part VI of this document.

### **Disclosure and Transparency Rules**

The provisions of DTR 5 shall be deemed to apply to the Company, so that Shareholders are required under the Articles to notify the Company of the percentage of their voting rights if the percentage of voting rights which they hold as a Shareholder or through their direct or indirect holding of financial instruments falling within paragraph 5.1.3R of DTR 5 (or a combination of such holdings) reaches, exceeds or falls below three per cent. and each one per cent. threshold thereafter up to 100 per cent., or reaches or exceeds or falls below any of these thresholds as a result of events changing the breakdown of voting rights. If any Shareholder fails to comply with these requirements, the Directors may, by notice to the holder of the Ordinary Shares, suspend their rights as to voting, dividends and transfer.

Such suspension shall have effect from the date on which the default notice is delivered to the Shareholder until a date that is not more than seven days after the Board has determined that the holder of the Ordinary Shares has resolved the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the Ordinary Shares shall be retained by the Company without any obligation to pay interest thereon.

The Directors have the power, by giving notice, to require any Shareholder to disclose to the Company the identity of any person other than the Shareholder who is interested in the Ordinary Shares held by the Shareholder or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest.

If any Shareholder has been duly served with such a notice and is in default of the prescribed period in supplying the information required then certain restrictions shall apply. A disclosure notice may direct that

the Shareholder shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares.

Where the default shares represent at least 0.25 per cent. of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company and transfers of default shares will be restricted until the restrictions cease to apply.

### **Warrants and Share Options**

The Company has in issue options over 2,250,000 Ordinary Shares, exercisable at prices between \$0.10 and \$0.25 per Ordinary Share, all of which are held by Adamas.

In addition, on Admission the Company will issue the Consideration Warrants and the Shareholder Warrants.

Further details of these Options and Warrants are set out in paragraphs 5.3, 8.9, 8.10, and 12 of Part VI of this document.

### **Lock-Ins and Orderly Market Arrangements**

Under the terms of the lock-in agreements referred to in paragraphs 8.4 and 8.5 of Part VI of this document, each of the Directors and Elypsis has undertaken to the Company and WH Ireland that they will not sell or otherwise dispose of any interest in the Ordinary Shares or any other securities held by them in the Company for a period of 12 months following Admission, save in limited circumstances such as, *inter alia*, a disposal pursuant to a general, partial or tender offer made to all Shareholders of the whole or part of the issued share capital of the Company; the giving of an irrevocable undertaking to accept an offer; or a disposal pursuant to a court order; or by his personal representatives in the case of the Directors.

Those parties giving the lock-ins have also undertaken that they will not dispose of any interest in Ordinary Shares for a period of 12 months following the first anniversary of Admission without effecting such sale through WH Ireland (or the Company's broker from time to time).

The Company will ensure, in accordance with Rule 21 of the AIM Rules for Companies, that the Board and applicable employees do not deal in any Ordinary Shares during a close period (as defined in the AIM Rules for Companies) and will take all reasonable steps to ensure compliance by the Directors and applicable employees.

### **Dividend Policy**

The Board plans to build the Company's business to enable annual distributions to Shareholders from the proceeds of cash yielding investments, and to pay out special dividends in case of exceptionally strong earnings.

### **Taxation**

Further information regarding UK, Hong Kong and BVI taxation is set out in paragraph 14 of Part VI of this document. These details are intended as a general guide only to the position under the relevant taxation law as at the date of this document. If a Shareholder is in any doubt as to his or her position, he or she should consult his or her own independent financial adviser immediately.

### **General Meeting**

Set out at the end of this document is a notice convening a general meeting to be held at 1801-03, 18F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong at 8.00 a.m. GMT/4.00 p.m. HKT on 18 February 2014, for the purposes of considering and, if thought fit, passing Resolutions to:

1. approve the Acquisition for the purpose of Rule 14 of the AIM Rules;
2. change the name of the Company;



3. adopt the new articles of association;
4. increase the authorised share capital of the Company;
5. authorise the Directors to allot equity securities;
6. authorise Directors to grant warrants; and
7. authorise Directors to issue bonus shares.

### **Irrevocable Undertakings to approve the Resolution**

John Croft has irrevocably undertaken to vote in favour of the Resolutions in respect of his beneficial holding of 254,590 Ordinary Shares, which represents approximately 0.2 per cent. of the Existing Ordinary Shares.

In addition, the Company has received irrevocable undertakings to vote in favour of the Resolutions in respect of holdings totalling 36,727,926 Ordinary Shares in aggregate, which represent approximately 29.1 per cent. of the Existing Ordinary Shares.

### **Action to be taken**

A Form of Proxy is enclosed with this document for the use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, Shareholders are asked to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by the Company's Registrars, Computershare Investor Services PLC, as soon as possible and in any event so as to arrive not later than 8.00 a.m. GMT/4.00 p.m. HKT on 16 February 2014 being 48 hours (excluding weekends and public holidays) before the time appointed for the holding of the General Meeting.

If you are a holder of Depositary Interests, a form of instruction is enclosed. To be valid, the form of instruction should be completed, signed and returned in accordance with the instructions printed thereon to the Company's depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY UK, as soon as possible but in any event should arrive not later than 8.00 a.m. GMT/4.00 p.m. HKT on 15 February 2014.

The completion and return of the Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the General Meeting they are urged to complete and return the Form of Proxy to the Company's Registrars as soon as possible.

### **Admission and Dealings**

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on 19 February 2014.

It is not currently possible for BVI securities to be held or transferred through CREST and therefore the Directors have made arrangements for (i) instruments representing Ordinary Shares to be settled through CREST, being depositary instruments which represent the Ordinary Shares and (ii) for dematerialised depositary instruments to be issued, which are then held in trust for their holders. Further details of these arrangements are set out in paragraph 15 of Part VI of this document. CREST is the paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. CREST is a voluntary system and Shareholders who wish to retain certificate will be able to do so.

**Additional Information**

Shareholders should read the whole of this document, which provides additional information the Proposals and Admission and not rely on summaries or individual parts only. In particular, the attention of Shareholders is drawn to Part II of this document which contains a summary of the risk factors relating to an investment in the Company. The Company and its investment strategy is intended to be designed for sophisticated emerging market investors.

**Recommendation**

Conor MacNamara is a member of the senior executive team of Adamas and, as a result, is not deemed to be independent in consideration of the Proposals.

The Independent Directors consider the Proposals to be in the best interests of the Company and therefore unanimously recommend that Shareholders vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their holdings of 254,590 Existing Ordinary Shares in aggregate, representing approximately 0.2 per cent. of the Existing Ordinary Shares.

Yours faithfully

**John Croft**

*Chairman*

## **PART II**

### **RISK FACTORS**

Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part II contains what the Directors believe to be the principal risk factors associated with the Enlarged Group. It should be noted that this list is not exhaustive and that other risk factors will apply to an investment in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and a Shareholder or other recipient of this document may lose all or part of his investment.

There can be no certainty that the Enlarged Group will be able to implement successfully the strategy set out in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Enlarged Group.

This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group which are described below and elsewhere in this document. Shareholders and recipients of this document should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Enlarged Group.

An investment in the Company may not be suitable for all recipients of this document. Shareholders are accordingly advised to consult an independent financial adviser duly authorised under the UK Financial Services and Markets Act 2000 (or equivalent legislation in their own territory or jurisdiction) and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

Shareholders and recipients of this document should also refer to the specific risk factors in relation to CJRE set out in Part VII of this document.

#### **RISKS RELATING TO THE ORDINARY SHARES AND AIM**

##### **Investment in AIM securities**

It may be more difficult for an investor to realise his or her investment on AIM than it is to realise an investment in a company whose shares or other securities are quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List. Therefore, an investment in a share which is traded on AIM is likely to carry a higher risk than an investment in a share which is quoted on the Official List. The market for the Ordinary Shares may be highly volatile and subject to wide fluctuations in response to a variety of factors, which could lead to losses for Shareholders. These factors include, amongst others, the following: changes in the Chinese tax regime; additions or departures of key personnel within the Enlarged Group; changes in key personnel at Adamas GAIM; and adverse press, newspaper and other media reports.

##### **Market value of Ordinary Shares**

Shareholders should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and Shareholders may therefore not recover all, or any, of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity.

Stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price of Ordinary Shares.

The Enlarged Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, share market conditions may affect the Ordinary Shares regardless of the performance of the Enlarged Group. Share market conditions are affected by many factors, such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the Company's investments, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Enlarged Group while others may be outside the Company's control.

#### **Future issues of Ordinary Shares could be dilutive**

It may be necessary, at some time in the future, for the Company to issue additional Ordinary Shares to fund the growth plans of the Company. Any such issue would dilute the interests of Shareholders and could impact upon the price of the Ordinary Shares.

#### **Limited regulatory control**

The holders of Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law. Neither the Listing Rules of the UK Listing Authority nor the UK Corporate Governance Code will apply to the Company unless they are voluntarily adopted.

#### **Lock-in and Orderly Market Arrangements**

The market price of the Ordinary Shares could be affected by the sale of the Ordinary Shares by certain Shareholders following the expiry of the lock-in and orderly market periods, as detailed in the paragraph entitled "Lock-Ins and Orderly Market Arrangements" in Part I of this document or the perception that these sales could occur.

#### **Acquisition Risk**

Through the Target Companies, Elypsis indirectly holds only minority interests in the underlying companies. Elypsis and Adamas have therefore had limited ability to request significant due diligence materials from the underlying companies. In conducting due diligence on the Target Companies, the Company has therefore only been able to review a limited amount of documentation and information in relation to the underlying companies without ascertaining its completeness. In addition, Elypsis is an offshore special purpose vehicle and which will be likely to hold the Consideration Shares and Consideration Warrants as its sole assets following Admission. The warranties, obligations and undertakings given by Elypsis to the Company in the Acquisition Agreement will not be guaranteed by Adamas or any of its affiliates. The Company therefore will have limited recourse should any of these provisions be breached by Elypsis. In addition, Elypsis' liability under the warranties given by it in the Acquisition Agreement is limited to US\$10,000,000.

### **RISKS RELATING TO THE COMPANY'S BUSINESS AND STRUCTURE**

#### **Assets**

The success of the Company will be dependent upon, inter alia, the identification, making, management and realisation of suitable financing opportunities. There can be no guarantee that such financings can or will be made or that they will be successful. Poor performance of any financing could severely affect the value of the Company. In particular, investors should note that:

- as at the date of this document, the Company has not identified all of its potential targets. Shareholders will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the financings to be made by the Company and, accordingly, will be dependent upon the judgement and ability of the Directors and Adamas GAIM in investing and managing the

assets of the Company. No assurance can be given that the Company will be successful in executing suitable financings, or that if such financings are made, the objectives of the Company will be achieved;

- the Company may be unable to exercise control over the operations of the companies to which it extends financing;
- the Company will be financing predominantly small, unquoted companies which may be difficult to value and/or realise. Smaller companies typically involve more risk than larger, more established companies as they may have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals;
- the Company may be unable to effect a financing in an identified opportunity and the resources of the Company may be expended investigating potential projects which are subsequently rejected as being unsuitable;
- the Company may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that such representations or warranties turn out to be inaccurate; and
- an investee company's competitors may develop or market goods or services that are more effective or less expensive than those developed or marketed by the investee company, or that would render the investee company's goods, services or business model obsolete or uncompetitive.

### **Achievement of objectives**

The performance of the Company depends on: (i) the ability of the Board to generate positive returns; and (ii) Adamas GAIM's ability to advise on investments in accordance with the business objectives of the Company. Achievement of the business objectives will depend, in part, on the ability of Adamas GAIM to provide competent, attentive and efficient services to the Company under the terms of the Services Agreement. There can be no assurance that, over time, Adamas GAIM will be able to provide such services or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or avoid investment losses.

### **Dependence on key individuals**

The Company will be dependent on the ability of Adamas to source and invest in attractive opportunities. In so doing, the Company will be reliant not only on the experience and ability of the management team and employees of Adamas, but also on relationships and business networks that certain key individuals have developed over a number of years. If such individuals were to leave Adamas, it could, in the short term, have a negative impact on the Company's ability to achieve its business objectives.

### **Concentration risk**

Initially, the Company will have a limited number of investee companies such that certain investments will represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be more adversely affected if any one of those investments were to perform badly than would be the case if the Company's portfolio of investments was more diversified.

### **Conflicts of interest**

Certain Directors have other interests in China. The Company may, from time to time, invest in companies where such Directors are already interested, but only after approval of those members of the Board who are not conflicted and subject to compliance with the AIM Rules for Companies. In so doing, the Company may choose to acquire the interests of those Directors. The Company will seek to conduct such transactions on arm's length commercial terms, under conditions consistent with fair market value and industry practice as further set out in the Relationship Agreement and Services Agreement and the transactions will be subject to

the AIM Rules for Companies. Notwithstanding such procedures, there remains a risk that such transactions may benefit such Directors or may be to the detriment of the Company to an extent which is greater than would be the case if the transactions were with independent parties.

### **Chinese economic conditions**

Changes in economic conditions in China (for example, interest rates, inflation, rates of tax, industry conditions, regulatory protection, competition, political and diplomatic events and other factors) or adverse economic conditions in China could substantially and adversely affect the Company's prospects and returns.

### **BVI company law**

As a Company incorporated under the BVIBCA, the rights of Shareholders will be governed by BVI law and the Memorandum and Articles. The rights of shareholders under BVI law differ from the rights of shareholders of companies incorporated in other jurisdictions. For example, there are very limited statutory protection rights for minority shareholders.

Any final and conclusive monetary judgment obtained against the Company in the courts of England and Wales or those countries listed in the BVI Reciprocal Enforcement of Judgments Act (Cap. 65) 1991, for a definite sum, may be registered and enforced as a judgment of the BVI court if application is made for registration of the judgment within twelve months or such longer period as the court may allow, and if the BVI court considers it just and convenient that the judgment be so enforced. Alternatively, the judgment may be treated as a cause of action in itself so that no retrial of the issues would be necessary. In either case, it will be necessary that in respect of the foreign judgment:

- the foreign court issuing the judgment had jurisdiction in the matter and the judgment debtor either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company;
- in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given, or on the part of the foreign court;
- recognition or enforcement of the judgment in the BVI would not be contrary to public policy;
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice; and
- the judgement given by the foreign court is not the subject of an appeal.

Any final and conclusive monetary judgment obtained against the Company in the courts of all countries not covered by the BVI Reciprocal Enforcements of Judgements Act (Cap. 65) 1991 for a definite sum, may be treated by the courts of the BVI as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

- the foreign court issuing the judgment had jurisdiction in the matter and the Company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;
- the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company;
- in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the court;
- recognition or enforcement of the judgment in the BVI would not be contrary to public policy; and
- the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

**Currency risk**

The majority of revenues earned and expenses incurred will be denominated in RMB. The price of the Ordinary Shares is quoted in US dollars and any dividends declared will be paid in US dollars. The amount of income available for distribution will therefore be affected by movements in RMB against US dollars which may result in the funds available for distribution to Shareholders as dividends being reduced. This may have an adverse effect of the Company's ability to pay dividends to Shareholders.

**Competition**

Certain private equity and direct investment funds have become active in seeking investment opportunities with a focus on China. The Company may face significant competition from both other foreign investment funds and strategic investors. Many competitors have greater financial resources than the Company and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Company's ability to invest on attractive terms. Such conditions may have a material adverse impact on the Company's ability to secure attractive investment opportunities and consequently may have an adverse effect on the returns generated for Shareholders.

**Tax legislation**

Any change in the Company's tax status, or in taxation legislation in the BVI, the United Kingdom or elsewhere, could affect the value of its investments and the Company's ability to achieve its investment objective, or alter the post-tax returns to Shareholders.

Statements in this document concerning the taxation of UK Shareholders are based upon current UK tax law and practice, which laws and practice are in principle subject to change that could adversely affect the ability of the Company to meet its investment objective.

Prospective investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effects of an investment in the Company.

**Borrowings**

Prospective investors should be aware that whilst the use of borrowings can enhance the value of the Company while the value of investments is rising, it can also reduce the Company's value where they are falling. This could adversely affect returns to Shareholders. The use of external borrowings magnifies both the favourable and unfavourable effects of price movements in the Company's investments. Furthermore, should any fall in the asset value of the investments result in the Company breaching any financial covenants contained in any borrowing agreements, the Company may be required to repay such borrowings in whole or in part together with any associated costs. This could further adversely affect the NAV per Ordinary Share and returns to Shareholders.

**Forward-looking statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors described in this risk factors section. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company's view with respect to



future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations and strategy. Save as required by law, the Company has no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

## **RISKS RELATING TO INVESTMENTS IN GREATER CHINA**

### **Developing Nature of PRC's Legal System**

The Company's investments in China may be governed by Chinese law and the Company may need to resort to the Chinese legal system for settlement of disputes. China lacks a fully developed legal system and the body of commercial law and practice typically found in countries with more sophisticated market economies. Laws and regulations, in particular those concerning foreign investment and taxation, can change quickly and unpredictably. The judicial and civil procedures in China are complex and may be unwieldy. Courts in China may lack experience in commercial dispute resolution, may be subject to political or other influence, and many of the procedural remedies for enforcement and protection of legal rights found in more developed jurisdictions may not be available in China. The extent to which local parties and entities, including local governmental agencies, will recognise the contractual and other rights of the parties with which they deal is uncertain. The Company may therefore be unable to protect and enforce its rights (including with respect to legal and management control) against local governmental and private entities to the extent it would in jurisdictions with more developed legal systems. In addition, it may be more difficult, time consuming and expensive to obtain and/or enforce a judgment in a court in China, compared with more developed countries.

### **Investment Restrictions**

China has laws and regulations that, to varying degrees, preclude or restrict direct foreign investment in the securities of resident companies, limit the types of securities that foreigners may buy, or limit foreign investors to special investment structures. Prior governmental approval for foreign investments in China will be required and the extent of foreign investment in domestic companies may be subject to limitation. Certain industries have been classified by administration authorities in China as restricted or prohibited industries to foreign investment, and these industries may change from time to time. Foreign ownership limitations also may be imposed by the charters of individual companies. Such restrictions may limit the investment opportunities available to the Company and inhibit the Company's ability to implement its investment strategy or reach its investment goals.

### **Inflation**

In the past China has experienced substantial rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets in China. Furthermore, in an attempt to stabilise inflation, China has previously imposed price controls. Past governmental efforts to curb inflation have also involved more drastic economic measures which had a materially adverse effect on the level of economic activity. There can be no assurance that the PRC government will be able to continue to exercise effective control over inflation rates or that a high rate of inflation will not have a materially adverse effect on the Company's investments.

### **New Sector Risk**

Private equity in China is in its nascent stages, and in this respect it should be considered riskier than other more established asset classes. Additionally, given the sector's short history, it may be difficult for a shareholder to assess the potential future performance and risks associated with expanding investments in China's private equity market.



## **Insurance Coverage**

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. If a business financed by the Company is unable to obtain business liability or disruption insurance, any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

## **Bankruptcy**

The enactment in August 2006 of China's new Bankruptcy Law expanded the scope of Chinese bankruptcy law from state-owned enterprises to include private companies, as well as giving priority to the rights of secured creditors in the foreclosure of secured assets. However, despite these advances, there can be no assurance regarding the implementation of the new Bankruptcy Law, and Chinese bankruptcy law remains underdeveloped as compared to the United States and other OECD-member countries. These factors, together with the lack of transparency in China's judicial system and local protectionism, may prevent the Company from accurately anticipating the outcome of any bankruptcy proceedings in China.

## **Risks Relating to PRC Taxation**

There is a risk that the Company could be treated as having a taxable presence or constituting a resident enterprise in the PRC, which could result in adverse tax consequences to the Company. The PRC may tax offshore companies and other entities under certain circumstances.

In the PRC, an offshore entity can either be treated as having an establishment in China or be classified as a resident enterprise for PRC enterprise income tax purposes. An offshore entity can be treated as having an establishment in China if it maintains a fixed place of business in China, directly or through its agents. In the event an offshore entity is treated as having an establishment in China, the PRC tax authorities have the authority to impose PRC enterprise income taxes on income attributable to the establishment. Income is attributed to a Chinese establishment using a deemed profit method whereby a percentage of the entity's total profits are multiplied by a percentage to arrive at an amount subject to the PRC enterprise income tax. An offshore entity can be classified as a PRC resident enterprise if its de facto management bodies are based in China. In the event an offshore entity is classified as a PRC resident enterprise, the PRC tax authorities have the authority to impose PRC enterprise income taxes on the worldwide income recognized by the entity and further impose withholding taxes on distributions and transfers of interests with respect to the entity as if it were a PRC legal entity.

In the event any of the above claims were to be made against the Company or Adamas GAIM, different levels of PRC taxation could be imposed on income recognised by the Company. In addition, the Company may have to withhold taxes in the event it was considered a PRC resident enterprise. Because of the evolving state of the rules regarding establishments and resident enterprises, there is a risk that the Company could be taxed in one or more of the manners described above. While the Company and Adamas GAIM have structured their operations to stay clear of these rules, given the evolving state of these rules no assurance can be given that the PRC tax authorities would not attempt to make such claims and that they would not ultimately prevail in doing so.

## **Government policies and legislation**

The introduction of new policies or legislation or amendments to existing policies or legislation by China's governments or the interpretation of those laws in jurisdictions under which investee companies operate could have an adverse impact on the assets, operations and ultimately the financial performance of investee companies.

## **Political relations between the international community and China**

The relationship between China and the rest of the international community may change over time. Change in political conditions in China may lead to less liberal or less business friendly investment policies. Changes

in political conditions in China may also lead to the implementation of embargoes or economic sanctions by developed countries against Chinese companies or companies doing business in China, which in turn could result in investee companies prematurely terminating their business arrangements, or require the Company to sell its investments at less than fair market value or prevent the repatriation of the sale proceeds from any termination or dissolution of the Company's business arrangements.

### **State ownership**

The Chinese economy has been undergoing a transition from a planned economy to a more market-oriented economy. Although in recent years the government of China (the "Government") has implemented economic reforms and reduced state ownership and established better corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the Government directly or indirectly. In addition, the Government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over economic growth through the allocation of resources, control of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. It is unclear how future economic reforms will affect the development of China as there is no assurance that new macro-economic measures will be applied consistently and/or effectively or that an investee company would benefit from such reforms. Indeed the future earnings of investee companies could be affected if the Government were to reverse recent trends and impose restrictions which affect (directly or indirectly) the businesses of investee companies.

### **Government economic intervention**

The Chinese economy has experienced uneven growth both geographically and between various sectors of the economy. The Government has implemented various measures from time to time to control the rate of economic growth (including tightening control over investments in certain sectors) and could continue do so in the future. Some of these measures may have a negative effect on investee companies. For example, the operating results of an investee company and its financial position may be adversely affected by changes in the rates or methods of taxation and imposition of additional restrictions on currency conversion and remittances abroad.

### **Foreign exchange controls**

Foreign exchange transactions (including the repatriation of investment returns and capital) continue to be subject to foreign exchange controls of the Chinese State Administration of Foreign Exchange as the RMB is not freely convertible to other foreign currencies. The external value of the RMB is subject to policy changes of the Chinese Government. Whilst the RMB exchange rate regime is a managed floating rate based on market supply and demand with reference to a basket of currencies, the People's Bank of China has the ability to periodically adjust the RMB exchange rate band which can cause significant fluctuations to the exchange rates. In addition financial markets in many Asian countries have a tendency to be more volatile and certain currencies have been subject to significant devaluation in the past.

Currently no Chinese Government approval is required to repatriate profits and dividends out of China to foreign shareholders. Capital may also be repatriated after the capital decrease has been approved by the relevant authorities. However, there is the risk that in the event any investee company fails to obtain such approval, capital will not be repatriated. In addition, any relaxation or abolition of exchange controls may give rise to capital outflows from China which could, among other things, adversely affect the strength of the RMB and the availability and cost of funding in China and could give rise to higher interest rates, thereby adversely affecting the Chinese economy and correspondingly adversely affecting investee companies.

### **M&A Rules**

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (the "CSRC"), promulgated the Rules on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules") that became effective on 8 September 2006 ("Effective Date of the M&A Rules").

This regulation has a number of provisions which purport that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals is required to obtain the approval of the CSRC prior to listing and trading of securities on an overseas stock exchange. The application of the new regulations to special purpose vehicles which have duly established foreign invested enterprises incorporated prior to the Effective Date of the M&A Rules to acquire PRC domestic enterprises is unclear.

The Company's PRC lawyers have advised that it is not necessary for the Company to obtain approval from the CSRC in relation to Admission for the following reasons: (i) as confirmed by the Company, the Company is not considered to be controlled by PRC residents and (ii) neither the Company nor any member of its Group is considered to fall within the definition of "special purpose vehicle" under the M&A Rules. Whilst the Company has received a legal opinion from its PRC legal counsel in this regard, there may be a risk that the CSRC may determine that the Company is required to obtain its approval for Admission and any form of waiver of the CSRC approval requirement may be unavailable to the Company.

Certain PRC subsidiaries of the Target Companies have been obtained through acquisition and the nature of those PRC subsidiaries has changed from PRC domestic companies to foreign invested companies. All such acquisitions were approved by Ministry of Commerce ("MOFCOM") offices and registered with SAIC offices. However, due to a lack of access to certain documentation, the Company and its PRC lawyers have relied on confirmation from Adamas that (i) the parties to the acquisitions were not related or affiliated or the Target Companies are not controlled by PRC residents and therefore, Central level MOFCOM approval was not required; and (ii) the consideration for each acquisition has been fully paid and is in compliance with Ordinance 10.

### **Compliance of PRC regulations on Internet content**

The PRC government has adopted regulations governing Internet access and the distribution of information over the Internet. Under these regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licences to provide Internet content and other licences, and the closure of the concerned websites. The website operator may also be held liable for such censored information displayed on or linked to the websites. If any websites operated or to be operated by Fortel are found to be in violation of any such requirements, Fortel may be penalised by relevant authorities and the operations or reputation of Fortel and the Company could be adversely affected.

### **Mergers and Acquisition Review for National Economic Security Purpose (the "Security Review")**

On 3 February 2013, the General Office of the State Council promulgated the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Security Review Notice") which became effective on 3 March 2013 (the "Effective Date of the Security Review Notice").

According to the Security Review Notice, mergers and acquisitions of a domestic enterprise that result in a foreign investor acquiring controlling power of a business in certain industries shall be reviewed by a joint meeting led by the State Council (the "Security Review").

On 25 August 2011, MOFCOM promulgated Announcement No. 53 (2011) – Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Announcement 53"). The Announcement 53 requires that it is the foreign investor's responsibility to apply for approval from the MOFCOM where the Security Review applies and whether a merger or acquisition is subject to the Security Review shall be determined from the substance and actual impact of the transaction. No foreign investor shall substantially evade the Security Review in any form, including but not limited to holding shares on behalf of others, trust, multi-level reinvestment, leases, loans, control by contractual arrangements and overseas transactions. Value added telecommunication business falls within the scope of industries on the MOFCOM list subject to the Security Review.

The Company's PRC lawyers have advised that the contracts for the Company's control over the PRC value added telecommunication business are not subject to the Security Review because the contracts between Fortel and the PRC domestic entity in the value added telecommunication business were entered into before the Effective Date of the Security Review Notice.

**The negative effect arising from the uncertainty of the M&A Rules in relation to future investments involved in the restructuring process in the PRC.**

Under the M&A Rules and Circular 75, there are stringent requirements in relation to restructuring a PRC domestic enterprise to a FIE for overseas financing and listing purposes.

The Company and its subsidiaries may invest in domestic PRC companies after first restructuring them into FIEs. Such restructuring may be subject to the approval of the Ministry of Commerce of the PRC, its local branches and other PRC regulatory authorities. There is a possibility that the Company or the investee company may not be able to satisfy all the regulatory requirements under PRC law and regulations. The approval process of restructuring is not only time-consuming but also presents opportunities for the authorities to scrutinise the contractual arrangements in relation to Fortel and other investment projects. Meanwhile, various specific PRC legal requirements (such as asset appraisal and SAFE registration) may also apply to the restructuring process and may add further complexities and variables to the process.

Even where the proposed restructuring appears feasible under current PRC law and regulations, the number of elements, such as the size, locality, approval level, industry, complexity, and sensitivity involved in the restructuring can significantly affect and lengthen the approval period. The uncertainty involved in the restructuring process may restrict the Company's ability to secure new projects which could have a material adverse effect on its future business operations.

**Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents**

On 21 October 2005, SAFE promulgated the Circular Regarding Foreign Exchange Control for Fundraising and Offshore-Domestic Investments by PRC residents through Special Purpose Vehicles ("Circular 75"), which took effect on 1 November 2005. Circular 75 requires PRC natural persons and certain foreign citizens ("PRC residents") to register with the local SAFE branch prior to establishing or controlling any company outside of the PRC for the purpose of equity financing with capital assets or equities of its PRC domestic companies, referred to in the SAFE Notice as an "offshore special purpose company" ("SPV"). Thereafter, SAFE promulgated a series of notices as follows which include implementation and guideline rules of Circular 75 ("Implementation Rules"). On 19 November 2012, SAFE formulated Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment ("SAFE Notice 59"). On 11 May 2013, SAFE formulated Notice of State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents. On 26 August 2013, SAFE formulated Notice of State Administration of Foreign Exchange on Issuing Guidelines of Capital Account Foreign Exchange Business ("SAFE Notice 80"). Under Circular 75 and SAFE Notice 59, SPVs are broadly defined to cover an offshore company or a number of such companies either established by PRC residents or alternatively controlled by PRC residents by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, call options, convertibles bonds etc. The definition of PRC residents also covers certain foreign individuals notwithstanding such individuals do not hold PRC legal identification subject to SPV Registration.

Circular 75 requires PRC residents to register with the local SAFE before establishing or acquiring control of SPVs (the "SPV Registration"). Circular 75 also imposes requirements in relation to the flow of proceeds raised through overseas financing by SPVs. According to Circular 75, upon completion of an overseas fundraising exercise, including an equity transfer, private fund raising or an initial public offering, funds raised should be remitted to and used in the PRC in accordance with the use plan of proceeds disclosed in business plans or the Admission Document. Any profits, bonuses or funds payable to PRC residents in relation to the SPV shall be remitted to the PRC within 180 days of receipt.

According to Circular 75, SAFE Notice 59 and SAFE Notice 80, PRC residents are required to modify the SPV Registration within certain time limits upon material changes in the capital structure of the SPVs, including but not limited to equity transfers and alteration of share capital. Subsidiaries of an SPV in the PRC are obliged to coordinate the relevant PRC resident shareholders to proceed with the SPV Registration and subsequent amendments thereto and to report to the local SAFE branch any refusal to make a filing.

The Company's PRC lawyers have advised that Circular 75 is not applicable and no SPV Registrations are required for any Shareholders, controllers or beneficial owners of the Company or because the Company is not directly or indirectly held or controlled by a PRC resident within the meaning of Circular 75.

The Company will carry out due diligence on the companies in which it will invest, including diligence on the identity of existing shareholders of investee companies but it cannot ensure that it and any member of the Group will be fully informed of the identities of all the shareholders of investee companies who are PRC residents or controlled by PRC residents. Moreover, it does not have control over shareholders of investee companies and cannot assume nor rely on the fact that these PRC residents will comply with Circular 75.

The Company has carried out extensive due diligence on the Target Companies, including diligence on the holding structures of each Target Company. However, due to a lack of access to certain documentation, the Company and its PRC lawyers have relied on Adamas' confirmation on the identity of the existing shareholders of the Target Companies. For certain Target Companies, the Company and its PRC lawyers have not been fully informed about the identities of all the shareholders of the Target Companies and whether the ultimate individual shareholders of those Target Companies are PRC residents and whether those PRC resident shareholders have fully complied with Circular 75.

The failure by those PRC residents who are shareholders or controlling beneficial owners of investee companies, which are incorporated outside the PRC but have had subsidiaries in the PRC, to register or amend their SAFE registrations in a timely manner pursuant to Circular 75 or the failure of such PRC residents to comply with the registration procedures set out in Circular 75 and the Implementation Rules may subject such PRC residents, or the relevant PRC subsidiaries, to fines and legal sanctions and may also limit the Company's ability to contribute capital to the PRC subsidiaries of the relevant investee company, limit the relevant PRC subsidiaries' ability to distribute dividends to the Company or otherwise materially and adversely affect the business of the Company.

### **Expansion risks**

There are also potential risks associated with rapid economic growth of the magnitude China is currently experiencing. Business infrastructure, including logistics and supply chains, human resources and training, competition for real estate and locations, among others, may create bottlenecks for business growth, thereby delaying an investee company's ability to achieve its projections and consequently reducing the value of the investment into it. It is not possible for financial projections, upon which the Company's investment decisions are made, to account for all factors that may affect the ability of an investee company to grow its business as planned.

### **Other risks of investing in China**

Costs of raw materials - some of the companies that the Company may invest in may rely on the sale or purchase of raw materials particularly within the energy markets. The prices for raw materials will depend on the general market conditions of the locality and the wider Chinese market. Increases in the costs of such raw materials could adversely affect an investee company.

Intellectual property rights – the Company's investee companies may rely on intellectual property laws in China to protect their trademark and brands. There is some risk that counterfeiting or imitation could occur and any intellectual property disputes could have a materially adverse economic effect on the investee company.



Health & safety – such regulations are often less well developed in China than in certain other countries and therefore the adoption of future, more stringent, regulations could affect operational costs of an investee company.

### **City Code**

The City Code does not apply to the Company and therefore any takeover of the Company will be unregulated by UK takeover authorities. Whilst the Articles contain certain takeover protections, these will not provide the full protections afforded by the City Code. The relevant provisions of the Articles are summarised in paragraph 4.4 of Part VI of this document.

## **RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP**

### **Business licences**

Certain members of the Group are required to maintain business licences which are of limited duration and which are subject to annual inspections by SAIC. No guarantee can be given that Group members will pass such inspections or that they will be able to renew their business licences at the appropriate times. If a Group member loses its business licence or fails to renew it upon expiry the operations and results of the Group could be materially adversely affected.

### **Restrictions on foreign investment and market access**

Government policies and regulations in the PRC continue to impose certain restrictions on foreign investment in terms of market access to certain industries and business sectors. Such restrictions may take the form of additional or stricter governmental approval requirements for FIEs to enter certain industries and business sectors or heightened enforcement of existing rules prohibiting or restricting FIEs from conducting business or undertaking projects in certain industries or business sectors that are open to Chinese domestic enterprises. Recent restrictions include those introduced in the PRC that affect foreign investment in the real estate market (e.g. foreign investment is prohibited in villa and golf course development) as well as those imposed by governmental authorities in the PRC to curtail the value added business activities by foreign entities and FIEs in the telecommunication service sector. The existence and implementation of such restrictions may have an adverse impact on the business operations and performance of investee companies in the event any of the investee companies fail to gain market access to certain industries or business sectors due to such restrictions. Further, until the policies and regulations in the PRC are changed, the Company will not be able to directly control such businesses restricted or prohibited to foreign investment. The Company can only participate in businesses in such prohibited or restricted industries by contractual arrangements with eligible Chinese domestic entities.

### **Market Perception**

Market perception of the Group could change which would affect the value of an investor's holdings and possibly the ability of the Group to raise further funds if desired.

### **Chinese Regulation**

Certain of the Target Companies operate in heavily regulated industries in the PRC. The Chinese government has the ability to change the regulatory framework without notice or cause regulations to be interpreted or enforced differently because of guidance which the PRC government may issue from time to time. This can mean businesses operating in such an environment may fail to meet current regulatory requirements, despite having the best of intentions to do so. PRC authorities conduct ad hoc inspections, examinations and enquiries in respect of compliance with regulatory requirements. Despite efforts to comply with such regulations, the relevant Target Companies face the risk that applicable regulations may be unclear or regulators subsequently revise their previous guidance. It may therefore be that the relevant Target Companies receive notices or warnings from the relevant regulatory authorities involving incidents of strict

regulatory non-compliance. Material incidents of non-compliance might subject the relevant Target Companies to penalties or restrictions on their business activities, which could have a material adverse effect on their business, results of operations and financial condition.

**Investors should therefore consider carefully whether investment in the Company is suitable for them, in view of the risk factors outlined above and the information contained in this document, their personal circumstances and the financial resources available to them.**

## **PART III**

### **FINANCIAL INFORMATION ON THE COMPANY**

The following financial information on the Company is available at [www.cpe-invest.com/investor-relations/financial-reports](http://www.cpe-invest.com/investor-relations/financial-reports) (up to Admission) or [www.adamasfinance.com/investor-relations/financial-reports](http://www.adamasfinance.com/investor-relations/financial-reports) (following Admission), and is incorporated by reference into this document:

- Unaudited interim results for the six months ended 30 June 2013
- Audited consolidated accounts for the year ended 31 December 2012
- Audited consolidated accounts for the year ended 31 December 2011
- Audited consolidated accounts for the year ended 31 December 2010



## PART IV

### FINANCIAL INFORMATION ON THE NEW ASSETS

#### Section A: Accountants' Report on the New Assets



Crowe Clark Whitehill LLP  
*Chartered Accountants*  
Member of Crowe Horwath International  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH, UK

30 January 2014

The Directors  
China Private Equity Investment Holdings Limited  
Romasco Place  
Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands  
VG1110

WH Ireland Limited  
24 Martin Lane  
London EC4R 0DR

Dear Sirs

We report on the combined financial information set out in Part IV, Section B. The financial information has been prepared for inclusion in the AIM admission document (the "Document") dated 30 January 2014 of China Private Equity Investment Holdings Limited (the "Company") on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

#### Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis set out below and in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Commission.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Document.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information underlying the financial statements and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion the financial information gives, for the purposes of the Document dated 30 January 2014, a true and fair view of the state of affairs of Blazer Delight Limited, Dynamite Win Limited, Lead Winner Limited and Swift Wealth Investments Limited (collectively referred to as the "New Assets") as at the dates stated and of their profits and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

## Section B: Historical Combined Financial Information on the New Assets

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

|   | Note | Year ended 31 December |                  |                  |
|---|------|------------------------|------------------|------------------|
|   |      | 2010<br>US\$'000       | 2011<br>US\$'000 | 2012<br>US\$'000 |
| Fair value changes on financial assets at fair value through profit or loss | 3    | 7,384                  | 5,073            | 9,847            |
| Interest income   |      | 1,638                  | 2,886            | 2,359            |
| Administrative expenses   |      | (91)                   | (319)            | (5)              |
| Operating income  | 4    | 8,931                  | 7,640            | 12,201           |
| Other income  |      | 91                     | 269              | –                |
| Profit before taxation  |      | 9,022                  | 7,909            | 12,201           |
| Taxation  | 5    | –                      | –                | –                |
| Profit for the year attributable to the owners                              |      | 9,022                  | 7,909            | 12,201           |
| Currency translation differences  |      | 210                    | 1,165            | 299              |
| Total comprehensive income for the year attributable to the owners          |      | 9,232                  | 9,074            | 12,500           |

## COMBINED STATEMENTS OF CHANGES IN EQUITY

|   | Share<br>capital<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>US\$'000 |
|---|------------------------------|----------------------------------|-------------------|
| <b>Balance at 16 March 2010</b>                       | –                            | –                                | –                 |
| Profit for the year                                   | –                            | 9,022                            | 9,022             |
| Currency translation differences                      | –                            | 210                              | 210               |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| Total comprehensive income for the year               | –                            | 9,232                            | 9,232             |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| <b>Balance at 31 December 2010 and 1 January 2011</b> | <b>–</b>                     | <b>9,232</b>                     | <b>9,232</b>      |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| Profit for the year                                   | –                            | 7,909                            | 7,909             |
| Currency translation differences                      | –                            | 1,165                            | 1,165             |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| Total comprehensive income for the year               | –                            | 9,074                            | 9,074             |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| <b>Balance at 31 December 2011 and 1 January 2012</b> | <b>–</b>                     | <b>18,306</b>                    | <b>18,306</b>     |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| Profit for the year                                   | –                            | 12,201                           | 12,201            |
| Currency translation differences                      | –                            | 299                              | 299               |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| Total comprehensive income for the year               | –                            | 12,500                           | 12,500            |
|   | <hr/>                        | <hr/>                            | <hr/>             |
| <b>Balance at 31 December 2012</b>                    | <b>–</b>                     | <b>30,806</b>                    | <b>30,806</b>     |
|   | <hr/>                        | <hr/>                            | <hr/>             |

## COMBINED STATEMENTS OF FINANCIAL POSITION

|   | Note | As at 31 December |                  |                  |
|---|------|-------------------|------------------|------------------|
|   |      | 2010<br>US\$'000  | 2011<br>US\$'000 | 2012<br>US\$'000 |
| <b>Non-current assets</b>   |      |                   |                  |                  |
| Unquoted financial assets at fair value through profit or loss            | 6    | 45,594            | 74,744           | 79,334           |
| <b>Total non-current assets</b>   |      | 45,594            | 74,744           | 79,334           |
| <b>Current assets</b>   |      |                   |                  |                  |
| Interest receivables  | 7    | 767               | 496              | 679              |
| Cash and cash equivalents   |      | 871               | 784              | 2,046            |
| <b>Total current assets</b>   |      | 1,638             | 1,280            | 2,725            |
| <b>Total assets</b>   |      | 47,232            | 76,024           | 82,059           |
| <b>Current liabilities</b>  |      |                   |                  |                  |
| Loans from shareholders   | 8    | 38,000            | 57,718           | 51,253           |
| <b>Total liabilities</b>  |      | 38,000            | 57,718           | 51,253           |
| <b>Net current liabilities</b>  |      | (36,362)          | (56,438)         | (48,528)         |
| <b>Net assets</b>   |      | 9,232             | 18,306           | 30,806           |
| <b>Equity and reserves</b>  |      |                   |                  |                  |
| Share capital   | 9    | —                 | —                | —                |
| Retained earnings   |      | 9,232             | 18,306           | 30,806           |
| <b>Total equity and reserves attributable to owners of the New Assets</b> |      | 9,232             | 18,306           | 30,806           |

## COMBINED STATEMENTS OF CASH FLOWS

|  | Year ended 31 December |          |          |
|--|------------------------|----------|----------|
|  | 2010                   | 2011     | 2012     |
|  | US\$'000               | US\$'000 | US\$'000 |
| <b>Cash generated from operating activities</b>                                      |                        |          |          |
| Profit before taxation   | 9,022                  | 7,909    | 12,201   |
| Adjustments for  |                        |          |          |
| Interest income  | (1,638)                | (2,886)  | (2,359)  |
| Fair value changes on unquoted financial assets at fair value through profit or loss | (7,384)                | (5,073)  | (9,847)  |
| <b>Net cash used in operating activities</b>   | –                      | (50)     | (5)      |
| Cash flows from investing activities   |                        |          |          |
| Interest income received   | 871                    | 3,157    | 2,176    |
| Purchase of unquoted financial assets at fair value through profit or loss           | (38,000)               | (26,360) | –        |
| Repayment of debt securities   | –                      | 3,448    | 5,556    |
| <b>Net cash (used in)/generated from investing activities</b>                        | (37,129)               | (19,755) | 7,732    |
| Cash flows from financing activities   |                        |          |          |
| Loans  | 38,000                 | 19,718   | (6,465)  |
| <b>Net cash generated from/(used in) from financing activities</b>                   | 38,000                 | 19,718   | (6,465)  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                          | 871                    | (87)     | 1,262    |
| <b>Cash and cash equivalent at the beginning of the year</b>                         | –                      | 871      | 784      |
| <b>Cash and cash equivalent at the end of the year</b>                               | 871                    | 784      | 2,046    |

## **1. GENERAL INFORMATION**

The combined financial information includes the financial statements of Blazer Delight Limited, Dynamite Win Limited, Lead Winner Limited and Swift Wealth Investments Limited (collectively referred to as the “New Assets”), all of which were incorporated in the British Virgin Islands (“BVI”). The address of the registered office for each entity comprising the New Assets is Corporate Registrations Limited, Sea Meadow House, Blackburne Highway, Road Town, Tortola, BVI.

The New Assets comprise four special purpose entities, each of which holds investments which together comprise a diversified portfolio of short to medium-term special situation investments in growth companies in the Asia region through credit and/or asset backed structures. The entities comprising the New Assets may also hold cash on deposit and to meet redemptions. The investment objective (“Investment Strategy”) of the New Assets is that of the common shareholder, Asia Private Credit Fund Limited (“APCF”), being to achieve superior consistent risk adjusted returns with maximum downside protection through maximizing total investment yield and capital appreciation of special situation investments.

The non-statutory combined financial information is measured and presented in the currency of the primary economic environment in which the entities operate (their functional currency). The non-statutory combined financial information on the New Assets is presented in United States Dollar (“USD”), which is the presentational currency for the financial information. The functional currency of the Operating Group is also United States Dollar (“USD”). All financial information presented in USD has been recorded to the nearest thousand.

The combined financial information reflects the historical operations of the New Assets as if the four entities had been a single reporting entity since 16 March 2010 (the earliest date of incorporation).

The combined financial information includes the aggregation of 100% of Blazer Delight Limited, however under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire 75% of the issued share capital of Blazer Delight Limited. The combined financial information does not reflect the non-controlling interest in Blazer Delight Limited which will be recognized on acquisition by the Company.

## **2. ACCOUNTING POLICIES**

### **(a) Basis of Preparation**

The principal accounting policies adopted in the preparation of the financial information are set out below.

The financial information on the New Assets has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and IFRIC interpretations as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement, and on a going concern basis.

A number of standards and interpretations have been issued but are not yet effective and have not been early adopted in this financial information. The Directors expect that the adoption of those statements and interpretations in future accounting periods will not have a material effect on impact on the reported results of the Investing group with the exception of ‘Investing Entities (Amendments to IFRS 10 and 12 and IAS 27): the Exposure Draft issued in October 2012 to be effective in relation to accounting periods commencing on or after 1 January 2014 is expected to be ratified by the EU before the end of December 2013 and be available for early adoption thereafter. This will provide an exemption from the requirements of consolidation for investment entities and instead allow investment entities to present their investments in subsidiaries as a net investment measured at fair value. Although the application of this would not have impacted on the results of the New Assets for the period ended 31 December 2013, the exemption may be applicable in future periods.



The Directors do not currently expect any other standards to have any material impact on accounting policies or disclosures.

**(b) Basis of combination**

The combined financial information incorporates the financial statements of Blazer Delight Limited, Dynamite Win Limited, Lead Winner Limited and Swift Wealth Investments Limited.

All intra -entity transactions, balances, income and expenses are eliminated in full on combination.

**(c) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the entities and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Fair value changes on financial assets represents the overall changes in net assets from the investment portfolio net of deal-related costs but excluding exchange movements.

**(d) Financial instruments**

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Unquoted financial assets are recognized at fair value through profit or loss.

*Unquoted investments:*

*Classification*

Unquoted financial assets are classified as financial assets at fair value through profit or loss and designated as such by the Directors at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Investment Strategy.

*Recognition/derecognition*

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the relevant entity commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the entity loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or substantially all risks and rewards of ownership are transferred. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value

through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date of an unconditional disposal of the assets.

#### *Measurement*

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with International Private Equity and Venture Capital Valuation (“IPEVCV”) guidelines, as the business of the entities is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise.

In the opinion of the Directors, cash flows arising from transactions in equity and debt investments represent cash flows from investing activities.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. Loans and receivables comprised “interest receivables” and “cash and cash equivalents” in the statement of financial position.

#### *Other payables*

Other payables are not interest bearing and are stated at their nominal value.

#### *Cash and cash equivalents*

For the purpose of the cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts.

#### *Impairment of financial assets*

At each balance sheet date, an assessment is made as to whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets’ carrying amount and the present value of estimated future cash flow discounted at the financial asset’s original effective interest rate.

#### *Financial liabilities*

The New Assets’ financial liabilities include loans from the shareholder.

All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

#### *Equity instruments*

Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

### **(e) Provisions**

Provision is recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in

which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Where a provision amount is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(f) Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

**(g) Critical accounting estimates and judgements**

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial information are in the following areas:

*Valuation of unquoted investments*

In estimating the fair value for an investment, a discounted cash flow methodology has been applied that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Any changes in the above data will affect the fair value of an investment which may lead to recognition an impairment loss in the statement of comprehensive income if impairment exists. Carrying values are dealt with in note 6.

The price of recent investment methodology prescribed in the IPEVCV guidelines has been adapted to value its investments at fair value through the income statement.

If there was no investment event involving third parties during the year, or if suitable alternative valuation evidence was not available, an independent, professionally qualified valuer is appointed to estimate the value of the investment using an appropriate valuation methodology as prescribed in IPEVCV guidelines.

**(h) Foreign currency translation**

*Functional and presentation currency*

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (“functional currency”), which is United States Dollar. The financial statements are presented in United States Dollars and rounded to the nearest thousand dollars, except when otherwise indicated.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**(i) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management and executive Board members. The senior management and executive Board members, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the senior management and executive Board members that make strategic decisions. As the entities are principally engaged in investment business, the Directors consider there is only one business activity significant enough for disclosure. The activities of each entity operate in one geographic location i.e. Asia Pacific, which represents a single cash generating unit.

**(j) Earnings per share**

As set out in Note 1, the financial information has been prepared on an aggregated basis. It is therefore of limited significance or relevance to investors to calculate earnings per share based on the historical aggregated equity. Accordingly, earnings per share have not been presented in the historical financial information.

**3. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS**

|  | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|--|------------------|------------------|------------------|
| Change in fair value of unquoted financial assets (note 6) | 7,384            | 5,073            | 9,847            |

**4. OPERATING INCOME**

Operating income is stated after charging:

|   | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|------------------|
| Fees payable to the New Assets' auditor for audit of the financial statements of the entities | —                | —                | —                |

## 5. TAXATION

The entities comprising the New Assets are incorporated in the British Virgin Islands and are not subject to any income tax, corporation tax, capital gains tax or any other kinds of tax on profits or gains or tax in the nature of estate duty or inheritance tax currently in effect.

As at 31 December 2010, 2011 and 2012, the entities had no unused tax losses available for offset against future profits.

## 6. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|---|------------------|------------------|------------------|
| At beginning of the year                  | –                | 45,594           | 74,744           |
| Fair value changes through profit or loss | 7,384            | 5,073            | 9,847            |
| Purchase                                  | 38,000           | 26,360           | –                |
| Repayment of debt securities              | –                | (3,448)          | (5,556)          |
| Effect of foreign exchange                | 210              | 1,165            | 299              |
| At end of the year                        | <u>45,594</u>    | <u>74,744</u>    | <u>79,334</u>    |

The fair values of the investments have been estimated using discounted cash flow valuation techniques based on assumptions that are not supported by observable market prices or rates. The valuations required the directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal of the investments. The directors believe that the estimated fair values resulting from the valuation technique are reasonable and that they were the most appropriate values at the end of the reporting.

## 7. INTEREST RECEIVABLES

Interest receivables related to interest on debt securities.

Interest receivables have been reviewed and are considered not to be impaired nor are they past due and all amounts held are considered to be fully recoverable in value.

## 8. LOANS FROM SHAREHOLDERS

|       | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|-------|------------------|------------------|------------------|
| Loans | <u>38,000</u>    | <u>57,718</u>    | <u>51,253</u>    |

Loans represent borrowing from the shareholder to enable the acquisition of investments. The loans are unsecured, non-interest bearing and without fixed repayment term. The loans were converted to share premium subsequent to 31 December 2012 (see note 13).

## 9. COMBINED SHARE CAPITAL

|   | Number of<br>shares | Amount<br>US\$ |
|---|---------------------|----------------|
| Ordinary shares issued on 16 March 2010 on the<br>incorporation of Lead Winner Limited  | 1                   | 1              |
| Ordinary shares issued on 10 February 2011 on the<br>incorporation of Blazer Delight Limited  | 1                   | 1              |
| Ordinary shares issued on 10 May 2011 on the<br>incorporation of Dynamite Win Limited   | 1                   | 1              |
| Ordinary shares issued on 13 May 2011 on the<br>incorporation of Swift Wealth Investments Limited   | 1                   | 1              |
| Authorised, issued and fully paid:<br>Ordinary shares with par value of US\$1.00 each at 31 December 2011,<br>1 January 2012, 31 December 2012 and 31 December 2013 | 4                   | 4              |

Each of the entities comprising the New Assets was incorporated in the British Virgin Islands under the British Virgin Islands Business Companies Act 2004. Under British Virgin Islands laws and registration, there is no concept of share premium.

## 10. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

- (i) ensuring that appropriate funding strategies are adopted to meet short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;
- (ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and
- (iii) ensuring that credit risks on receivables are properly managed.

*Financial instruments by category*

The accounting policies for financial instruments have been applied to the line items below:

*Loans and receivables*

|                           | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|---------------------------|------------------|------------------|------------------|
| Interest receivables      | 767              | 496              | 679              |
| Cash and cash equivalents | 871              | 784              | 2,046            |
|                           | <u>1,638</u>     | <u>1,280</u>     | <u>2,725</u>     |

*Other financial liabilities*

|       | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|-------|------------------|------------------|------------------|
| Loans | <u>38,000</u>    | <u>57,718</u>    | <u>51,253</u>    |

## 10. FINANCIAL INSTRUMENTS (continued)

### *Financial assets at fair value through profit or loss*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2, or 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

|  | 2010<br>US\$'000 | 2011<br>US\$'000 | 2012<br>US\$'000 |
|--|------------------|------------------|------------------|
| Level 1  |                  |                  |                  |
| Quoted financial assets at fair value through profit or loss               | —                | —                | —                |
| Level 2  |                  |                  |                  |
| Unquoted financial assets at fair value through profit or loss             | —                | —                | —                |
| Level 3  |                  |                  |                  |
| Unquoted financial assets at fair value through profit or loss<br>(Note 6) | 45,594           | 74,744           | 51,253           |
|  | <u>45,594</u>    | <u>74,744</u>    | <u>51,253</u>    |

Carrying values of all financial assets and liabilities approximate to fair values.

### **Credit and counterparty risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss by failing to discharge an obligation. The entities are exposed to the risk of non-payment of debt instruments or the interest due on loans.

The entities provide loans to portfolio companies, most of which were supported by corporate and/or personal guarantees. The credit quality of these investments is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions.

There were neither past due but not impaired nor impaired financial assets at the end of the reporting period.

### **Interest rate risk**

The potential for interest rate risk exposure arises from interest on bank balances, a risk that the Directors do not consider significant.

### **Liquidity risk**

Liquidity risk is defined as the risk that the entities will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.



The entities may periodically invest in unlisted equity and debt securities that are not traded in an organised market and may be illiquid. As a result, the entities may not be able to liquidate quickly its investments to repay shareholder's loan.

### Currency risks

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The entities invest in securities that are denominated in currencies other than US\$. Accordingly, the value of the assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore necessarily be subject to foreign exchange risks.

The following table indicates the currencies to which the entities had significant exposure at 31 December 2010, 2011 and 2012 on its financial instruments. As there is a correlation between HK\$ and US\$, the interest rate exposure of HK\$/US\$ is considered minimal and thus no sensitivity analysis is needed. The analysis calculates the effect of a reasonably possible movement of the currency rate against US\$ on both the net assets attributable to holders of redeemable participating shares, with all other variables held constant.

|                  | Change in<br>currency rate<br>% | Effect on<br>the net assets<br>attributable<br>to shareholder<br>US\$'000 |
|------------------|---------------------------------|---|
| 31 December 2010 |                                 |   |
| Renminbi         | +5                              | +1,214  |
| 31 December 2011 |                                 |   |
| Renminbi         | +5                              | +1,267  |
| 31 December 2012 |                                 |   |
| Renminbi         | +5                              | +1,260  |

An equivalent decrease in each of the aforementioned currencies against US\$ would have resulted in an equivalent but opposite impact.

### Capital management

The capital of the entities is deemed to be the net assets attributable to shareholder. The entities invest substantially all of its net assets in a portfolio of unlisted equities and debt securities. The investment objective of the entities is to safeguard the ability to continue as a going concern in order to achieve a superior risk-adjusted rate of return. The entities aim to achieve this by investing assets in a diversified portfolio of unlisted equity and debt securities with a focus on Asia region, which use non-traditional and alternative asset management strategies. The entities have policies and processes for the selection and ongoing monitoring of the investments which are carried out by the management.

## 11. RELATED PARTY TRANSACTIONS

During the period, the following transactions with related parties and connected parties were entered into:

|                        | As at 31 December |                  |                  |
|------------------------|-------------------|------------------|------------------|
|                        | 2010<br>US\$'000  | 2011<br>US\$'000 | 2012<br>US\$'000 |
| Loans from shareholder | 38,000            | 57,718           | 51,253           |

## **12. NATURE OF FINANCIAL INFORMATION**

The non-statutory combined financial information of the entities presented above does not constitute statutory financial statements for either the New Assets or the component entities for each of the three years ended 31 December 2012.

## **13. SUBSEQUENT EVENTS**

On 18 November 2013, APCF purchased 99 additional shares in Blazer Delight Limited for consideration of US\$99. As a result, APCF held 100 ordinary shares in Blazer Delight Limited.

On 25 November 2013, APCF purchased 99 additional shares in Lead Winner Limited for consideration of US\$99. As a result, APCF held 100 ordinary shares in Lead Winner Limited.

On 3 December 2013, the outstanding loans from shareholders included in liabilities (see note 8) were converted to share premium in the entities comprising the New Assets.

On 3 December 2013, APCF transferred its 100 per cent. shareholdings in each of Lead Winner Limited, Swift Wealth Investments Limited and Dynamite Win Limited to Elypsis Solutions Limited ("Elypsis"). On the same date, APCF transferred 75 ordinary shares, representing a 75 per cent. shareholding, in Blazer Delight Limited to Elypsis.

## Section C: Unaudited interim combined information on the New Assets

Set out below are the unaudited results of the entities comprising the New Assets for the six months ended 30 June 2013, together with the unaudited results for the comparative six month period ended 30 June 2012.

### COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The combined statements of comprehensive income of the entities comprising the New Assets for the six months ended 30 June 2013 and the six months ended 30 June 2012 are set out below:

|  |             | <b>Six months<br/>ended<br/>30 June<br/>2013<br/>US\$'000<br/>(Unaudited)</b> | <b>Six months<br/>ended<br/>30 June<br/>2012<br/>US\$'000<br/>(Unaudited)</b> |
|--|-------------|---|---|
|  | <b>Note</b> |   |   |
| Fair value changes on financial assets at fair value<br>through profit or loss |             | 985   | 1,163   |
| Interest income  |             | 481   | 1,160   |
| Administrative expenses  |             | (2)   | (5)   |
| <b>Operating income</b>  |             | <b>1,464</b>  | <b>2,318</b>  |
| Other income   |             | —   | —   |
| <b>Profit before taxation</b>  |             | <b>1,464</b>  | <b>2,318</b>  |
| Taxation   | 3           | —   | —   |
| Profit for the period attributable to the owners                               |             | 1,464   | 2,318   |
| Other comprehensive income   |             | —   | —   |
| Currency translation differences   |             | 402   | (215)   |
| <b>Total comprehensive income attributable to owners</b>                       |             | <b>1,866</b>  | <b>2,103</b>  |

## COMBINED STATEMENTS OF FINANCIAL POSITION

The combined statements of financial position of the entities comprising the New Assets as at 30 June 2013 and at 31 December 2012 are set out below:

|   | <b>30 June<br/>2013<br/>US\$'000</b> | <b>31 December<br/>2012<br/>US\$'000</b> |
|---|--------------------------------------|--|
| <b>Non-current assets</b>   |                                      |  |
| Unquoted financial assets at fair value through profit or loss                | 70,123                               | 79,334                                   |
|   | <hr/>                                | <hr/>                                    |
| Total non-current assets  | 70,123                               | 79,334                                   |
|   | <hr/>                                | <hr/>                                    |
| <b>Current assets</b>   |                                      |  |
| Interest receivables  | 92                                   | 679                                      |
| Cash and cash equivalents   | 46                                   | 2,046                                    |
|   | <hr/>                                | <hr/>                                    |
| <b>Total current assets</b>   | 138                                  | 2,725                                    |
|   | <hr/>                                | <hr/>                                    |
| <b>Total assets</b>   | 70,261                               | 82,059                                   |
|   | <hr/>                                | <hr/>                                    |
| <b>Current liabilities</b>  |                                      |  |
| Loans from shareholders   | 37,589                               | 51,253                                   |
|   | <hr/>                                | <hr/>                                    |
| <b>Total liabilities</b>  | 37,589                               | 51,253                                   |
|   | <hr/>                                | <hr/>                                    |
| Net current liabilities   | (37,451)                             | (48,528)                                 |
|   | <hr/>                                | <hr/>                                    |
| Net assets  | 32,672                               | 30,806                                   |
|   | <hr/>                                | <hr/>                                    |
| <b>Equity and reserves</b>  |                                      |  |
| Share capital   | —                                    | —  |
| Retained earnings   | 32,672                               | 30,806                                   |
|   | <hr/>                                | <hr/>                                    |
| <b>Total equity and reserves attributable to owners<br/>of the New Assets</b> | 32,672                               | 30,806                                   |
|   | <hr/>                                | <hr/>                                    |

## COMBINED STATEMENTS OF CHANGES IN EQUITY

|   | Note | Share<br>capital<br>US\$000 | Retained<br>earnings<br>US\$000 | Total<br>equity<br>US\$000 |
|---|------|-----------------------------|---------------------------------|----------------------------|
| Balance at 1st January 2013                       |      | —                           | 30,806                          | 30,806                     |
| Profit after taxation                             |      | —                           | 1,464                           | 1,464                      |
| Expired options                                   |      |                             |                                 |                            |
| Currency translation differences                  |      | —                           | 402                             | 402                        |
| Other comprehensive income                        |      | —                           | —                               | —                          |
| Total comprehensive income for the financial year |      | —                           | 1,866                           | 1,866                      |
| Balance at 30 June 2013                           |      | —                           | 32,672                          | 32,672                     |

## COMBINED STATEMENTS OF CASH FLOWS

The combined statements of cash flows for the entities comprising the New Assets for the six months ended 30 June 2013 and 30 June 2012 are set out below:

|   | Six months<br>ended<br>30 June<br>2013<br>US\$'000 | Six months<br>ended<br>30 June<br>2012<br>US\$'000 |
|---|--|--|
| <b>Cash flows from operating activities</b>   |  |  |
| Profit before taxation  | 1,464  | 2,318  |
| Adjustments for:  |  |  |
| Interest income   | (481)  | (1,160)  |
| Fair value changes on unquoted financial assets at<br>fair value through profit or loss | (985)  | (1,163)  |
| Net cash used in operating activities   | (2)  | (5)  |
| <b>Cash flows from investing activities</b>   |  |  |
| Interest income received  | 1,068  | 1,562  |
| Repayment from debt securities  | 10,598   | 1,675  |
| Net cash generated by investing activities  | 11,666   | 3,237  |
| <b>Cash flows from financing activities</b>   |  |  |
| Loans   | (13,664)   | (3,978)  |
| Net cash used in financing activities   | (13,664)   | (3,978)  |
| <b>Net decreased in cash and cash equivalents</b>                                       | (2,000)  | (746)  |
| Cash and cash equivalents at the beginning of the period                                | 2,046  | 784  |
| Effect of foreign exchange  | –  | –  |
| <b>Cash and cash equivalents at the end of the period</b>                               | 46   | 38   |

## **NOTES TO THE INTERIM FINANCIAL INFORMATION**

### **1. GENERAL INFORMATION**

The combined financial information includes the financial statements of Blazer Delight Limited, Dynamite Win Limited, Lead Winner Limited and Swift Wealth Investments Limited (collectively referred to as the “New Assets”), all of which were incorporated in the British Virgin Islands (“BVI”). The address of the registered office for each entity comprising the New Assets is Corporate Registrations Limited, Sea Meadow House, Blackburne Highway, Road Town, Tortola, BVI.

The New Assets comprised four special purpose entities, each of which holds investments which together comprise a diversified portfolio of short to medium-term special situation investments in growth companies in the Asia region through credit and/or asset backed structures. The entities comprising the New Assets may also hold cash on deposit and to meet redemptions. The investment objective of the New Assets is that of the common shareholder, Asia Private Credit Fund Limited (“APCF”), being to achieve superior consistent risk adjusted returns with maximum downside protection through maximizing total investment yield and capital appreciation of special situation investments.

### **2. BASIS OF PREPARATION**

The unaudited interim financial information on the New Assets has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and IFRIC interpretations as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets and financial liabilities at fair value through the income statement, and on a going concern basis.

The non-statutory combined financial information is measured and presented in the currency of the primary economic environment in which the entities operate (their functional currency). The non-statutory combined financial information of the New Assets is presented in United States Dollar (“USD”), which is the presentational currency for the financial information. The functional currency is also United States Dollar (“USD”). All financial information presented in USD has been recorded to the nearest thousand.

The combined financial information reflects the historical operations of the New Assets as if the four entities had been a single reporting entity since 16 March 2010 (the earliest date of incorporation).

### **3. TAXATION**

The tax charge on profits assessable has been calculated at the rates of tax prevailing in the countries in which the entities comprising the New Assets operates, based on existing legislation, interpretation and practices in respect thereof.

The entities comprising the New Assets are incorporated in the British Virgin Islands and are not subject to any income tax, corporation tax, capital gains tax or any other kinds of tax on profits or gains or tax in the nature of estate duty or inheritance tax currently in effect.

As at 30 June 2013 the New Assets has no unused tax losses available for offset against future profits.



#### **4. EARNINGS PER SHARE**

The financial information has been prepared on an aggregated basis. It is therefore of limited significance or relevance to investors to calculate earnings per share based on historical aggregated equity and earnings per share information is therefore not presented.

#### **5. SUBSEQUENT EVENTS**

On 18 November 2013, APCF purchased 99 additional shares in Blazer Delight Limited for consideration of US\$99. As a result, APCF held 100 ordinary shares in Blazer Delight Limited.

On 25 November 2013, APCF purchased 99 additional shares in Lead Winner Limited for consideration of US\$99. As a result, APCF held 100 ordinary shares in Lead Winner Limited.

On 3 December 2013, the outstanding loans from shareholders included in liabilities (see note 8) were converted to share premium in the entities comprising the New Assets.

On 3 December 2013, APCF transferred its 100 per cent. shareholdings in each of Lead Winner Limited, Swift Wealth Investments Limited and Dynamite Win Limited to Elypsis Solutions Limited ("Elypsis"). On the same date, APCF transferred 75 ordinary shares, representing a 75 per cent. shareholding, in Blazer Delight Limited to Elypsis.

#### **6. NATURE OF FINANCIAL INFORMATION**

The non-statutory combined financial information presented above does not constitute statutory financial statements for the entities comprising the New Assets for the period under review.

## PART V

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS ON ADMISSION



Crowe Clark Whitehill LLP  
*Chartered Accountants*  
Member of Crowe Horwath International  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH, UK

30 January 2014

The Directors  
China Private Equity Investment Holdings Limited  
Romasco Place  
Wickhams Cay 1  
PO Box 3140  
Road Town  
Tortola  
British Virgin Islands  
VG1110

WH Ireland Limited  
24 Martin Lane  
London  
EC4R 0DR

#### **Introduction**

We report on the unaudited pro forma financial information of China Private Equity Investment Holdings Limited (the “Company”) set out in Part V of the AIM Admission Document dated 30 January 2014 (the “Document”). The pro forma financial information has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Blazer Delight Limited, Dynamite Win Limited, Lead Winner Limited and Swift Wealth Investments Limited (collectively referred to as the “New Assets”) might have affected the financial information presented on the basis of the accounting policies adopted by the Company as at and for the period ended 30 June 2013 (together the “Enlarged Group”). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that scheduled and for no other purpose.

#### **Responsibilities**

It is the responsibility of the Directors of the Company to prepare the unaudited pro forma financial information. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**  
*Chartered Accountants*

Set out below is an unaudited pro forma statement of aggregated net assets of the Group's, which has been prepared on the basis of the Company's unaudited financial information for the period ended 30 June 2013 and the unaudited financial information on the New Assets for the period ended 30 June 2013. It has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

|  | <b>The Group</b><br><b>30 June</b><br><b>2013</b><br><b>(Unaudited)</b><br><b>\$'000</b><br><i>(Note 1)</i> | <b>New Assets</b><br><b>30 June</b><br><b>2013</b><br><b>(Unaudited)</b><br><b>\$'000</b><br><i>(Note 2)</i> | <b>Pro forma</b><br><b>adjustments</b><br><b>\$'000</b><br><i>(Note 3)</i> | <b>Pro forma</b><br><b>net assets</b><br><b>(Unaudited)</b><br><b>\$'000</b> |
|--|---|--|--|--|
| <b>Non-current assets</b>                                      |   |  |  |  |
| Property, plant and equipment                                  | 106   | –  | –  | 106  |
| Unquoted financial assets at fair value through profit or loss | 20,119  | 70,123   | –  | 90,242   |
|  | <u>20,225</u>   | <u>70,123</u>  | <u>–</u>   | <u>90,348</u>  |
| <b>Current assets</b>  |   |  |  |  |
| Loans and other receivables                                    | 3,467   | 92   | –  | 3,559  |
| Quoted financial assets at fair value through profit or loss   | 3,431   | –  | –  | 3,431  |
| Cash and cash equivalents                                      | 1,084   | 46   | 4,040  | 5,170  |
|  | <u>7,982</u>  | <u>138</u>   | <u>4,040</u>   | <u>12,160</u>  |
| <b>Total assets</b>  | <u>28,207</u>   | <u>70,261</u>  | <u>4,040</u>   | <u>102,508</u>   |
| <b>Current liabilities</b>                                     |   |  |  |  |
| Other payables and accruals                                    | 1,635   | –  | –  | 1,635  |
| Loans from shareholders  | –   | 37,589   | (37,589)   | –  |
|  | <u>1,635</u>  | <u>37,589</u>  | <u>(37,589)</u>  | <u>1,635</u>   |
| <b>Total liabilities</b>                                       | <u>1,635</u>  | <u>37,589</u>  | <u>(37,589)</u>  | <u>1,635</u>   |
| <b>Net assets before non-controlling interests</b>             | <u>26,572</u>   | <u>32,672</u>  | <u>41,629</u>  | <u>100,873</u>   |
| Non-controlling interest in the New Assets                     | –   | –  | 6,800  | 6,800  |
| <b>Net assets</b>  | <u><u>26,572</u></u>  | <u><u>32,672</u></u>   | <u><u>34,829</u></u>   | <u><u>94,073</u></u>   |

**Notes:**

The unaudited pro forma financial information has been prepared on the following basis:

1. The consolidated net assets of the Group have been extracted without adjustment from the unaudited interim report of the group for the six month period ended 30 June 2013. No account has been taken of the activities of the Company subsequent to 30 June 2013.
2. The net assets of the New Assets have been extracted without adjustment from the unaudited interim combined financial information on the New Assets set out in Part V, Section C of the Admission Document. No account has been taken of the activities of the New Assets subsequent to 30 June 2013.
3. The pro-forma adjustments reflect:
  - the capitalisation of loans from the shareholder to the entities comprising the New Assets prior to their acquisition by the Company;
  - the share of the net assets of Blazer Delight Limited attributable to the holders of 25% of the issued share capital in that company not acquired by the Company;
  - gross proceeds from the fundraising of US\$4.9 million; and
  - transaction costs of approximately US\$860,000 in relation to the acquisition and admission

The Directors consider that the substance of the acquisition of the New Assets by the Company is that it is an acquisition of an asset or a group of assets that does not constitute a business and therefore outside the scope of IFRS3 (Revised) – ‘Business combinations’. In such cases the acquirer is required to identify and recognise the individual identifiable assets acquired and liabilities assumed and allocate the cost of acquisition to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. No goodwill is therefore expected to arise on the acquisition.

## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

- 1.1 The Company (whose registered office appears on page 4) and the Directors (whose names appear on page 4) accept responsibility individually and collectively for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The business address of each Director and their respective functions are set out on page 4.

#### 2. THE GROUP

- 2.1 The Company was incorporated on 18 January 2008 in the British Virgin Islands.
- 2.2 The registered office of the Company is at Romasco Place, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands, VG1110 (telephone number +1 (284) 852 1010).
- 2.3 The Company's accounting reference date is 31 December.
- 2.4 As at the date of this document, the Company is the holding company of the following subsidiaries:

| <i>Company name</i>                           | <i>Place of incorporation</i> | <i>Percentage of issued share capital or interest held</i> | <i>Principal activity</i> |
|---|-------------------------------|--|---------------------------|
| CPE TMT Holdings Limited                      | BVI                           | 100%   | Holding company           |
| CPE Growth Capital Limited                    | BVI                           | 100%   | Holding company           |
| China Private Equity Investment Group Limited | BVI                           | 100%   | Holding company           |

- 2.5 The principal legislation under which the Company was formed and now operates is the BVIBCA.
- 2.6 The Company's website address is [www.cpe-invest.com](http://www.cpe-invest.com) until Admission and [www.adamasfinance.com](http://www.adamasfinance.com) with effect from Admission.
- 2.7 Until Admission the ISIN (International Security Identification Number) is VGG215911055. With effect from Admission the ISIN will be VGG008271089. The Ordinary Shares were created under the BVIBCA.

### 3. SHARES IN THE COMPANY

- 3.1 The maximum number of Ordinary Shares that the Company is authorised to issue is set out in the Memorandum. The number of Ordinary Shares the Company is authorised to issue, at the date of this document and as it is expected to be immediately following Admission, is as follows:

|  | At the date<br>of this document          |   | Immediately following<br>Admission       |   |
|--|--|---|--|---|
|  | <i>Number<br/>of Ordinary<br/>Shares</i> | <i>Nominal value<br/>of Ordinary<br/>Shares</i> | <i>Number<br/>of Ordinary<br/>Shares</i> | <i>Nominal value<br/>of Ordinary<br/>Shares</i> |
| Ordinary Shares the Company is authorised to issue | 300,000,000                              | no par value                                    | 2,825,000,000                            | no par value                                    |
| Number of Ordinary Shares issued                   | 126,284,645                              | no par value                                    | 1,697,396,193*                           | no par value                                    |
| * assuming 42,094,881 Bonus Shares are issued      |  |   |  |   |

- 3.2 As at 1 January 2010, the issued share capital of the Company was 12,756,929 Ordinary shares. On 4 June 2010, the Company made a bonus issue to Shareholders on the basis of four bonus shares for every Ordinary Share then held. On 31 December 2010, there were 63,784,645 Ordinary Shares in issue.
- 3.3 In April 2011, the Company passed a written resolution to increase its share capital from 100,000,000 to 300,000,000 Ordinary Shares. On 17 May 2011, the Company issued 10,000,000 Ordinary Shares in consideration for the acquisition of a 30 per cent. interest in Enfinium. On 21 December 2011, the Company issued 2,500,000 Ordinary Shares at a price of US\$0.40 per Ordinary Share. On 31 December 2011, there were 76,284,645 Ordinary Shares in issue.
- 3.4 On 19 April 2013, the Company placed 25,000,000 Ordinary Shares at a price of US\$0.08 per Ordinary Share. On 11 May 2013, the Company placed 25,000,000 Ordinary Shares at a price of US\$0.08 per Ordinary Share. The issued share capital on 31 December 2013 was 126,284,645 Ordinary Shares.

### 4. MEMORANDUM AND ARTICLES

- 4.1 The Memorandum of Association of the Company and the Articles of Association of the Company summarised in this document will be adopted conditionally on Admission. Certain provisions of each are summarised below.
- 4.2 The Memorandum provides, inter alia, that:
- 4.2.1 the registered office of the Company is at Romasco Place, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands, VG1110;
  - 4.2.2 subject to the BVIBCA and any other BVI legislation the Company has, irrespective of corporate benefit, (i) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and (ii) for the purposes of (i), full rights, powers and privileges;
  - 4.2.3 the Company is authorised to issue up to 2,825,000,000 Ordinary Shares of a single class and of no par value;
  - 4.2.4 the Company may amend its Memorandum or Articles by an ordinary resolution of members; and
  - 4.2.5 if at any time the authorised capital is divided into different classes of shares, the rights attached to any class may only be varied, whether or not the Company is being wound up, with the consent in writing of the holders of three quarters of the total issued shares of the class or by a special resolution passed at a separate meeting of the holders of the issued shares of that class.
- 4.3 The Articles include provisions to the following effect:

#### 4.3.1 Voting

- (a) Section 34 of the BVIBCA deals with the voting rights of shareholders. This section provides that except as provided in the Memorandum or Articles, all shares shall have one vote. There are no contrary provisions in the Memorandum or Articles of the Company.



- (b) Subject to any special rights or restrictions as to voting for the time being attached to any Ordinary Shares by or in accordance with the Memorandum or the Articles, at any general meeting (i) on a show of hands each Shareholder present in person (or being a corporation, is present by a representative) or by proxy, and each holder of a preference share who has a right to vote on the resolution and who is present in person (or being a corporation, is present by a representative), shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a Shareholder is represented by two proxies, and (ii) on a poll every Shareholder present in person or by proxy (or in the case of a Shareholder being a corporation, by its duly authorised representative), and each holder of a preference share who has a right to vote on the resolution, shall have one vote for every fully paid share of which he is the holder or which he represents on the share bears to the total amounts paid and payable (excluding amounts credited on the share), but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall subject to the AIM Rules for Companies be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:
- (i) by the chairman of such meeting;
  - (ii) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting;
  - (iii) by Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
  - (iv) by a Shareholder present in person (or in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder (or in the case of a Shareholder being a corporation by its duly authorised representative) shall be deemed to be the same as a demand by a Shareholder. Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

#### **4.3.2 Return of Capital on Winding Up**

Section 206 of the BVIBCA deals with the duties of a voluntary liquidator on a winding up of the Company. Subject to payment of, or to discharge of, all claims, debts, liabilities and obligations of the Company any surplus assets shall then be distributed amongst the members according to their rights and interests in the Company according to the Memorandum and Articles of the Company. If the assets available for distribution to members shall be insufficient to pay the whole of the paid up capital such assets shall be shared on a pro rata basis amongst members entitled to them by reference to the number of fully paid up shares held by such members respectively at the commencement of the winding up.

#### **4.3.3 Reduction or Increase in Authorised Capital**

The Company may by an ordinary resolution of the Shareholders amend the Memorandum to increase or reduce its authorised capital and in connection therewith the Company may in respect of any unissued shares increase or reduce the number of such shares.

#### **4.3.4 Redemption or Repurchase of Ordinary Shares**

- (a) The Company may purchase, redeem or otherwise acquire and hold its own shares. Such power shall (subject to authorisation of shareholders in general meeting) be exercisable by the Board upon such terms and subject to such conditions as the Board thinks fit.
- (b) The Company may only offer to purchase, redeem or otherwise acquire shares if the resolution of directors authorising the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after the acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- (c) Shares that the Company purchases, redeems or otherwise acquires will be held as treasury shares except to the extent that such shares are in excess of 50 per cent. of the issued shares in which case they shall be cancelled but they shall be available for reissue.
- (d) All rights and obligations attaching to a treasury share are suspended and shall not be exercised by the Company while it holds the share as a treasury share.
- (e) Treasury shares may be transferred by the Company on such terms and conditions as the Company may by resolution of Directors determine.

#### **4.3.5 Transfer of Shares**

- (a) Certificated shares in the Company may be transferred by a written instrument of transfer signed by or on behalf of the transferor and containing the name and address of the transferee.
- (b) The Company shall not be required to treat a transferee of a registered share in the Company as a member until the transferee's name has been entered in the share register.
- (c) The registration of transfers of any class of shares may, after notice has been given in accordance with applicable requirements of the designated stock exchange be suspended at such times and for such periods as the Board may determine.
- (d) The Board may, in its absolute discretion and without giving any reason therefore, pass a resolution refusing, preventing or delaying to register a transfer of any share (not being a fully paid up share), in respect of:
  - (i) any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists;
  - (ii) any purported transfer of any share (not being a fully paid up share) on which the Company has a lien, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased Shareholder;
  - (iii) a transfer of any share to more than three joint holders; or
  - (iv) the Company is otherwise permitted or required to do so under the AIM Rules for Companies or the rules applicable to a designated stock exchange or under the terms of issue of the shares.

- (e) The Board may decline to recognise any instrument of transfer unless:
  - (i) if the AIM Rules for Companies permit the Company to charge a fee, a fee of such sum (not exceeding or such maximum sum as the designated stock exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof;
  - (ii) the instrument of transfer is in respect of only one class of share; and
  - (iii) the instrument of transfer is lodged at the registered office or the office of the Company's transfer agent accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

Subject to the AIM Rules for Companies no transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

#### **4.3.6 Disclosure of interests in shares**

The provisions of DTR 5 shall be deemed to apply to the Company, so that members are required, under the Articles to notify the Company of their interests in shares of the Company and any indirect interests in the shares they hold in the Company, whether such indirect interest inures at the relevant time or has so inured in the previous three years. If any member fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to attendance and voting at general meetings or to be reckoned in a quorum, dividends and transfer. Such suspension shall have effect from the date on which the default notice is given to the member until a date that is not more than seven days after the board of directors has determined that the holder of the shares has cured the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Company without any obligation to pay interest thereon.

#### **4.3.7 Distributions by way of dividend**

- (a) The Board may, subject to the Articles, the AIM Rules for Companies and in accordance with the BVIBCA, authorise a distribution by the Company at such time and of such amount as it thinks fit. A distribution may be paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Board determines is no longer needed. Distributions by way of dividend may be paid in money, shares or other property.
- (b) The Directors may from time to time pay to the Shareholders such interim dividends as appear to the Directors to be justified by the profits of the Company.
- (c) No dividends shall be declared and paid unless the Directors determine that immediately after the payment of the dividend the value of the Company's assets will exceed its liabilities and the Company will be able to satisfy its liabilities as they fall due.

#### **4.3.8 Pre-emption Rights**

Statutory pre-emption rights have been excluded. There are no pre-emptive rights on the issue or sale of shares.

#### **4.3.9 General Meeting**

- (a) The Company is required to hold an annual general meeting each year. Additionally Directors may convene meetings of the Shareholders to the Company at such times and in such-manner and places within or outside the British Virgin Islands as the Directors consider necessary or desirable. Upon the written request of Shareholders holding 10 per cent. or more of the outstanding voting rights attaching to shares in the Company the Directors shall convene a meeting of Shareholders.
- (b) The Directors shall give not less than 14 days' notice of a meeting of Shareholders to those persons whose names on the date the notice is given appear as Shareholders in the share register of the Company and are entitled to vote at the meeting.
- (c) A general meeting, whether or not a special resolution will be considered at such meeting, may be called by shorter notice if it is so agreed:
  - (i) in the case of a meeting called as an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and
  - (ii) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety per cent. of the total voting rights on all the matters to be considered at the meeting;

and for this purpose, the presence of a Shareholder at the general meeting shall be deemed to constitute waiver on his part.

- (d) A meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are present, in person or by proxy, two Shareholders.
- (e) If within thirty minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened at the request of Shareholders, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice of the adjourned meeting shall be given specifying the time and place of the adjourned meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give notice of an adjournment.
- (f) Any action required or permitted to be taken at any general meetings of the Company may only be taken upon the vote of Shareholders at a general meeting of the Company duly convened in accordance with the Articles and the BVIBCA and may not be taken by written resolution of Shareholders without a meeting.

#### **4.3.10 Appointment of Directors**

- (a) The Directors shall be elected by the Shareholders for such term as the Shareholders determine. The minimum number of Directors shall be one and the maximum number shall be twelve.

- (b) The Directors may, at any time, appoint a person to be a Director to fill a vacancy. Where a person is appointed to fill a vacancy, they shall hold office until the next annual general meeting and shall then retire and be eligible for re-election.
- (c) Each Director shall retire at least once every three years and for this purpose, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that any Director appointed by the Directors either to fill a vacancy or as an additional director shall not be taken into account in determining the number of Directors who are to retire by rotation. The Directors to retire by rotation shall be those Directors who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

#### **4.3.11 General Powers of the Directors**

- (a) The business and affairs of the Company shall be managed by, or under the direction or supervision of the Board, which may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) except powers that by the laws of the British Virgin Islands or by the Memorandum or by the Articles or by the AIM Rules for Companies, are required to be exercised by the Company in general meeting. The Directors have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company.
- (b) The Directors or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the Directors may determine to be necessary or desirable. Questions arising at any meeting shall be decided by a majority of votes and in the event of deadlock the chairman shall have a casting vote.
- (c) An action that may be taken by the Directors or a committee of Directors at a meeting may also be taken by a resolution signed by a majority of Directors or a committee of Directors in writing provided that such number of Directors approving the resolution is sufficient to constitute a quorum and that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by the Articles and further provided that no Director approving the resolution is aware of or has received any objection to the resolution from any Director.

#### **4.3.12 Directors' Interests**

Subject to the provisions of the BVIBCA, a Director may:

- (a) hold any other office or position of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine; and/or
- (b) act by himself or through his firm in a professional capacity for the Company (other than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director; and/or
- (c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise.

Subject to the BVIBCA and to the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract, arrangement or transaction in which he is interested in accordance with the Articles.

A Director who, to his knowledge, is in any way, whether directly or indirectly, interested in a contract, arrangement or transaction or proposed contract, arrangement or transaction with the Company shall disclose or declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general notice to the Board by a Director to the effect that:

- (i) he is a member, director, officer or trustee of a specified company, firm or other person and is to be regarded as interested in any contract, arrangement or transaction which may after the date of the Notice be made with that company, firm or person; or
- (ii) he is to be regarded as interested in any contract, arrangement or transaction which may after the date of the Notice be made with a specified person who is connected with him,

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract, arrangement or transaction, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given. For the purposes of this Article, a disclosure shall not be taken to have been made to the Board unless it is made or brought to the attention of every Director on the Board.

A Director shall not vote on any resolution of the Board in respect of any contract, arrangement or transaction or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest. Such a Director shall also not be counted in determining whether a quorum is present at a meeting of the Board at which such contract, arrangement or transaction or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest is considered. Matters in which he shall not be considered to have a personal material interest shall include the following:

- (i) any contract, arrangement or transaction for the giving to such Director any security or indemnity in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract, arrangement or transaction for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract, arrangement or transaction in which he is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;



- (iv) any contract, arrangement or transaction concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules or regulations, where applicable, of the designated stock exchange) is beneficially interested in (other than through his interest (if any) in the Company) five per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived);
- (v) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; or
- (vi) any contract, arrangement or transaction which (i) is between the Director and the Company and (ii) is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

#### **4.3.13 Auditor**

At the annual general meeting or at a subsequent general meeting in each year, the Shareholders shall appoint an auditor to hold office until the close of the next annual general meeting, and if an appointment is not so made, the auditor in office shall continue in office until a successor is appointed. Such auditor may be a Shareholder but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The Shareholders may, at any general meeting convened and held in accordance with the Articles, by special resolution remove the auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another auditor in his stead for the remainder of his term.

The financial statements of the Company shall be audited at least once in every year by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the Shareholders in general meeting.

#### **4.3.14 Indemnity**

The Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person:

- (a) is or was a Director, an officer or a liquidator of the Company; or
- (b) is or was, at the request of the Company, serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise

provided that such person acted honestly and in good faith and in what he believed to be the best interests of the Company and, in the case of criminal proceedings, he had no reasonable cause to believe that his conduct was unlawful.

#### **4.4 Takeover provisions**

4.4.1 The Company is not currently subject to the Takeover Code.

4.4.2 The Company's Articles contain certain protections which are similar to those provisions of the Takeover Code. The Articles provide among other things that:

- (a) if any Shareholder (or person acting in concert with such Shareholder) acquires, whether in a single transaction or by a series transactions over a period of time, an interest in Ordinary Shares which (taken together with Ordinary Shares in which such Shareholder or persons acting in concert with such Shareholders are interested) carry 30 per cent. or more of the voting rights of the Company; or
- (b) any Shareholder, together with persons acting in concert with such Shareholder, is interested in Ordinary Shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold Ordinary Shares carrying more than 50 per cent. of such voting rights and such Shareholder, or any person acting in concert with such Shareholder, acquires an interest in any other Ordinary Shares which increases the percentage of shares carrying voting rights in which he is interested,

such Shareholder (the "Offeror") shall extend an offer, to the holders of all the issued (and to be issued) Ordinary Shares in the Company. An offer will not be required where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of shares.

4.4.3 An offer must be conditional only upon the Offeror having received acceptance in respect of Ordinary Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company.

4.4.4 An offer will not be required under the Articles, as a result of the acquisition by a person of Ordinary Shares upon Admission, or as a result of the exercise by a person (or, in respect of a corporate entity, a member of that corporate entity's group) of Warrants or options which were granted to such person upon Admission.

4.4.5 An offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to the Articles arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in Ordinary Shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in Ordinary Shares so acquired.

4.4.6 When an offer is made and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for shares, to the holders of such convertible securities to ensure that their interests are safeguarded.

4.4.7 Any offer shall be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. In relation to any offer required to be made under the Articles, any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination.



- 4.4.8 Except with the consent of an ordinary resolution of independent Shareholders on a poll, Shareholders shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any Ordinary Shares and in relation to their dealings with the Company in relation to all matters.
- 4.4.9 At all times when the Company is in an offer period each Shareholder shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.

## 5. DISCLOSURE OF INTERESTS

### 5.1 Directors' and other interests

- 5.1.1 At the date of this document and following Admission, the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the UK Companies Act 2006) in the issued share capital of the Company are as follows:

| <i>Director</i> | <i>At the date<br/>of this document</i>  |   | <i>Immediately following<br/>Admission</i> |  |
|-----------------|--|---|--|--|
|                 | <i>Number of<br/>Ordinary<br/>Shares</i> | <i>Percentage<br/>of Existing<br/>Ordinary<br/>Shares</i> | <i>Number of<br/>Ordinary<br/>Shares</i>   | <i>Percentage<br/>of Enlarged<br/>Issued Share<br/>Capital</i> |
| John Croft      | 254,590                                  | 0.20  | 254,590                                    | 0.015  |

\* Of this holding, John Croft is interested in 184,000 Ordinary Shares indirectly held in his Self-Invested Personal Pension

- 5.1.2 Save as disclosed in this paragraph 5, none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act 2006, has any interest in the issued share capital of the Company or its subsidiaries.
- 5.1.3 Save as disclosed in this paragraph 5 as at the date of this document, no Director has any option over or warrant to subscribe for any shares in the Company.
- 5.1.4 Save for the Introduction Agreement referred to in paragraph 8.1 of this Part VI, the Services Agreement referred to in paragraph 8.13 of this Part VI, the letters of appointment referred to in paragraphs 8.4 and 8.5 of this Part VI or the lock-in agreements referred to in paragraph 7.1 of this Part VI, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, Shareholders or recent Shareholders connected with or dependent upon Admission.

## 5.2 Major Shareholders

5.2.1 In addition to those disclosed at paragraph 5.1.1 of this Part VI, the Company is aware of the following persons who, at 29 January 2014 (being the latest practicable date before publication of this document) and following completion of Admission and the Fundraising, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

| <i>Shareholder</i>                          | <i>At the date<br/>of this document</i>  |   | <i>Immediately following<br/>Admission</i> |  |
|---|--|---|--|--|
|   | <i>Number of<br/>Ordinary<br/>Shares</i> | <i>Percentage<br/>of Existing<br/>Ordinary<br/>Shares</i> | <i>Number of<br/>Ordinary<br/>Shares</i>   | <i>Percentage<br/>of Enlarged<br/>Issued Share<br/>Capital</i> |
| Wong Chun Hung                              | 25,000,000                               | 19.80   | 25,000,000                                 | 1.47   |
| China Thrive Investments Limited            | 25,000,000                               | 19.80   | 25,000,000                                 | 1.47   |
| Imperia Capital Investment Holdings Limited | 11,727,926                               | 9.29  | 11,727,926                                 | 0.69   |
| Max Era Properties Limited                  | 8,640,441                                | 6.84  | 8,640,441                                  | 0.51   |
| Red Deer Corporation                        | 7,300,000                                | 5.78  | 7,300,000                                  | 0.43   |
| Chau Vinh Heng                              | 6,114,180                                | 4.84  | 6,114,180                                  | 0.36   |
| Tang Yue Nien, Martin                       | 4,818,515                                | 3.82  | 4,818,515                                  | 0.28   |
| Long Term Aim Holdings Limited              | 4,818,515                                | 3.82  | 4,818,515                                  | 0.28   |

5.2.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

## 5.3 Options

The following options to subscribe for Ordinary Shares have been granted:

| <i>Date of grant</i> | <i>Number of<br/>share options</i> | <i>Exercise period</i> |                 | <i>Exercise<br/>price<br/>US\$</i> |
|----------------------|------------------------------------|------------------------|-----------------|------------------------------------|
|                      |                                    | <i>From</i>            | <i>To</i>       |                                    |
| 5 December 2012      | 750,000                            | 5 December 2012        | 4 December 2015 | 0.25                               |
| 12 July 2013         | 750,000                            | 12 July 2013           | 11 July 2016    | 0.10                               |
| 12 July 2013         | 750,000                            | 12 July 2013           | 11 July 2016    | 0.15                               |

No other options have been granted by the Company which remain outstanding at the date of this document.

5.4 Neither the Directors nor any substantial shareholders have different voting rights to other holders of the share capital of the Company.

## 6. ADDITIONAL INFORMATION ON THE DIRECTORS

- 6.1 The Directors currently hold (other than directorship of the Company) the following directorships and are partners in the following partnerships and have held the following directorships and have been partners in the following partnerships within the five years prior to the publication of this document:

| <i>Director</i> | <i>Current directorships or interests in partnerships</i>   | <i>Former directorships or interests in partnerships held in last five years</i>   |
|-----------------|---|--|
| John Croft      | Brazilian Nickel Limited<br>Cotswold Court (Eastbourne) Limited<br>Croft International Partners Limited<br>Fusionex International PLC<br>Goal Group Limited                                     | Epay Asia Limited<br>Global Tailor Limited<br>G&M (UK) Limited   |
| Ernest Wong     | Fortel Creative Media Corporation Limited<br>Hong Kong University Graduation Association<br>KVB Kunlun Global Capital Limited<br>Renheng Enterprise Holdings Limited                            | Enfinium Pty Ltd<br>Vantage FX Pty Ltd<br>Fortel Media China Ltd<br>Fortel MP Limited<br>Fortel Technology Holdings Ltd<br>Global Pharm Holdings Group, Inc<br>Shenzhen Jun Tai Technology Ltd<br>Vantage FX Pty Ltd |
| Conor MacNamara | BRJ China Credit Fund Limited<br>Gen2 Partners GP Limited<br>Global Surplus Investments Limited<br>Heracles Solutions Limited<br>Nautical Adventure Limited<br>Asia Private Credit Fund Limited | Elypsis Solutions Limited<br>Gen2 Partners Investment Management Limited<br>KS Asia Absolute Return Fund<br>Mercury Solutions Limited<br>Shingen Capital Investment Limited  |

- 6.2 Save as set out in this document, none of the Directors has:

- 6.2.1 any unspent convictions in relation to indictable offences;
- 6.2.2 any bankruptcy order made against him or entered into any individual voluntary arrangements;
- 6.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 6.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 6.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entering into receivership;
- 6.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 6.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## **7. DIRECTORS' TERMS OF APPOINTMENT**

### **7.1 The Company has entered into the following service agreements and letter of appointment:**

Ernest Wong has entered into a letter of appointment with the Company dated 29 January 2014, pursuant to which he was appointed as a non-executive director of the Company for an initial term of one year, the terms of which are conditional upon Admission. Mr Wong will be paid £30,000 per annum monthly in arrears. The appointment is terminable on one months' notice by either party. Mr Wong has agreed not to be directly or indirectly employed, engaged, concerned or interested in any business or undertaking which competes with the business of the Company or any of its subsidiaries, save with the prior consent of the Board. Mr Wong is also restricted from working for a competing business of the Company for the period of six months following termination of the appointment.

Conor MacNamara has entered into a letter of appointment with the Company dated 29 January 2014, pursuant to which he was appointed as a non-executive director of the Company for an initial term of [three] years, the terms of which are conditional upon Admission. Mr MacNamara will be paid £30,000 per annum monthly in arrears. The appointment is terminable on three months' notice by either party. Mr MacNamara has agreed not to be directly or indirectly employed, engaged, concerned or interested in any business or undertaking which competes with the business of the Company or any of its subsidiaries, save with the prior consent of the Board. Mr MacNamara is also restricted from working for a competing business of the Company for the period of six months following termination of the appointment.

John Croft has entered into a letter of appointment with the Company dated 29 January 2014, pursuant to which he was appointed as non-executive chairman of the Company for an initial term of one year, the terms of which are conditional upon Admission. Mr Croft will be paid £60,000 per annum monthly in arrears. The appointment is terminable by Mr Croft giving the Company six months' notice or the Company giving Mr Croft three months' notice of their respective wish to terminate the appointment. Mr Croft has agreed not to be directly or indirectly employed, engaged, concerned or interested in any business or undertaking which competes with the business of the Company or any of its subsidiaries, save with the prior consent of the Board. Mr Croft is also restricted from working for a competing business of the Company for the period of six months following termination of the appointment.

### **7.2 Save as set out above there are no contracts providing for benefits upon termination of employment of any Director.**

### **7.3 The aggregate emoluments of the Directors for the financial year ended 31 December 2013 were approximately US\$586,155 and for the year ending 31 December 2014 are expected to be approximately US\$200,000 under the arrangements described in this Document.**

## **8. MATERIAL CONTRACTS**

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

### **8.1 Introduction Agreement**

Pursuant to the Introduction Agreement dated 29 January 2014 between (1) the Company, (2) the Directors, (3) WH Ireland and (4) Adamas GAIM, WH Ireland has agreed to act as the Company's nominated adviser for the purposes of Admission. The obligations of WH Ireland (in respect of Admission) are subject to certain conditions, inter alia, the publication of this document, the passing of the Resolutions, the issue and allotment of the Consideration Shares and Admission having occurred no later than 8.00 a.m. on 19 February 2014 (or such later time as may be agreed between the Company and WH Ireland, but in any event not later than 28 February 2014). The Company, Adamas GAIM and each of the Directors undertakes to use their respective reasonable endeavours to procure such conditions are fulfilled.

The Introduction Agreement contains certain customary warranties and indemnities given by the Company and certain customary warranties given by the Directors (in respect of themselves). In addition, there are provisions which enable WH Ireland to terminate the Introduction Agreement in certain circumstances prior to Admission, including where any of the warranties are found to be inaccurate in any material respect. WH Ireland may give written notice to the Company to terminate the Introduction Agreement should certain events take place including, inter alia, there having been a material breach by any of the Company, Adamas GAIM or the Directors of their obligations under the Introduction Agreement or any applicable law or regulation in respect of Admission.

## 8.2 Nominated Adviser Agreement

Pursuant to an agreement dated 23 December 2013 between the Company and WH Ireland, WH Ireland agreed to act as nominated adviser to the Company with effect from 23 December 2013. The Company agreed to pay WH Ireland an annual fee (together with reasonably incurred out of pocket expenses incurred by WH Ireland in the course of carrying out its duties). The agreement is subject to termination on three months' notice by either party at any time after the initial 12 month period. WH Ireland shall provide, inter alia, such independent advice and guidance to the directors of the Company and the Company as they may require from time to time, as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules. The agreement also contains provisions for early termination in certain circumstances (including the Company's failure to comply with any material legal or regulatory requirement and WH Ireland being removed from the list of nominated advisers maintained by the London Stock Exchange) and an indemnity given by the Company to WH Ireland in relation to the provision by WH Ireland of its services.

## 8.3 Broker Agreement

Pursuant to an agreement dated on or about 23 December 2014 between (1) Laurel Capital and (2) the Company, Laurel Capital agreed to act as corporate broker to the Company. The Company agreed to pay Laurel Capital a monthly retainer fee of £5,500 (plus VAT if applicable), payable monthly in advance. The agreement is subject to termination on three months' notice by either party, at any time after an initial six month period. Laurel Capital shall, inter alia, use its reasonable endeavours to match buyers and sellers of the Ordinary Shares if there is no registered market maker, co-ordinate all transactions in the Company's shares by the Directors and provide such other assistance as Laurel Capital and the Company may agree. The agreement also contains provisions for early termination in a number of circumstances (such as Laurel Capital losing its approval from London Stock Exchange to act as the Company's broker).

## 8.4 Shareholder Lock-in Agreement

On 29 January 2014, (1) WH Ireland, (2) the Company and (3) Elypsis entered into a lock-in deed pursuant to which each of Elypsis and Adamas GAIM (the "Locked-in Parties") have undertaken that they will not dispose of an interest in Ordinary Shares for the period of 12 months following Admission, except pursuant to a court order or in the case of a takeover offer for the entire issued share capital of the Company.

In addition, the Locked-in Parties have undertaken that they will not dispose of any interest in Ordinary Shares for a period of 12 months following the first anniversary of Admission without effecting such sale through WH Ireland (or the Company's broker from time to time).

## 8.5 Management Lock-In Agreement

On 29 January 2014, (1) WH Ireland, (2) the Company and (3) the Directors entered into a lock-in deed pursuant to which each Director has undertaken that he will not dispose of his interest in Ordinary Shares for the period of 12 months following Admission, except pursuant to a court order or in the case of a takeover offer for the entire issued share capital of the Company.

In addition, each Director has undertaken that he will not dispose of any interest in Ordinary Shares for a period of 12 months following the first anniversary of Admission without effecting such sale through WH Ireland (or the Company's broker from time to time).

#### 8.6 DI Deed Poll

The Company has agreed that the Depositary shall provide the Company with depositary services in accordance with a trust deed poll executed by the Depositary dated 30 September 2009, pursuant to which the Depositary has determined to constitute and issue from time to time the Depositary Interests with a view to facilitating the indirect holding of, and settlement of, transactions by participants in CREST.

#### 8.7 Relationship Agreement

On 29 January 2014, the Company, Elypsis and APCF entered into a relationship agreement pursuant to which, conditional on Admission taking place not later than 8.00 a.m. on 19 February 2014, Elypsis agrees that, for as long as Elypsis or any of its associates holds 20 per cent. or more of the voting rights attaching to the Ordinary Shares, it will exercise such voting rights to ensure that, inter alia, the Company is capable at all times of carrying on its business independently of Elypsis and its associates, the Board is not influenced by them and acts in the best interests of all Shareholders and that all transactions between Elypsis and its associates and any Group company are and will be made at arm's length and on normal commercial terms. The agreement will terminate automatically upon either (a) Elypsis together with its associates ceasing to have an interest, in aggregate, in more than 20 per cent. of the voting rights attaching to the Company's Ordinary Shares; or (b) following Admission, the Ordinary Shares ceasing to be traded on AIM.

#### 8.8 Subscription Agreements

On 29 January 2014, the Company entered into subscription agreements with three investors, pursuant to which and subject to completion of the Acquisition and Admission, those investors committed to provide US\$5,016,000. Such funding is to be made by the subscription for 83,600,000 Ordinary Shares (being US\$5,016,000 divided by the Issue Price).

Both the investors and the Company are giving standard warranties as to capacity.

#### 8.9 Shareholder Warrant Instrument

Pursuant to a warrant instrument entered into by the Company dated 29 January 2014, the Company has granted Existing Ordinary Shareholders the right, conditional on Completion, to subscribe for up to 63,142,322 new Ordinary Shares (on the basis of one new Ordinary Share for every two Ordinary Shares already held) at a price of US\$0.06 to be exercised at any time before the date falling on the first anniversary after Admission. Entitlements to Shareholder warrants will be rounded down and fractional entitlements will be ignored.

#### 8.10 Consideration Warrant Instrument

Pursuant to a warrant instrument entered into by the Company dated 29 January 2014, the Company has granted Elypsis (and / or its nominees) the right, conditional on Completion, to subscribe for 722,708,333 new Ordinary Shares (on the basis of one new Ordinary Share for every two Consideration Shares issued) at a price of US\$0.06 to be exercised at any time between the date falling on the first anniversary of Admission and the date falling on the sixth anniversary of Admission.



#### 8.11 Acquisition Agreement

On 29 January 2014, the Company entered into the Acquisition Agreement for the acquisition of Elypsis' interests in the Target Companies. The following is a summary of certain key terms and conditions of the sale and purchase agreement:

- 8.11.1 the Company has conditionally agreed to acquire the entire issued share capital of each of Lead Winner, Swift Wealth Investments and Dynamite Win and 75 per cent. of the issued share capital of Blazer Delight. Elypsis has agreed to sell its shares in each of the Target Companies with full title guarantee and free from any encumbrances to the Company;
- 8.11.2 the aggregate consideration for the purchase of Elypsis' interests in the Target Companies shall be satisfied by the issue to Elypsis of the Consideration Shares, credited as fully paid and ranking pari passu with the Ordinary Shares, together with the Consideration Warrants;
- 8.11.3 completion of the Acquisition Agreement is conditional on (i) the publication of an AIM admission document approved by the Board and WH Ireland, and (ii) Shareholders approving the Acquisition in General Meeting. Subject to the termination rights described in paragraph 8.11.5 below, if all of the conditions have not been satisfied by 30 June 2014, the Acquisition Agreement will automatically terminate, unless otherwise agreed by the parties;
- 8.11.4 Elypsis provided the Company with warranties as to title and capacity and certain other limited warranties in relation to the Target Companies, together with further warranties, qualified as to the awareness of Elypsis, in relation to CJRE. The Company also gave certain warranties and undertakings to Elypsis as to title, capacity and authority and certain other limited warranties in relation to its subsidiaries and investments; and
- 8.11.5 under the terms of the Acquisition Agreement, Elypsis and the Company have limited rights to terminate their obligations arising thereunder between the date on which the Acquisition Agreement is signed and Completion. The Company has the right to terminate (i) if Elypsis is in material breach of the Acquisition Agreement (material breach being a breach resulting in liability equal to or more than US\$10,000,000), or (ii) if at Completion Elypsis makes a disclosure against the warranties which would constitute a material breach of such warranties. Similarly, Elypsis has the right to terminate if (i) the Company is in material breach of the Acquisition Agreement (material breach being a breach resulting in liability equal to or more than US\$10,000,000), or (ii) if the Company is in material breach of any of its warranties as at Completion.

#### 8.12 Irrevocable Undertakings

On 29 January 2014 Wong Chun Hung and Imperia Capital Investment Holdings Limited each entered into an irrevocable undertaking in favour of the Company whereby each irrevocably undertook to vote in favour of the Resolutions.

#### 8.13 Services Agreement

A Services Agreement was entered into between the Company and Adamas GAIM on 29 January 2014 pursuant to which Adamas GAIM has been given sole responsibility for the management of the Company's assets in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors.

Under the Services Agreement Adamas GAIM will provide certain investment management services, including recommending and reviewing the Company's investment policy, making investment recommendations to the Board, identifying potential investments for the Company and performing and/or procuring all due diligence in relation to potential investments for the Company. Adamas GAIM shall seek the approval of the Directors in executing the investment policy if the proposed investment is either in excess of 10 per cent. of the prevailing NAV of the Company's portfolio or if it is outside the parameters of the investment policy.

The Services Agreement is for an initial term of three years from Admission, thereafter being terminable upon twelve months' written notice. The Services Agreement can also be immediately terminated in certain circumstances including where the Company or Adamas GAIM suffers an insolvency event.

In the event that both Barry Lau and Paul Heffner cease to devote the majority of their time to, or cease to have active management responsibility in, Adamas GAIM, the Company may terminate the Services Agreement on 30 days' notice.

Adamas GAIM is entitled to receive from the Company, in respect of its services provided under the Services Agreement, a management fee accrued daily and payable bi-annually in advance calculated at an annual rate of one per cent. of the higher of the NAV and market capitalisation of the Company, calculated on the relevant half year date (being either 30 June or 31 December).

Adamas GAIM shall take all reasonable steps to identify any conflicts of interest between Adamas GAIM, its associates, any member of its Group or between any of them and any other client of Adamas GAIM. In the event of a conflict arising Adamas GAIM will take all reasonable steps to prevent any conflicts of interest from constituting or giving rise to a material risk of damage to the interests of any member of the Group. To the extent Adamas GAIM sources or otherwise originates any potential investment which is within the parameters of the Investing Policy and above a deal size of US\$10,000,000, Adamas GAIM has agreed, subject to, and based on, the Company's available capital at the time, to offer any such potential investment opportunity to the Company for investment on a pro rata basis as between the Company, APCF, GCCF or such other funds as may be managed by Adamas GAIM in the future. In the event that the investment opportunity is less than US\$10 million then Adamas GAIM has discretion as to whether any offer to invest is extended to the Company.

The aggregate liability of Adamas GAIM and its associates under the Services Agreement shall be limited to £1 million.

Adamas GAIM will maintain, at its cost, professional indemnity insurance with a limit of indemnity of not less than £1 million. This professional indemnity insurance will be maintained for a period expiring not less than eight years after the termination of the Services Agreement.

The Services Agreement is governed by the laws of England and Wales.

## **9. RELATED PARTY TRANSACTIONS**

Save as disclosed in this document, there are no related party transactions for the purposes of the AIM Rules for Companies.

## **10. LITIGATION**

The Enlarged Group is not, nor has at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Enlarged Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Enlarged Group's financial position or profitability.

## **11. EMPLOYEES**

As at the date at the end of the period covered by the financial information set out in Part III of this document, the Group had 5 employees.



## **12. SHARE OPTIONS**

As at 29 January 2014, being the latest practicable date prior to publication of this document, the only outstanding options were those as described in paragraph 5.3 of this Part VI of this document. These represent outstanding options over a total of 2,250,000 Ordinary Shares representing approximately 1.78 per cent., of the issued share capital of the Company as at such date.

## **13. WORKING CAPITAL**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **14. TAXATION**

### **14.1 United Kingdom taxation**

The following information is given in summary form based on legislation and published HMRC practice as it exists at the present time. The information relates to the tax position of Shareholders in the capital of the Company who are resident and, in the case of individual, domiciled in the United Kingdom for tax purposes. The statements below do not constitute advice to any Shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom, directors or employees of the Company or United Kingdom insurance companies).

The summary is not exhaustive and does not generally consider tax reliefs and exemptions. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her professional advisers immediately.

Investors should note that tax law and interpretation can change and that in particular the levels and basis of reliefs from taxation may change.

#### **14.1.1 Taxation and chargeable gains**

If a Shareholder, who is resident or in the case of an individual ordinarily resident for tax purposes in the UK, disposes of all or any of his Ordinary Shares, depending on the Shareholder's particular circumstances, a liability to taxation on chargeable gains may be incurred. Individuals, personal representatives and trustees are not entitled to an indexation allowance which may also reduce the gain chargeable. Corporate Shareholders are entitled to an indexation allowance, and may be entitled to the substantial shareholding exemption reducing the rate of tax to nil providing certain conditions are met.

Shareholders who are not resident in the UK will not normally be liable to UK taxation on capital gains arising on the disposal of their Ordinary Shares. However, non-UK shareholders will need to take specific professional advice.

For the purposes of United Kingdom taxation of chargeable gains, any new Ordinary Shares taken up under the Bonus Issue will, together with the Shareholder's existing holding of Ordinary Shares, be treated as a single asset acquired at the time the existing holding was acquired.

#### **14.1.2 Stamp Duty**

In relation to the Ordinary Shares being issued by the Company, no liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue of, or on the issue of definitive share certificates in respect of, such Ordinary Shares by the Company other than in circumstances involving depositary receipts or clearance services referred to below.

Shareholders will be registered on the Company's register in the UK. Shareholders who are "system members" of CREST may elect to hold their Ordinary Shares in CREST for trading on AIM.

The conveyance or transfer on sale of Ordinary Shares held in certificated form will generally be subject to *ad valorem* stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser of the Ordinary Shares.

The UK Chancellor of the Exchequer has announced that from 28 April 2014 the 0.5 per cent. change to stamp duty and SDRT on the conveyance or transfer or sale of shares, listed on certain exchanges will be abolished. AIM is expected to be one of those exempt exchanges, although the final legislation has yet to be enacted.

#### 14.1.3 Taxation of dividends and distributions

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual Shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit (such aggregate being the 'gross dividend'). The value of the tax credit is currently one ninth of the net dividend (or 10 per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from HMRC. In the case of an individual so resident who is not liable to income tax at a rate greater than basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from HMRC. This means that individual Shareholders liable to income tax only at the basic rate will be liable to income tax on dividends received from the Company at a rate equal to 10 per cent. of the gross dividend. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.) or additional higher rate (currently 37.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have additional tax at the rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate of income tax.

Individual Shareholders who (after taking account of the gross dividend) are subject to income tax at the additional rate (currently 45 per cent.) will be liable to income tax at the dividend additional rate of 37.5 per cent on the gross dividend. For example, a 45 per cent tax payer receiving a dividend of £90 would for income tax purposes be treated as receiving dividend income of £100 (the aggregate of the £90 dividend received and the associated tax credit of £10). The tax liability would be £37.50. However the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £27.50.

Shareholders who are within the charge to UK corporation tax will be subject to corporation tax on dividends unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether other conditions are met will depend upon the circumstances of the particular shareholder, although it is expected that the dividends paid by the Company would normally be exempt.

Trustees of discretionary trusts and trusts where dividend income is accumulated are liable for tax at the rate of 37.5 per cent. of the gross dividend receipt. As with additional rate shareholders, the 10 per cent. credit will be set against the tax liability, leaving further tax to

pay at 27.5 per cent. of the gross dividend. This is a complex area and trustees of such trusts should consult their own tax advisers.

#### 14.1.4 Non-United Kingdom residents

Generally, non-United Kingdom residents will not be subject to any United Kingdom taxation in respect of United Kingdom dividend income nor will they be able to recover the associated tax credit, although this will depend upon the existence of and the terms of any double taxation convention between the United Kingdom and the country in which such Shareholder is resident.

Non-United Kingdom resident Shareholders may be subject to tax on United Kingdom dividend income under any law to which that person is subject outside the United Kingdom. Non-United Kingdom resident Shareholders should consult their own tax advisers with regard to their liability to taxation in respect of the cash dividend.

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

#### 14.2 British Virgin Islands (BVI) Taxation

The Company is registered under the BVIBCA.

As such the Company is not subject to tax in the BVI and there are no transfer or other taxes payable on any transfer of Ordinary Shares. There is no withholding tax on dividends.

The Company needs to pay an annual registration fee to the BVI Government. This and most other BVI filings are made by the Registered Agent.

#### 14.3 Hong Kong Taxation

##### 14.3.1 Taxation of dividends

Hong Kong does not impose tax on dividend income. Dividend income received by a Hong Kong resident corporate Shareholder or a Hong Kong individual Shareholder from the Company, would not be taxable in Hong Kong.

##### 14.3.2 Taxation of capital gains made by shareholders

There is no capital gains tax in Hong Kong. As the Company is quoted on AIM, share investment in the Company would be regarded as an offshore investment for Hong Kong tax purposes. As Hong Kong has a territorial based tax concept in which only income sourced in Hong Kong would be subject to tax, any gain on the disposal of Ordinary Shares by a Hong Kong resident corporate or individual shareholder would be offshore in nature and not taxable in Hong Kong.

##### 14.3.3 Transaction taxes

Transfer or disposal of Hong Kong stock attracts stamp duty at 0.2 per cent. on the transfer price or market value of the Ordinary Shares at the time of transfer, whichever is higher. For stamp duty purposes, "Hong Kong Stock" means stock the transfer of which is required to be registered in Hong Kong. Providing the Company does not maintain any statutory corporate share register in Hong Kong, the transfer or disposal of the Ordinary Shares by its Shareholders will not be registered in Hong Kong. As such, the transfer or disposal of Ordinary Shares by its Shareholders should not be subject to Hong Kong stamp duty. Otherwise, stamp duty at 0.2 per cent. would apply.

## 15. CREST AND DEPOSITARY INTERESTS

### 15.1 Introduction

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company with the Depositary. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will also be able to do so. No temporary documents of title will be issued.

The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue DIs in respect of the underlying Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. DIs will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM. The DIs will be created and issued pursuant to the DI Deed Poll, which will govern the relationship between the Depositary and the holders of DIs.

Application will be made for the DIs in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission. Holders of Ordinary Shares in certificated form who wish to hold DIs through the CREST system may be able to do so and should contact the Registrar.

### 15.2 Summary of the DI Deed Poll

As mentioned above, the DIs will be created pursuant to and issued on the terms of the DI Deed Poll. The DI Deed Poll is executed by the Depositary, in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that they will have no rights against Euroclear or its subsidiaries in respect of the underlying Ordinary Shares or the DIs representing them.

Ordinary Shares will be transferred to an account of the Depositary or its nominated custodian (the "Custodian") and the Depositary will issue DIs to participating members.

Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of DIs any stock or cash benefits received by them as holder of Ordinary Shares on trust for such DI holder. DI holders will also be able to receive from the Depositary notices of meetings of holders of Ordinary Shares and other information to make choices and elections issued by the Company to the Shareholders.

In summary, the DI Deed Poll contains, *inter alia*, provisions to the following effect:

- (a) The Depositary will hold (themselves or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the DIs for the benefit of the holders of the DIs. The Depositary will re-allocate securities or distributions allocated to the Depositary or the Custodian pro rata to the Ordinary Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.
- (b) Holders of DIs warrant, *inter alia*, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary for the account of the DI holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles or any contractual obligation, or applicable law or regulation binding or affecting such holder.

- (c) The Depositary and any Custodian must pass on to DI holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the deposited Ordinary Shares in accordance with the DI Deed Poll. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the DI Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the DI Deed Poll. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must pay the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.
- (d) The Depositary will be entitled to cancel DIs and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a DI holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems necessary or appropriate for the administration or implementation of the Deed Poll in accordance with applicable laws and regulations.
- (e) The DI Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the DI Deed Poll or otherwise except as may result from their negligence or wilful default or fraud or that of any person for whom the Depositary is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless the Depositary has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of:
  - a. the value of the Ordinary Shares and other deposited property properly attributable to the DIs to which the liability relates; and
  - b. that proportion of £5 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £5 million.
- (f) The Depositary is entitled to charge holders of DIs fees and expenses for the provision of their services under the DI Deed Poll.
- (g) The holders of DIs are required to agree and acknowledge with the Depositary that it is the responsibility of the holder and not the Depositary, to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.
- (h) Each holder of DIs is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the DI Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent if such Custodian or agent is a member of the Depositary's Group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

- (i) The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of DI holders.
- (j) The Depositary may terminate the DI Deed Poll by giving not less than 90 days' prior notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. They shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the DI Deed Poll pro rata to holders of DIs in respect of their DIs.
- (k) The Depositary may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Ordinary Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of DIs are to comply with the Company's instructions with respect thereto.

## **16. GENERAL**

- 16.1 The gross proceeds of the Fundraising receivable by the Company are expected to amount to US\$5.016 million (approximately £3.02 million). Total costs and expenses payable by the Company in connection with the Admission (including professional fees, commissions, the costs of printing and the fees payable to the London Stock Exchange) are estimated to amount to approximately £700,000 (excluding VAT).
- 16.2 Crowe Clark Whitehill LLP has given and has not withdrawn its written consent to the inclusion of its reports in Part IV of this document and the references to its name in the form and context in which they are respectively included. Crowe Clark Whitehill LLP, which is a member of the Institute of Chartered Accountants in England and Wales, is registered in England and Wales as a limited liability partnership under OC307043 and its registered office is at St. Bride's House, 10 Salisbury Square, London EC4Y 8EH.
- 16.3 WH Ireland has given and has not withdrawn its consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 16.4 Laurel Capital has given and not withdrawn its consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 16.5 Roma Appraisals Limited has given and has not withdrawn its consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 16.6 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Enlarged Group since 30 June 2013, the date to which the last consolidated accounts of the Company were prepared.
- 16.7 Save as set out in this document no person (other than a professional adviser referred to in this document or trade suppliers or customers dealing with members of the Group) has:
  - 16.7.1 received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or



- 16.7.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly, from the Company on or after Admission, any of the following;
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Issue Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 16.8 Save as disclosed in this document, there are no investments in progress of the Company which are or may be significant.
- 16.9 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.
- 16.10 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

## **17. THIRD PARTY INFORMATION**

- 17.1 Various data used in this document has been obtained from independent sources. The Company has not verified the data obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications, risks and uncertainties described above.
- 17.2 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **18. AVAILABILITY OF ADMISSION DOCUMENT**

Copies of this document are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Pinsent Masons LLP and the registered office of the Company from the date of this document until at least one month after the date of Admission and on the Company's website, [www.cpe-invest.com](http://www.cpe-invest.com) (up to Admission) and [www.adamasfinance.com](http://www.adamasfinance.com) (with effect from Admission).

## PART VII

### INFORMATION ON CJRE

Pursuant to the Acquisition Agreement, the Company has agreed to acquire the whole of the share capital of Lead Winner, a special purpose vehicle registered in the BVI. Lead Winner's principal asset is a 30 per cent. interest in S&T Group Holdings Limited which owns a 50 per cent. interest in CJRE which, in turn, is developing the Tian Tong Shan Villa project. Further information on CJRE is set out in this Part VII and in Part VIII of this document.

#### SECTION A BACKGROUND ON CJRE

##### Introduction

CJRE owns the TTS Project, which is a substantial resort and residential development with a focus on hot spring resort facilities together with ancillary residential, commercial and recreational facilities in Changtai County, Zhangzhou City, Fujian Province, PRC.

The project has convenient transport access to major cities including Xiamen, where there is an international airport. The total land area of Phase I of the development is approximately 5,000 mu (approximately 824 acres) and the development plan includes a five star hotel, a club house, villas, luxury apartments and other ancillary facilities. The total land area for Phase II of the development is approximately 6,000 mu (approximately 988 acres).

Construction of the clubhouse of the hotel has been ongoing since December 2011. CJRE has agreed terms with Starwood Hotels & Resorts Worldwide, Inc. to be the operator of the five-star hotel which will trade under the Le Méridien brand. The topping out of 57 villas in the first zone, totalling 83 mu, of the project was completed by March 2013. Although no revenue was generated during 2010 to 2012 CJRE has reported to Adamas that the pre-sale of these 57 villas started in October 2013. A number of villas have been sold and deposits received. All revenue will be generated from Zhangzhou City, Fujian Province. The construction is expected to be completed in late 2014. CJRE is now working on the design plan for the next 50 mu of development which will include luxury apartments.

##### *CJRE's land*

CJRE has, at the date of this document, been granted to it a total of 384 mu of land, comprising approximately 24 per cent. of the total 1,600 mu of land that CRJE is seeking to have granted to it for the Phase I development. It (and its affiliates) have entered into leases in relation to a further 2,980 mu of land. Together with the granted land, this represents approximately 67 per cent. of the total targeted 5,000 mu of land CJRE is seeking to have granted or leased to it for the entire Phase I development.

Securing the granted and leased land have been the principal events of CJRE's business, together with securing certain permits and licences in relation to the land allowing CJRE to commence development of the Tian Tong Shan Villa Project. The following table below sets out the various land plots granted to CJRE together with the relevant permits which have been issued on each of them.



| No. | Construction Land Planning Permit No.        | Construction Works Planning Permit No.                     | Construction Works Commencement Permit No.       | Land Use Rights Certificate No.                      | Area (square Metre) | Area (mu) | Use of purpose          |
|-----|--|--|--|--|---------------------|-----------|-------------------------|
| 1   | To be applied                                | To be applied  | To be applied                                    | Tai Guo Yong (2006) No. 00285                        | 5478.00             | 8.217     | Commercial/ Residential |
| 2   | Di Zi No.350625200800010 (area:37,805.8 sqm) | Jian Zi No. 350625201200081 (C-01)                         | No. 350625201211280000                           | Tai Guo Yong (2006) No. 00890                        | 15588.00            | 23.382    | Commercial/ Residential |
| 3   | Di Zi No.350625200800010 (area:37,805.8 sqm) | Jian Zi No. 350625201200081 (C-01)                         | No 350625201211280000                            | Tai Guo Yong (2006) No. 00891                        | 7153.40             | 10.7301   | Commercial/ Residential |
| 4   | Di Zi No.350625200800010 (area:37,805.8 sqm) | Jian Zi No. 350625201200081 (C-01)                         | No 350625201211280000                            | Tai Guo Yong (2006) No. 00892                        | 9064.00             | 13.596    | Commercial/ Residential |
| 5   | Di Zi No.350625200800010 (area:37,805.8 sqm) | Jian Zi No. 350625201200081 (C-01)                         | No 350625201211280000                            | Tai Guo Yong (2006) No. 00893                        | 6000.40             | 9.0006    | Commercial/ Residential |
| 6   | Di Zi No.350625201000100                     | Jian Zi No. 350625201200081 (C-01)                         | No 350625201211280000                            | Tai Guo Yong (2011) No. 01104                        | 18091.00            | 27.1365   | Residential             |
| 7   | Di Zi No.350625201100010                     | Jian Zi No. 350625201100103<br>Jian Zi No. 350625201200082 | No. 350625201111260101<br>No. 350625201211280101 | Tai Guo Yong (2011) No. 00945 (hotel and club house) | 39587.00            | 59.3805   | Residential/ Restaurant |
| 8   | Di Zi No.350625201000098                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01099                        | 37005.00            | 55.5075   | Residential             |
| 9   | Di Zi No.350625201000099                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01100                        | 17469.00            | 26.2035   | Residential             |
| 10  | Di Zi No.350625201000095                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01101                        | 21699.00            | 32.5485   | Residential             |
| 11  | Di Zi No.350625201000096                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01102                        | 25129.00            | 37.6935   | Residential             |
| 12  | Di Zi No.350625201000097                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01103                        | 9365.00             | 14.0475   | Residential             |
| 13  | Di Zi No.350625201000101                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01105 (B-02)                 | 33758.00            | 50.637    | Residential             |
| 14  | Di Zi No.350625201000094                     | To be applied  | To be applied                                    | Tai Guo Yong (2011) No. 01639                        | 10453.00            | 15.6795   | Commercial/ Residential |

#### *Summary of Key Licences and Permits material to CJRE's business*

In order to procure the pre-sale of the villas to the market in China five licences are required:

- 1 a certificate for the use of state-owned land;
- 2 a planning permit for construction use;
- 3 a planning permit for construction works;
- 4 a working permit for construction works; and
- 5 a pre sale licence.

Each plot of land is at varying stages in the permitting and licencing cycle.

*CJRE's investments made in each of the last three completed financial years*

CJRE's principal investments made in the relevant period were:

- land investment in 2011 in the total aggregate amount of RMB95,300,000;
- investment in 2010 in "Asian Games Gold Coins" in the amount of RMB2,668,800; and
- investment in 2012 in its subsidiaries, Changtai Tiantongshan Tourism Development Co., Ltd and Changtai Tiantong Property Service Co., Ltd.

There were no other investments made by CJRE in the relevant period.

*CJRE's principal investments in progress*

CJRE's principal investments made in the relevant period were:

- construction of the hotel (A.01) in relation to Phase I of the development;
- construction of C-01 is in progress; and
- design work of plot B-02 is in progress.

These investment are all within the area of land granted or leased to CJRE in Changtai County as described above in section A. The investments are all being funded by CJRE's existing cash resources.

*Trend Information*

Save as disclosed in the document and in particular in the risk factors relating to CJRE's business set out in section B of this Part VII, there are no material trends, uncertainties, demands, commitments or events likely to have a material effect on CJRE's prospects for the current financial year. CJRE's management team has highlighted the following as factors affecting the business and the Tian Tong Shan Villa project:

- improvements in local infrastructure – the Xiamen-Shenzhen high speed railway means it takes approximately 3 hours to travel between Zhangzhou and Shenzhen. The Changtai exit from the Xiamen-Chengdu highway is expected to be in service in early 2014. Both of these infrastructure developments are expected to increase the attractiveness of the project.
- CJRE is currently not developing a golf course on the project site due to the prohibitions imposed by the PRC government on doing so. In the event there is any relaxation in this policy, CJRE may consider including a golf course in Phase I or II of the project.
- Currently the residential buildings developed and to be developed are not subject to the restrictive policy on purchasing residential apartments which has been launched by the PRC government in other cities, eg Shanghai and Beijing. If any restriction is imposed by the PRC government in this regard it may cause an impact on the demand for the project.

*Environmental*

CJRE has been required by the local Environmental Protection Bureau to minimise the potential environmental impact of the TTS Project:

- In order to minimise the project's environmental impact along the bank of Ma Yang Brook and its tributary Huang Tu Brook, which run through the resort project, no part of the development which may jeopardise the natural view is allowed within 200m of the banks of the brook.
- There will be no building on the mountainside.
- No waste water will be distributed to the local water system during the construction period.
- During construction, measures such as cleaning the road regularly and spreading water on the site will be taken to reduce air pollution.
- Following completion of the project, the noise level from the site will be controlled below level II as defined by Environmental Noise Standard in City Area. Methods will be taken to control the noise level, such as controlling traffic column and implementing speed limits in the resort.

## SECTION B RISK FACTORS

Set out below are the risks which the Directors believe to be the principal risk factors associated with CJRE. It should be noted that this list is not exhaustive and that other risk factors will apply. If any of the following risks actually occur, the value of the Enlarged Group's investment in CJRE may be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares of the Company could decline and a Shareholder may lose all or part of his investment.

There can be no certainty that CJRE will be able to implement successfully the strategy set out in this Part III. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on CJRE and therefore the Enlarged Group. Reference should also be made to the risk factors relating to the Enlarged Group set out in Part II of this document.

This document contains forward-looking statements that involve risks and uncertainties. CJRE's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by CJRE which are described below and elsewhere in this document.

### *Land acquisition*

The TTS project is still in the development phase. Some of the land required for the development remains to be purchased and the pricing is not yet fixed. CJRE's budgets are based on management's estimates of recent market transactions. However, if CJRE is required to pay significantly higher prices for the necessary land, the financial return from the project may be adversely affected.

### *Licensing*

Whilst CJRE has received all necessary business licences to date, a number of further licences will be required as the development proceeds. There can be no guarantee (the real estate developer qualification certificate is in the process of renewal) that such licences will be received in a timely manner, or at all, either of which event may have a materially adverse impact on the value of CJRE.

### *Property market*

The future success of the TTS Project will be dependent on the market for luxury development in Xiamen. Whilst the Directors understand that demand is strong, there can be no guarantee that this will translate into sales of villas and apartments and if this were to occur, there may be a materially adverse impact on the value of CJRE.

### *Financing*

CJRE is seeking to develop the TTS Project rapidly and, in the event that sales of villas and apartments do not occur as forecast, the company may require additional financing. There can be no guarantee that such financing will be available on acceptable terms, or at all, either of which event may have a materially adverse impact on the value of CJRE.

### *PRC Government policies in relation to real estate*

The PRC government has implemented a series of regulations and policies to slow down the property market and the inflation of property prices, as well as to dampen property speculation. These policies may therefore limit the availability of financing and the opportunity to acquire land for future development and sell properties at a profit.

The PRC government may adopt additional and more stringent industry policies, regulations and measures in the future. It is impossible to ascertain the extent of the impact of these measures.

### *Regulation of real estate in the PRC*

The real estate industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, applications must be made to relevant government authorities to obtain (and renew for those relating to on-going operations) various licences, permits, certificates and approvals including, but not limited to, real estate developer qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and project completion inspection filing certificates. Before the government authorities issue or renew any certificate or permit, specific conditions must be met.

In connection with property development on granted land (i.e. land plots whose usufructuary right is granted by the local government to the developer), property developers may lease agricultural land from villagers for non-development purposes such as vegetation. The relevant lease contracts may be deemed to be invalid if the parties to the contract fail to go through mandatory approvals and procedures as required by PRC laws and regulations. If the property developers operate the leased agricultural land for any purpose other than agriculture, the property developer would be subject to fines, legal sanctions and even criminal charges in severe cases.

### *Risks relating to real estate investment*

Returns from an investment in property depend largely upon the amount of sales or rental income generated from the property and the expenses incurred in the construction, redevelopment, refurbishment and management of the property, as well as upon changes in its market value. Rental income and the market value of properties are generally affected by overall conditions in the local economy, such as growth in GDP, employment trends, inflation and changes in interest rates. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies. Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective buyers and tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

### *Timeframe set out in the land grant contracts for development*

Under PRC laws, if a property project is not developed according to the terms of the land grant contracts, including those relating to the payment of land grant premium, demolition and resettlement costs and other fees, the designated use of the land and the time for commencement and completion of the property development, the PRC Government may issue a warning, impose a penalty and/or order the land to be forfeited. Specifically, under current PRC laws, if development is not commenced more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning and impose an idle land fee on the land of up to 20 per cent. of the land grant premium. The relevant PRC land bureau may confiscate the land use rights without compensation if development is not commenced within two years from the construction commencement date set out in the land grant contract, unless the delay in the development is caused by government actions or force majeure.

*The appraised value of CJRE's property may be different from its actual realisable value and is subject to change.*

The valuation of the interest held by Lead Winner in CJRE assessed by Roma Appraisals Limited, and used in calculating the terms of the Acquisition, is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the valuation is based include that:

- the project will be developed on a timely basis;
- CJRE has obtained, or will obtain on a timely basis, all approvals from regulators necessary for the development of the projects;

- there are no significant delays caused by weather and natural disasters and demolition and relocation occurs in a timely manner; and
- CJRE has paid all the land premiums and demolition and resettlement costs and obtained all land use rights certificates and transferable land use rights without any obligation to pay additional land premium or demolition and resettlement costs.

If CJRE fails to obtain the approvals from regulators necessary for the development of its projects, some assumptions used in the valuation may prove inaccurate.

#### *Application of the Catalogue*

In November 2007, MOFCOM and NDRC promulgated the revised “Industrial Guidance catalogue for Foreign Investment” (the “Catalogue”). It classified certain businesses of foreign invested enterprises into certain categories, namely, “encouraged”, “restricted”, and “prohibited”. The construction and operation of high-ranking hotels, villas, high-end office buildings and international exhibition centres fall into the foreign-investment-restricted category. In December 2011, the Catalogue was further amended (amendment effective as of 30 January 2012), pursuant to which the construction and operation of villas fall into the foreign-investment prohibited category.

The Company’s PRC legal advisers have advised that the Catalogue does not apply to the development of zone C-01 based on the fact that the relevant planning and construction permits were issued to CJRE for zone C-01 development before the effectiveness of the aforementioned amendment. The Company’s PRC legal advisers have also advised that any further development of villas or a golf course on CJRE’s granted land would be in breach of the Catalogue.

## **SECTION C FURTHER INFORMATION ON CJRE**

### **1. History and Background of CJRE**

- 1.1 Changtai Jinhongbang Real Estate Development Co., Ltd was incorporated on 29 April 2005 in the PRC and is registered at the Changtai County Administration for Industry and Commerce. CJRE's current business licence will expire on 29 April 2035 and its registration number is 350625100010337.
- 1.2 CJRE is a limited liability company which operates under PRC law and is domiciled in Changtai County, Zhangzhou City, Fujian Province, PRC.
- 1.3 The registered address and principal place of business of CJRE is Shi Li village, Ma Yang Brook Eco-tourism zone, Changtai County. The telephone number is 596 6678899.
- 1.4 The auditor of CJRE for the financial years ended 31 December 2010, 2011 and 2012 was Xiamen Xinzhou Certified Public Accountants Co., Ltd, 16A East Tower, Guang Ming Building, No. 183 Dou Xi Road, Xiamen, Fujian Province, PRC, which is a member of Certified Public Accountants Association of Fujian Province.

### **2. Group Structure**

- 2.1 CJRE has two wholly owned subsidiaries, Changtai Tiantongshan Tourism Development Co., Ltd ("CTTD") and Changtai Tiantong Property Service Co., Ltd, both of which are incorporated in the PRC and are currently dormant.
- 2.2 CTTD has a 14 per cent. shareholding in Changtai Mayang Brook Water Utilities Co., Ltd, which is currently dormant.

### **3. Share Capital**

- 3.1 As at 1 January 2010 CJRE had registered share capital of RMB 50,000,000.
- 3.2 On 28 January 2011 the registered share capital increased by RMB 50,000,000 to RMB 100,000,000.
- 3.3 As at 19 November 2013 CJRE had registered share capital of RMB 100,000,000.
- 3.4 Save as disclosed in this document, there are no options, warrants, convertible instruments or other conditional rights over shares of CJRE in existence.

### **4. Memorandum and Articles of Association**

- 4.1 The articles of association of CJRE (the "CJRE Articles") provides, *inter alia*, that:
  - 4.1.1 the registered office of CJRE is at Shili Village, Ma Yangxi Ecological Tourism Zone, Changtai County, Zhangzhou City, Fujian Province, PRC;
  - 4.1.2 the registered capital of CJRE is RMB 100 million and the total amount of investment of CJRE is RMB 200 million;
  - 4.1.3 the business scope of CJRE is: real estate development and property management in the delimited area within the Mayang Brook ecological tourism zone in Changtai County (which can be found in chapter 2, article 6 of the CJRE Articles);
  - 4.1.4 the project scale of CJRE is to develop 120,000 square meters of ordinary residential buildings;
  - 4.1.5 the operation term of CJRE is 30 years, starting from the date of its initial business license;
  - 4.1.6 the financial year of CJRE is from 1 January to 31 December; and
  - 4.1.7 the CJRE Articles may be amended subject to the decision of the shareholders and the approval by the original approval authority.

4.2 The CJRE Articles, *inter alia*, include provisions to the following effect:

4.2.1 Shareholding

CJRE is 50% owned by S&T Group Holdings Limited and 50% owned by Escrow Limited.

4.2.2 Increase or reduction of registered capital

The increase of the registered capital of CJRE is subject to the approval of the original approval authority and the registration with the original registration authority.

CJRE may not reduce its registered capital during its operation term.

4.2.3 Transfer of shares in the registered capital

Any transfer of shares in the registered capital of CJRE is subject to the approval of the original approval authority and the registration with the original registration authority.

4.2.4 Profit distribution

CJRE may distribute net profit to its shareholders after paying applicable tax and contributing to the reserve fund. The percentage of contribution shall be decided by the shareholders.

Profits cannot be distributed until the losses from the preceding fiscal year have been made up. Undistributed profits of the previous fiscal years may be distributed together with the distributable profits of the current fiscal year.

4.2.5 Shareholders

- (a) The shareholders of CJRE have the voting rights over any resolutions in the general meeting according to their portion in the registered capital.
- (b) Any resolutions of amending the CJRE Articles, increasing capital, merger and acquisition, spin off of business, dissolution or change of company form should be approved by a poll in the general meeting with over two thirds of shareholders agreed.
- (c) The shareholders are the controlling body of CJRE, and have the following rights and duties:
  - (i) approve the business plan and investment schemes of CJRE;
  - (ii) appoint directors and supervisor of CJRE and decide on their remuneration;
  - (iii) approve reports submitted by the board of directors;
  - (iv) approve reports submitted by the supervisor;
  - (v) approve the annual financial budget and financial accounting plan of CJRE;
  - (vi) approve the profit distribution plan or loss recovery plan of CJRE;
  - (vii) decide on capital increase of CJRE;
  - (viii) decide on issuance of company debentures;
  - (ix) decide on merger, division, dismissal, liquidation and change of form of CJRE;
  - (x) decide on the mortgage/pledge of equity interests and assets of CJRE; and
  - (xi) amend the CJRE Articles.



#### 4.2.6 Board of directors

- (a) CJRE has established a board of directors, which shall consist of 6 directors and each shareholder shall appoint 3 directors. The chairman of the board of directors shall be appointed by S&T Group Holdings Limited. The chairman is the legal representative of CJRE.
- (b) The board of directors has responsibilities to the shareholders and shall perform the following powers and duties:
  - (i) report to the shareholders;
  - (ii) execute the resolutions passed by the shareholders;
  - (iii) decide on the business plan and investment schemes of CJRE;
  - (iv) formulate the annual financial budget and financial accounting plan of CJRE;
  - (v) formulate the profit distribution plan and loss recovery plan of CJRE;
  - (vi) prepare plans on increase or decrease of the registered capital and issuance of debentures of CJRE;
  - (vii) prepare plans on merger, division, dissolution or change of form of CJRE;
  - (viii) decide on the setup of CJRE's internal management organs;
  - (ix) decide on the appointment or dismissal of the manager of CJRE and their remuneration and the appointment or dismissal of deputy managers, financial principals and their remuneration based on the manager's recommendation; and
  - (x) decide on CJRE's basic management rules.
- (c) The meeting of the board of directors is called and held by the chairman of the board. If the chairman cannot perform the duty, a director shall be designated by over half of the directors to perform the duty temporarily. Directors who cannot attend the meeting shall authorize a proxy by a written authorization to attend the meeting, otherwise he/she will be seen as abstaining from voting.
- (d) The quorum of the board of directors meeting shall be two thirds of all the directors. If the number of attendees is less than the quorum, the approved resolution shall be seen as invalid. The poll is defined as one vote of each person.
- (e) If the absent directors result in any obstruction for the board of directors to pass a resolution on any significant issues or items as stipulated by laws, regulations or the CJRE Articles within 10 days, a written notification could be sent to the registered address of the absent directors to urge them to attend the board of directors meeting on the stipulated date.
- (f) The written notification stated above shall be sent by double registered mail to the directors at least 60 days prior to the board of directors meeting. The written notification should clarify that the informed director should respond whether he/she will attend the board of directors meeting in writing at least 45 days prior to the board of directors meeting. If the informed director fails to respond whether he/she will attend the board of directors meeting within the given period of the notification, he/she will be deemed have waived his/her rights and after the informing person has received a receipt of the registered mail, the directors appointed by the informing person may convene a special board of directors meeting and in such case, a unanimous poll shall be considered as effective to pass any significant resolution even if the number of the attendees has not exceeded the quorum.



#### 4.2.7 Directors

- (a) The term of the office of each director is 3 years, which could be renewed if reappointed.
- (b) The directors of CJRE may serve as other senior positions of CJRE concurrently except as supervisors.

#### 4.2.8 General manager

- (a) CJRE shall have one general manager appointed and dismissed by the board of directors. The general manager is responsible to the board of directors directly.
- (b) The general manager shall:
  - (i) organise and take the lead of the daily operation and management, while organise the implement of the resolutions passed by the board of directors;
  - (ii) organise the implement of business plan and investment schemes of CJRE;
  - (iii) draft the establishment procedures of CJRE's internal management organs;
  - (iv) draft CJRE's basic management rules;
  - (v) make detailed regulation of CJRE;
  - (vi) decide on the appointment or dismissal of deputy general managers and financial principals; and
  - (vii) decide on the appointment or dismissal of other personnel whose appointment or dismissal does not fall within the power of board of directors.
- (c) The general manager shall carry out the resolutions of the board of directors and organize the daily business of CJRE with the assistance of the deputy general manager. When the general manager cannot perform his/her duties due to other matters, the general manager may appoint a deputy general manager to perform his/her duties on his/her behalf.

#### 4.2.9 Supervisor

- (a) CJRE has one supervisor who shall be appointed or dismissed by the board of directors with the tenure of 3 years and can be reappointed by board of directors. Director or senior management member is prohibited to take this position.
- (b) The supervisor shall perform the following powers and duties:
  - (i) examine the financial affairs of CJRE;
  - (ii) supervise the directors and senior managers in the performance of their company duties and propose the dismissal of directors or senior managers who violate laws or administrative regulations or breach the CJRE Articles or resolutions of board of shareholders;
  - (iii) require the directors or senior managers to make rectification when any act thereof causes harm to the interests of CJRE;
  - (iv) submit proposal to the shareholders;
  - (v) sue the directors and senior managers pursuant to the law; and
  - (vi) conduct investigation upon discovering irregularities in the business operations and may appoint an accounting firm to assist in the investigation if necessary and such expenses shall be borne by CJRE.

#### 4.2.10 Labour union

Employees of the company are entitled to establish a labour union pursuant to the PRC law.

#### 4.2.11 Termination of operation

Under the following circumstances CJRE may terminate its operation prior to the expiry of its operation term:

- (a) CJRE suffers material losses and is unable to continue its operation;
- (b) CJRE suffers losses due to force majeure events such as natural disasters or war and is unable to continue its operation; or
- (c) CJRE does not achieve its operation goals and has no possibility to develop in the future.

The early termination of the operation of CJRE shall be subject to the decision of the shareholders.

### 5. Major Shareholders

5.1 The shareholders in CJRE are as follows:

| Name                               | Holding |
|------------------------------------|---------|
| Escrow Limited (“Escrow”)          | 50%     |
| S&T Group Holdings Limited (“S&T”) | 50%     |

Each of the shareholders has the same voting rights.

5.2 Lead Winner, which is to be acquired by the Company pursuant to the Acquisition Agreement owns a 30 per cent. interest in S&T. The remaining 70 per cent. of S&T is Splendid Sun Holdings Limited.

5.3 Escrow is a wholly owned subsidiary of Prosperity International Holdings (H.K.) Limited, which is listed on the Hong Kong Stock Exchange.

### 6. General

6.1 CJRE is currently developing the TTS Project and therefore there is no current intention to pay dividends to shareholders.

6.2 As far as the Board is aware, CJRE is not, nor has at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings and the Board is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against CJRE, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the CJRE’s financial position or profitability.

## **PART VIII**

### **FINANCIAL INFORMATION ON CJRE**

Financial information on CJRE is set out in this Part VIII as follows:

|           |   |
|-----------|---|
| Section A | Audited financial statements for the year ended 31 December 2010    |
| Section B | Audited financial statements for the year ended 31 December 2011    |
| Section C | Audited financial statements for the year ended 31 December 2012    |
| Section D | Interim financial statements for the six months ended 30 June 2012  |
| Section E | Interim financial information for the six months ended 30 June 2013 |

The financial information set out in this Part VIII is a direct translation from the relevant Chinese accounts.

## **SECTION A: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

### **AUDIT REPORT**

#### **CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**

We have audited the attached financial statements of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (“the company”) including the balance sheet as at 31 December 2010, income statement, statement of distributable profit, cash flow statement and the notes to accounts for the year ended 31 December 2010.

#### **Management Responsibility for the Financial Statements**

It is the responsibility of the management of the company to prepare the financial statements of the company in accordance with the enterprise accounting standard and the enterprise accounting system. They are including (1) design, execute and maintain the internal control for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; (2) chosen the proper accounting policy; (3) reasonable accounting estimation.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2010, and of the Company’s financial result and cash flows for the year then ended in accordance with the enterprise accounting standard and the Small Business Accounting Standard.

(Signed and chop)

XIAMEN XINZHOU Certified Public Accountants Company Limited    China Certified Public Accountants

Xiamen, China

(Chop)

LIN Rong

5 May 2011

Enclosed: 1. Balance Sheet of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2010, income statement, statement of retained profit, the cash flow statement for the year ended 31 December 2010

Enclosed: 2 the notes to accounts of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2010

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Appendix 1**  
**Unit: RMB**

| <b>ITEMS</b>  | <b>Line</b> | <b>Accumulated<br/>for the year</b> | <b>Accumulated<br/>for last year</b> |
|---|-------------|-------------------------------------|--------------------------------------|
| Turnover  | 1           |                                     |                                      |
| Cost of sales   | 2           |                                     |                                      |
| Sales tax and surcharges  | 3           |                                     |                                      |
| <b>Gross profit</b>   | <b>4</b>    | <b>—</b>                            | <b>—</b>                             |
| Other income  | 5           |                                     |                                      |
| Operating expenses  | 6           | 269,256.70                          | 136,925.16                           |
| Administrative expenses   | 7           | 1,620,771.20                        | 358,326.46                           |
| Financial expenses  | 8           | (14,126.97)                         | (813.96)                             |
| <b>Operating profit</b>   | <b>9</b>    | <b>(1,875,900.93)</b>               | <b>(494,437.66)</b>                  |
| Income from investment  | 10          |                                     |                                      |
| Subsidy income  | 11          |                                     |                                      |
| Non-operating income  | 12          |                                     |                                      |
| Non-operating expenses  | 13          |                                     | 1,001,101.27                         |
| <b>Total profit</b>   | <b>14</b>   | <b>(1,875,900.93)</b>               | <b>(1,495,538.93)</b>                |
| Profits tax   | 15          |                                     |                                      |
| <b>Net profit for the year</b>                                  | <b>16</b>   | <b>(1,875,900.93)</b>               | <b>(1,495,538.93)</b>                |
| <b>Undistributed profit at the beginning of the year</b>        | <b>17</b>   | <b>(3,839,741.53)</b>               | <b>(2,344,202.60)</b>                |
| Adjustment to undistributed profit at the beginning of the year | 18          |                                     |                                      |
| <b>Undistributed profit at the end of the year</b>              | <b>19</b>   | <b>(5,715,642.46)</b>               | <b>(3,839,741.53)</b>                |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2010**

**Appendix 2**  
**Unit: RMB**

|  |             | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|--|-------------|---|-----------------------------------|
| <b>ASSETS</b>                                    | <b>Line</b> |   |                                   |
| Current assets                                   |             |   |                                   |
| Cash and bank balances                           | 1           | 14,564.53                               | 136,807.87                        |
| Short term investment                            | 2           |   |                                   |
| Notes receivables                                | 3           |   |                                   |
| Account receivables                              | 4           |   |                                   |
| Provision for bad debt                           | 5           |   |                                   |
| Net accounts receivable                          | 6           |   |                                   |
| Prepayments                                      | 7           | 50,000.00                               | 29,268,000.00                     |
| Other receivables                                | 8           |   | 3,172,781.87                      |
| Inventory  | 9           | 51,273,162.46                           | 181,826,608.94                    |
| Of which finished goods & development cost       | 10          |   |                                   |
| Deferred expenses                                | 11          |   |                                   |
| Net loss for current asset for disposal          | 12          |   |                                   |
| Long term bond investment                        | 13          |   |                                   |
| Other current assets                             | 14          |   |                                   |
| <b>Total current assets</b>                      | <b>15</b>   | <b>51,337,726.99</b>                    | <b>214,404,198.68</b>             |
| Long term investment                             |             |   |                                   |
| Long term investment                             | 16          | 17,668,800.00                           | 17,668,800.00                     |
| <b>Total long term investment</b>                |             | <b>17,668,800.00</b>                    | <b>17,668,800.00</b>              |
| Fixed Assets                                     |             |   |                                   |
| Fixed Assets - at cost                           | 17          | 1,118,547.80                            | 1,857,488.80                      |
| Less: Aggregate depreciation                     | 18          | 408,871.14                              | 760,336.81                        |
| Net book value of fixed assets                   | 19          | 709,676.66                              | 1,097,151.99                      |
| Fixed assets available for disposal              | 20          |   |                                   |
| Purchase and establishment cost for fixed assets | 21          |   |                                   |
| Net loss on disposal of fixed assets             | 22          |   |                                   |
| <b>Total fixed assets</b>                        | <b>23</b>   | <b>709,676.66</b>                       | <b>1,097,151.99</b>               |
| Intangible assets and Deferred assets            |             |   |                                   |
| Intangible assets                                | 24          |   |                                   |
| Deferred assets                                  | 25          |   |                                   |
| <b>Total intangible assets</b>                   | <b>26</b>   |   |                                   |
| Other long term investment                       |             |   |                                   |
| Other long term investment                       | 27          |   |                                   |
| Deferred tax                                     |             |   |                                   |
| Deferred tax assets                              | 28          |   |                                   |
| <b>Total assets</b>                              | <b>29</b>   | <b>69,716,203.65</b>                    | <b>233,170,150.67</b>             |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2010**

**Appendix 2**  
**Unit: RMB**

|   |             | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|---|-------------|---|-----------------------------------|
| <b>LIABILITIES AND EQUITY</b>             | <b>Line</b> |   |                                   |
| Current liabilities                       |             |   |                                   |
| Short term borrowings                     | 30          |   |                                   |
| Bills payables                            | 31          |   |                                   |
| Account payables                          | 32          |   | 2,828,288.24                      |
| Advance from customers                    | 33          |   |                                   |
| Salary payables                           | 34          |   |                                   |
| Welfare payables                          | 35          |   |                                   |
| Dividend payables                         | 36          |   |                                   |
| Tax payables                              | 37          |   | 5,128.73                          |
| Other payables                            | 38          | 68,555,945.18                           | 186,052,376.16                    |
| Other unsettled expenses                  | 39          |   |                                   |
| Accruals                                  | 40          |   |                                   |
| Long term liabilities due within one year | 41          |   |                                   |
| Other current payables                    | 42          |   |                                   |
| <b>Total current liabilities</b>          | <b>43</b>   | <b>68,555,945.18</b>                    | <b>188,885,793.13</b>             |
| Long terms payables                       |             |   |                                   |
| Long term borrowings                      | 44          |   |                                   |
| Bonds payables                            | 45          |   |                                   |
| Long term payables                        | 46          |   |                                   |
| Deferred rental income                    | 47          |   |                                   |
| Other long term payable                   | 48          |   |                                   |
| Rental deposit                            | 49          |   |                                   |
| <b>Total long terms payables</b>          | <b>50</b>   |   |                                   |
| Deferred tax liabilities                  | 51          |   |                                   |
| <b>Total liabilities</b>                  | <b>52</b>   | <b>68,555,945.18</b>                    | <b>188,885,793.13</b>             |
| Equity                                    |             |   |                                   |
| Capital                                   |             | 5,000,000.00                            | 50,000,000.00                     |
|   | 54          |   |                                   |
|   | 55          |   |                                   |
|   | 56          |   |                                   |
| Undistributed profit                      | 57          | (3,839,741.53)                          | (5,715,642.46)                    |
| <b>Total equity</b>                       | <b>58</b>   | <b>1,160,258.47</b>                     | <b>44,284,357.54</b>              |
| <b>Total liabilities &amp; equity</b>     | <b>59</b>   | <b>69,716,203.65</b>                    | <b>233,170,150.67</b>             |



**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Appendix 3**  
**Unit: RMB**

| <b>ITEM</b>   | <b>Line</b> | <b>Amount</b>          |
|---|-------------|------------------------|
| <b>OPERATING ACTIVITIES</b>   | <b>1</b>    |                        |
| Cash received from selling goods and providing services   | 2           |                        |
| Tax refund  | 3           |                        |
| Cash received related to operating activities   | 4           | 223,383,332.68         |
| Total cash generated from operation   | 5           | 223,383,332.68         |
| Payment for purchasing and expenses for services  | 6           | 149,346,204.07         |
| Salary payments   | 7           | 229,087.86             |
| Taxations   | 8           | 44,141.70              |
| Other cash payment related to operations  | 9           | 117,902,714.71         |
| Total cash used in operating activities   | 10          | 267,522,148.34         |
| <b>NET CASH USED IN OPERATION ACTIVITIES</b>  | <b>11</b>   | <b>(44,138,815.66)</b> |
| <b>INVESTMENT ACTIVITIES</b>  | <b>12</b>   |                        |
| Cash received from investment   | 13          |                        |
| Cash obtained from investment benefit   | 14          |                        |
| Net cash received from disposal of fixed assets, intangible assets and other long term investment | 15          |                        |
| Cash from other investment  | 16          |                        |
| Total cash inflow from investing activities   | 17          |                        |
| Cash used for purchasing fixed assets, intangible assets and other long term investment           | 18          |                        |
| 738,941.00  |             |                        |
| Cash paid for investment  | 19          |                        |
| Cash paid for other investment activities   | 20          |                        |
| Total cash outflow from investing activities  | 21          | 738,941.00             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>22</b>   | <b>(738,941.00)</b>    |
| Cash generated from financing activities  | 23          |                        |
| Cash from increase of capital   | 24          | 45,000,000.00          |
| Cash from debt financing  | 25          |                        |
| Cash received from other financing activities   | 26          |                        |
| <b>CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>27</b>   | <b>45,000,000.00</b>   |
| Repayment of loan   | 28          |                        |
| Dividends and interest paid   | 29          |                        |
| Cash used in financing activities   | 30          |                        |
| Cash outflow  | 31          |                        |
| <b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>32</b>   | <b>45,000,000.00</b>   |
| Exchange difference to cash flow  | 33          |                        |
| <b>NET INCREASE IN CASH, AND CASH EQUIVALENTS</b>   | <b>34</b>   | <b>122,243.34</b>      |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Appendix 3**  
**Unit: RMB**

| <b>ITEM</b>  | <b>Line</b> | <b>Amount</b>          |
|--|-------------|------------------------|
| <b>COMPLEMENTARY INFORMATION</b>   | <b>35</b>   |                        |
| 1. Reconciliation of net profit to cash flow from operating activities                 | <b>36</b>   |                        |
| <b>Net profit</b>  | <b>37</b>   | <b>(1,875,900.93)</b>  |
| Impairment loss on property, plant and equipment                                       | 38          |                        |
| Depreciation of property, plant and equipment  | 39          | 351,465.67             |
| Amortization of intangibles assets   | 40          |                        |
| Amortization of long term deferred and prepaid expenses                                | 41          |                        |
|  | 42          |                        |
|  | 43          |                        |
| Decrease/(increase) in amortization  | 44          |                        |
| Increase/(decrease) in prepayment  | 45          |                        |
| Loss/ (gain) on disposal of fixed assets, intangible assets and other long term assets | 46          |                        |
| Loss on retirement of fixed assets   | 47          |                        |
| Finance cost   | 48          |                        |
| Loss/(gain) on investment  | 49          |                        |
| Deferred tax liabilities   | 50          |                        |
| Decrease/ (Increase) in inventories  | 51          | (130,553,446.48)       |
| Decrease /(Increase) in receivables from operation                                     | 52          | (32,390,781.87)        |
| Increase/(decrease) in payables from operation   | 53          | 120,329,847.95         |
| Others   | 54          |                        |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>55</b>   | <b>(44,138,815.66)</b> |
| Non cash items in investing and financing activities                                   | 56          |                        |
| Capitalized debt   | 57          |                        |
| Convertible bond to be matured within one year   | 58          |                        |
| Financing leased fixed assets  | 59          |                        |
|  | 60          |                        |
|  | 61          |                        |
|  | 62          |                        |
| Changes in cash and cash equivalents   | 63          |                        |
| <b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>                                   | <b>64</b>   | <b>136,807.87</b>      |
| <b>LESS : CASH AND BANK BALANCES</b>   |             |                        |
| <b>AT THE BEGINNING OF THE YEAR</b>  | <b>65</b>   | <b>(14,564.53)</b>     |
| Add : balance at end of cash equivalents   | 66          |                        |
| Less : balance at beginning of cash equivalents  | 67          |                        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                       | <b>68</b>   | <b>122,243.34</b>      |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2010**

**1. GENERAL INFORMATION**

CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (the Company) was incorporated in 29 April 2005 with the legal entity license no. 350625100010337 under the approval of Business administrative department of CHANGTAI County in FU JIAN province. The authorized share capital of the company was RMB50,000,000. The operating period was limited to 50 years.

The principal activities of the company were real estate development and selling (in accordance with the quality certificate), eco-tourist development and trading of tourist souvenir.

**2. MAJOR ACCOUNTING POLICIES AND ESTIMATION**

**1. Accounting standard adopted**

The company adopted the Small Business Accounting Standard in preparation of the accounts.

**2. Financial year**

The company financial year is from 1 January to 31 December.

**3. Basis and principal of preparation**

The accounts of the company adopted accrual accounting with historical cost basis.

**4 Reporting currency and foreign currency translation**

The company adopted RMB as the reporting currency. For the transactions that transacted with the foreign currency, the company adopted the average rate of the first date of that calendar month quoted by the People's Bank of China. The foreign currency outstanding balance at the end of calendar month will be adjusted by the average rate of that date. Any difference on the adjustment will be treated as financial expenses – gain/loss in currency exchange.

**5 Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**6 Bad debt**

The company recognized bad debt on provision basis.

The standard of provision included

- (a) The non-recoverable amount from the asset of the debtor after his death or bankrupt.
- (b) The long outstanding debtor with the reasonable ground on default.

**7 Inventories**

The cost of the real estate development included the historical cost of land cost and the compensation paid for the removal of existing residents, the preliminary development fee, construction and installation fee, infrastructure fee, indirect cost for development.

## 8 Long term investment

Equity accounting method if the investment in investee company accounts for no less than 20% of the total share capital with voting right or the investment in investee company accounts for less than 20% of the total share capital with voting right but the investor has substantial influence on the investee company.

Cost accounting method if the investment in investee company accounts for less than 20% of the total share capital with voting right or the investment in investee company accounts for no less than 20% of the total share capital with voting right but the investor do not has substantial influence on the investee company.

## 9 Fixed assets

Fixed assets were (i) the motor vehicles or items for production or related to operation with the useful life exceed one year and (ii) for the items that exceed RMB2,000 and not related to production or operation with the useful life exceed two years.

Fixed assets were recorded as acquisition cost. Acquisition cost included the purchase consideration, import duty, transportation, insurance and all the expenses that bring the assets into usable condition.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method at following rates.

| <i>Fixed assets categories</i>          | <i>Year of depreciation</i> | <i>Residue percentage (%)</i> | <i>Rate of depreciation (%)</i> |
|---|-----------------------------|-------------------------------|---------------------------------|
| Plant and machinery                     | 5 years                     | 5 %                           | 19 %                            |
| Office equipment and electronic devices | 5 years                     | 5 %                           | 19 %                            |

## 10 Revenue recognition

Revenue is recognized when it is probable that (A) the economic benefits will flow to the Company and (B) when the revenue can be measured reliably.

## 11 Taxation and surcharge

The tax items and tax rate suitable to the Company are as follow:

| <i>Tax categories</i> | <i>Corporate income tax</i>   | <i>City building tax</i>   | <i>Business tax</i> |
|-----------------------|-------------------------------|----------------------------|---------------------|
| Tax rate              | 25%                           | 7%                         | 5%                  |
| Tax payable           | Local education surcharge fee | Surcharge of education fee |                     |
| Surcharge rate        | 1%                            | 3%                         |                     |

## 12 Profits tax

The company adopted accrual basis to record the Profits tax.

### 3 EXPLANATORY NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

#### 1 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is RMB136,807.87, details as follow :

| Items        | Balance at the end of year |
|--------------|----------------------------|
| Cash         | 73,177.34                  |
| Bank deposit | 63,630.53                  |
| Total        | 136,807.87                 |

Bank deposit as follow :

| Bank list  | Balance at the end of year |
|--|----------------------------|
| CHANGTAI Agriculture bank 10156                      | 48,011.41                  |
| FU JIAN Construction bank 00126                      | 15,540.47                  |
| Xiamen Lianhua Branch of Xiamen Industrial Bank -806 | 78.65                      |
| Total  | 63,630.53                  |

#### 2 PREPAYMENT

(1) The balance of prepayment is RMB29,268,000, details as follow :

| Ageing        | Balance at the end of the year<br>Amount | Percentage |
|---------------|--|------------|
| Within 1 year | 29,268,000.00                            | 100%       |

(2) Detail of major amount of prepayment as follow :

| Unit name  | Amount        | Nature or content      |
|--|---------------|------------------------|
| Administrative Committee of Ma Yang Brook in Changtai County | 21,000,000.00 | Compensation           |
| Accounting Center in Changtai County                         | 6,268,000.00  | Deposit and duty       |
| Changtai Luyuan Yuanlin Co., Ltd                             | 2,000,000.00  | Landscape construction |

#### 3 OTHER RECEIVABLES

(1) The balance of other receivables is RMB3,172,781.87, details as follow :

| Ageing        | Amount       | Percentage % | Provision for bad debt | Net amount   |
|---------------|--------------|--------------|------------------------|--------------|
| Within 1 year | 3,172,781.87 | 100%         | —                      | 3,172,781.87 |

(2) Detail of major amount of other receivables are as follow :

| Unit name         | Amount       | Nature or content |
|-------------------|--------------|-------------------|
| Lead Estate Group | 3,143,000.00 | Current account   |

#### 4 INVENTORY

The balance of inventory is RMB181,826,608.94, details as follow :

| Items            | Balance at the beginning of year | Increase in the year | Decrease in the year | Balance at the end of the year |
|------------------|----------------------------------|----------------------|----------------------|--------------------------------|
| Development cost | 51,273,162.46                    | 130,553,446.48       | —                    | 181,826,608.94                 |

#### 5 LONG TERM INVESTMENT

The balance of long term investment is RMB17,668,800.00, details as follow :

| Investee   | At the beginning of the year | At the end of the year | Percentage held on the registered capital at the end of the year |
|--|------------------------------|------------------------|--|
| Changtai Tiantongshan Real Estate Development Co., Ltd | 15,000,000.00                | 15,000,000.00          | 100%   |
| Asia Games gold coin                                   | 2,668,800.00                 | 2,668,800.00           |  |
| Total  | 17,668,800.00                | 17,668,800.00          |  |

#### 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets and accumulated depreciation and the changes as follow:

| Categories                              | Balance at the beginning of year | Increase during the year | Decrease during the year | Balance at the end of the year |
|---|----------------------------------|--------------------------|--------------------------|--------------------------------|
| 1 Cost of fixed assets                  | 1,118,547.80                     | 738,941.00               | —                        | 1,857,488.80                   |
| of which:                               |                                  |                          |                          |                                |
| Plant and machinery                     | 1,099,064.00                     | 641,786.00               | —                        | 1,740,850.00                   |
| Office equipment and electronic devices | 19,483.80                        | 97,155.00                | —                        | 116,638.80                     |
| 2 Aggregate depreciation                | 408,871.14                       | 351,465.67               | —                        | 760,336.81                     |
| Net book value                          | 709,676.66                       |                          |                          | 1,097,151.99                   |

#### 7 ACCOUNT PAYABLE

(1) The balance of account payable was RMB2,828,288.20, the details as follow :

| Ageing        | Balance at the end of the year Amount | Percentage |
|---------------|---------------------------------------|------------|
| Within 1 year | 2,828,288.24                          | 100%       |

(2) Details of major amount of account payable are as follow :

| Unit name  | Amount       | Nature or content |
|--|--------------|-------------------|
| Xiamen Dechanghang Investment Management Group Limited | 2,800,000.00 | Current account   |

## 8 OTHER PAYABLES

(1) The balance of other payable is rmb186,052,376.10, details as follow :

| Ageing             | Balance at the<br>end of the year<br>Amount | Percentage |
|--------------------|---|------------|
| Within 1 year      | 172,583,430.98                              | 92.76%     |
| One to two years   | 12,778,945.18                               | 6.87%      |
| Two to three years | 690,000.00                                  | 0.37%      |
| Total              | 186,052,376.16                              | 100%       |

(2) Details of major amount of other payable are as follow :

| Unit name   | Amount         | Nature or content  |
|---|----------------|--------------------|
| Changtai Tiantongshan Real Estate Development Co., Ltd    | 13,470,075.18  | Current<br>account |
| Xiamen Baixinhe   | 14,144,962.00  | Current<br>account |
| Zhejiang Changxing Investment Limited                     | 115,250,000.00 | Current<br>account |
| Xiamen Sunshine Century Real Estate Development Co., Ltd. | 40,680,000.00  | Current<br>account |

## 9 ACCRUED PAYROLL

The balance of accrued payroll is nil.

| Balance<br>the beginning<br>of the year | Increase<br>in the year | Decrease<br>in the year | Balance<br>at the end<br>of the year |
|---|-------------------------|-------------------------|--------------------------------------|
| —                                       | 750,227.54              | 750,227.54              | —                                    |

## 10 SHARE CAPITAL

The balance of fully paid up capital is RMB50,000,000.00, details as follow :

| Name of shareholder  | Subscribed<br>share capital | Fully<br>paid up<br>share capital | Percentage<br>of fully<br>paid up to<br>share capital |
|--|-----------------------------|-----------------------------------|---|
| Xiamen Sunshine Century Real Estate<br>Development Co., Ltd. | 50,000,000.00               | 50,000,000.00                     | 100%  |
| Total  | 50,000,000.00               | 50,000,000.00                     | 100%  |

## 11 RETAINED PROFIT

The balance of retained profits is RMB(5,715,642.46), details as follow :

| Item                                   | Amount         |
|--|----------------|
| Retained profit at beginning of year   | (3,839,741.53) |
| Net profit for the year                | (1,875,900.93) |
| Distributable profit                   | (5,715,642.46) |
| Less: Dividend                         | —              |
| Retained profit at the end of the year | (5,715,642.46) |



## 12 SELLING EXPENSES

The balance of selling expenses is RMB269,256.70, details as follow :

| Item          | Incurring amount during the year |
|---------------|----------------------------------|
| Advertisement | 17,751.70                        |
| Promotion     | 251,505.00                       |
| Total         | 269,256.70                       |

## 13 ADMINISTRATIVE EXPENSES

The balance of administrative expenses is RMB1,620,771.20, details as follow :

| Items                              | Incurring amount during the year |
|------------------------------------|----------------------------------|
| Wages                              | 99,548.52                        |
| Staff welfare                      | 63,503.73                        |
| Office expenses                    | 50,579.76                        |
| Entertainment                      | 453,801.70                       |
| Telephone and fax                  | 21,538.01                        |
| Motor car expenses                 | 120,559.80                       |
| Depreciation                       | 90,292.57                        |
| Travelling expense                 | 220,837.21                       |
| Building management fee            | 53,186.66                        |
| Auditor remuneration               | 39,500.00                        |
| Land use right duty and stamp duty | 44,477.70                        |
| Consumable expense                 | 33,308.00                        |
| Local travelling                   | 17,238.80                        |
| License fee                        | 20,260.00                        |
| Leasing                            | 19,647.00                        |
| Staff education fee                | 330.00                           |
| Others                             | 272,161.74                       |
| Total                              | 1,620,771.20                     |

## 14. FINANCIAL EXPENSES

The balance of financial expenses is RMB (14,126.97), details as follow :

| Item          | Incurring amount during the year |
|---------------|----------------------------------|
| Bank charge   | 6,423.31                         |
| Bank interest | (20,550.28)                      |
| Total         | (14,126.97)                      |

#### 14. RELATED PARTY TRANSACTIONS

##### 1 Related party

| Name of the enterprise                                 | Registration address | Principal activities   | Relation with the company | Economical nature | Legal representative |
|--|----------------------|--|---------------------------|-------------------|----------------------|
| Changtai Tiantongshan Real Estate Development Co., Ltd | Changtai             | Real estate development, leasing, and relevant property services | Subsidiary                | Company           | Wang Shutong         |

##### 2 The current account balance of the related party

| Item  | Balance at the end of the year | Balance at the beginning of the year |
|---|--------------------------------|--------------------------------------|
| Account receivable - Changtai Tiantongshan Real Estate Development Co., Ltd | 13,470,075.18                  | 13,468,945.18                        |

##### 5 CONTINGENT LIABILITIES

At the balance sheet date, no contingent liability is required to be disclosed.

##### 6. POST BALANCE SHEET EVENT

In accordance with the sales and purchase agreement and the notice of No.447 of Fujian Provincial Department of Foreign Trade & Economic Cooperation (The Response Regarding to the Affiliate Merger and Set Up Changtai Jinhongbang Real Estate Development Co., Ltd as a WOFE by Fujian Provincial Department of Foreign Trade & Economic Cooperation) issued by the foreign business and economy department, Escrow Limited and S&T Group Holdings Limited acquired the entire equity of the company. The legal status of the company changed from domestic entity into foreign investor company. After the acquisition, the registered capital of the company increased to RMB 100,000,000. The additional capital had been injected by foreign investor in foreign currency. The additional injected capital had been verified by Xiamen Xinzhou Certified Public Accountants Company Limited with the report No.9 of Xiamen Xinzhou Certified (2011) dated 9 February 2011.

## **SECTION B: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

### **AUDIT REPORT**

#### **CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**

We have audited the attached financial statements of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (“the company”) including balance sheet as at 31 December 2011, income statement, statement of distributable profit, the cash flow statement and the notes to accounts for the year ended 31 December 2011.

#### **Management Responsibility for the Financial Statements**

It is the responsibility of the management of the company to prepare the financial statements of the company in accordance with the enterprise accounting standard and the enterprise accounting system. They are including (1) design, execute and maintain the internal control for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. (2) chosen the proper accounting policy; (3) reasonable accounting estimation.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2011, and of the Company’s result and cash flows for the year then ended in accordance with the enterprise accounting standard and the Small Business Accounting Standard.

(Signed and chop)

XIAMEN XINZHOU Certified Public Accountant Limited

Xiamen, China

(Chop)

China Certified Public Accountants

LIN Rong

12 April 2012

Enclosed: 1. Balance Sheet of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2011, income statement, statement of distributable profit, the cash flow statement for the year ended 31 December 2011  
2 the notes to accounts of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2011

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**Appendix 2**  
**Unit: RMB**

| <b>ITEMS</b>                                    | <b>Line</b> | <b>Accumulated<br/>for the year</b> | <b>Accumulated<br/>for last year</b> |
|---|-------------|-------------------------------------|--------------------------------------|
| Turnover  | 1           |                                     |                                      |
| Cost of sales                                   | 2           |                                     |                                      |
| Sales tax and surcharges                        | 3           |                                     |                                      |
| <b>Gross profit</b>                             | <b>4</b>    |                                     |                                      |
| Other income                                    | 5           |                                     |                                      |
| Operating expenses                              | 6           | 381,298.00                          | 269,256.70                           |
| Administrative expenses                         | 7           | 5,566,706.79                        | 1,620,771.20                         |
| Financial expenses                              | 8           | (13,537.55)                         | (14,126.97)                          |
| <b>Operating profit</b>                         | <b>9</b>    | <b>(5,934,467.24)</b>               | <b>(1,875,900.93)</b>                |
| Income from investment                          | 10          |                                     |                                      |
| Subsidy income                                  | 11          |                                     |                                      |
| Non-operating income                            | 12          |                                     |                                      |
| Non-operating expenses                          | 13          | 12,327.76                           |                                      |
| <b>Total profit</b>                             | <b>14</b>   | <b>(5,946,795.00)</b>               | <b>(1,875,900.93)</b>                |
| Profits tax                                     | 15          |                                     |                                      |
| <b>Net profit for the year</b>                  | <b>16</b>   | <b>(5,946,795.00)</b>               | <b>(1,875,900.93)</b>                |
| <b>Retained profit at beginning of the year</b> | <b>17</b>   | <b>(5,715,642.46)</b>               | <b>(3,839,741.53)</b>                |
| Adjustment to brought forward retained profit   | 18          | 840.00                              |                                      |
| <b>Retained profit at the end of the year</b>   | <b>19</b>   | <b>(11,661,597.46)</b>              | <b>(5,715,642.46)</b>                |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2011**

**Appendix 2**  
**Unit: RMB**

|  |             | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|--|-------------|---|-----------------------------------|
| <b>Assets</b>                                    | <b>Line</b> |   |                                   |
| Current assets                                   |             |   |                                   |
| Cash and bank balances                           | 1           | 136,807.87                              | 983,253.41                        |
| Short term investment                            | 2           |   |                                   |
| Notes receivables                                | 3           |   |                                   |
| Account receivables                              | 4           |   |                                   |
| Provision for bad debt                           | 5           |   |                                   |
| Net accounts receivable                          | 6           |   |                                   |
| Prepayments                                      | 7           | 29,268,000.00                           | 23,164,135.55                     |
| Other receivables                                | 8           | 3,172,781.87                            | 208,106.12                        |
| Inventory  | 9           | 181,826,608.94                          | 239,460,921.13                    |
| Of which finished goods & development cost       | 10          |   |                                   |
| Deferred expenses                                | 11          |   |                                   |
| Net loss for disposal of current assets          | 12          |   |                                   |
| Long term bond investment                        | 13          |   |                                   |
| Other current assets                             | 14          |   |                                   |
| <b>Total current assets</b>                      | <b>15</b>   | <b>214,404,198.68</b>                   | <b>263,816,416.21</b>             |
| Long term investment                             | 16          | 17,668,800.00                           | 15,000,000.00                     |
| <b>Total long term investment</b>                |             | <b>17,668,800.00</b>                    | <b>15,000,000.00</b>              |
| Fixed Assets                                     |             |   |                                   |
| Fixed Assets - at cost                           | 17          | 1,857,488.80                            | 2,460,357.80                      |
| Aggregate depreciation                           | 18          | 760,336.81                              | 1,173,187.87                      |
| Net book value of fixed assets                   | 19          | 1,097,151.99                            | 1,287,169.93                      |
| Fixed assets available for disposal              | 20          |   |                                   |
| Purchase and establishment cost for fixed assets | 21          |   |                                   |
| Net loss on disposal of fixed assets             | 22          |   |                                   |
| <b>Total fixed assets</b>                        | <b>23</b>   | <b>1,097,151.99</b>                     | <b>1,287,169.93</b>               |
| Intangible assets and Deferred assets            |             |   |                                   |
| Intangible assets                                | 24          |   |                                   |
| Deferred assets                                  | 25          |   |                                   |
| <b>Total intangible assets</b>                   | <b>26</b>   |   | <b>3,126,530.00</b>               |
| Other long term investment                       | 27          |   | 3,126,530.00                      |
| Deferred tax                                     |             |   |                                   |
| Deferred tax assets                              | 28          |   |                                   |
| <b>Total assets</b>                              | <b>29</b>   | <b>233,170,150.67</b>                   | <b>283,230,116.14</b>             |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2011**

**Appendix 2**  
**Unit: RMB**

| <b>ITEMS</b>                              | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|---|-------------|---|-----------------------------------|
| Current liabilities                       |             |   |                                   |
| Short term borrowings                     | 30          |   | 20,000,000.00                     |
| Bills payables                            | 31          |   |                                   |
| Account payables                          | 32          | 2,828,288.24                            | 13,408,674.45                     |
| Receipt in advance                        | 33          |   |                                   |
| Salary payables                           | 34          |   |                                   |
| Welfare payables                          | 35          |   |                                   |
| Dividend payables                         | 36          |   |                                   |
| Tax payables                              | 37          | 5,128.73                                | 8,802.25                          |
| Other payables                            | 38          | 186,052,376.16                          | 161,474,236.90                    |
| Other unsettled expenses                  | 39          |   |                                   |
| Accruals                                  | 40          |   |                                   |
| Long term liabilities due within one year | 41          |   |                                   |
| Other current payables                    | 42          |   |                                   |
| <b>Total current liabilities</b>          | <b>43</b>   | <b>188,885,793.13</b>                   | <b>194,891,713.60</b>             |
| Long terms payables                       |             |   |                                   |
| Long term borrowings                      | 44          |   |                                   |
| Bonds payables                            | 45          |   |                                   |
| Long term payables                        | 46          |   |                                   |
| Deferred rental income                    | 47          |   |                                   |
| Other long term payable                   | 48          |   |                                   |
| Rental deposit                            | 49          |   |                                   |
| <b>Total long terms payables</b>          | <b>50</b>   |   |                                   |
| Deferred tax liabilities                  | 51          |   |                                   |
| <b>Total liabilities</b>                  | <b>52</b>   | <b>188,885,793.13</b>                   | <b>194,891,713.63</b>             |
| Equity                                    |             |   |                                   |
| Capital                                   |             | 50,000,000.00                           | 100,000,000.00                    |
|   | 54          |   |                                   |
|   | 55          |   |                                   |
|   | 56          |   |                                   |
| Retained profit                           | 57          | (5,715,642.46)                          | (11,661,597.46)                   |
| <b>Total equity</b>                       | <b>58</b>   | <b>44,284,357.54</b>                    | <b>88,338,402.54</b>              |
| <b>Total liabilities &amp; equity</b>     | <b>59</b>   | <b>233,170,150.67</b>                   | <b>283,230,116.14</b>             |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**Appendix 3**  
**Unit: RMB**

| <b>ITEMS</b>  | <b>Line</b> | <b>Amount</b>          |
|---|-------------|------------------------|
| <b>OPERATING ACTIVITIES</b>   | <b>1</b>    |                        |
| Cash received from selling goods and providing services   | 2           |                        |
| Tax refund  | 3           |                        |
| Cash received related to operating activities   | 4           | 119,943.25             |
| Cash generated from operation   | 5           | 119,943.25             |
| Payment for purchasing and expenses for services  | 6           | 50,747,894.60          |
| Salary payments   | 7           | 1,172,217.78           |
| Taxations   | 8           |                        |
| Other cash payment related to operations  | 9           | 11,292,786.33          |
| Cash used in operating activities   | 10          | 63,212,898.71          |
| <b>NET CASH USED IN OPERATION ACTIVITIES</b>  | <b>11</b>   | <b>(63,092,955.46)</b> |
| <b>INVESTMENT ACTIVITIES</b>  | <b>12</b>   |                        |
| Cash received from investment   | 13          | 2,668,800.00           |
| Cash obtained from investment benefit   | 14          |                        |
| Net cash received from disposal of fixed assets, intangible assets and other long term investment | 15          |                        |
| Cash from other investment  | 16          |                        |
| Cash inflow   | 17          | 2,668,800.00           |
| Cash payment for the purchase of fixed assets, intangible assets and other long term investment   | 18          | 3,729,399.00           |
| Cash paid for investment  | 19          |                        |
| Cash paid for other investment activities   | 20          |                        |
| Cash outflow from investing activities  | 21          | 3,729,399.00           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>22</b>   | <b>(1,060,599.00)</b>  |
| Cash generated from financing activities  | 23          |                        |
| Cash from increase of capital   | 24          | 45,000,000.00          |
| Cash from debt financing  | 25          | 20,000,000.00          |
| Cash received from other financing activities   | 26          |                        |
| <b>CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>27</b>   | <b>65,000,000.00</b>   |
| Repayment of loan   | 28          |                        |
| Dividends and interest paid   | 29          |                        |
| Cash used in financing activities   | 30          |                        |
| Cash outflow  | 31          |                        |
| <b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>32</b>   | <b>65,000,000.00</b>   |
| Exchange difference to cash flow  | 33          |                        |
| <b>NET INCREASE IN CASH, AND CASH EQUIVALENTS</b>   | <b>34</b>   | <b>846,445.54</b>      |



**HANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

**Appendix 3**  
**Unit: RMB**

| <b>ITEMS</b>  | <b>Line</b> | <b>Amount</b>          |
|---|-------------|------------------------|
| <b>COMPLEMENTARY INFORMATION</b>  | <b>35</b>   |                        |
| 1. Net income adjust to cash flow from operating activities                               | 36          |                        |
| <b>Net profit</b>   | <b>37</b>   | <b>(5,916,090.00)</b>  |
| Impairment loss on property, plant and equipment  | 38          |                        |
| Depreciation of property, plant and equipment   | 39          | 382,146.09             |
| Amortisation of intangibles assets  | 40          |                        |
| Amortisation of long term deferred and prepaid expenses                                   | 41          |                        |
|   | 42          |                        |
|   | 43          |                        |
| Decrease/(increase) in amortisation   | 44          |                        |
| Increase/(decrease) in prepayment   | 45          |                        |
| Loss/(gain) on disposal of fixed assets, intangible asse ts<br>and other long term assets | 46          |                        |
| Loss fom scrap of fixed assets  | 47          |                        |
| Finance cost  | 48          |                        |
| Loss/(gain) on investment   | 49          |                        |
| Deferred tax liabilities  | 50          |                        |
| Decrease/(Increase) in inventories  | 51          | (5,634,312.19)         |
| Decrease/(Increase) in receivables from operaion  | 52          | 9,068,540.20           |
| Increase/(decrease) in payables from operation  | 53          | (8,993,239.53)         |
| Others  | 54          |                        |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>  | <b>55</b>   | <b>(63,092,955.46)</b> |
| Non cash items in investing and financing activities                                      | 56          |                        |
| Capitalized debt  | 57          |                        |
| Convertible bond to be matured within one year  | 58          |                        |
| Financing leased fixed assets   | 59          |                        |
|   | 60          |                        |
|   | 61          |                        |
|   | 62          |                        |
| Changes in cash and cash equivalents  | 63          |                        |
| <b>CASH AND BANK BALANCES AT THE END OF YEAR</b>  | <b>64</b>   | <b>983,253.41</b>      |
| <b>LESS: CASH AND BANK BALANCES</b>   |             |                        |
| <b>AT BEGINNING OF THE YEAR</b>   | <b>65</b>   | <b>136,807.87</b>      |
| Add: balance at end of cash equivalents   | 66          |                        |
| Less: balance at beginning of cash equivalents  | 67          |                        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>68</b>   | <b>846,445.54</b>      |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED  
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2011**

**1. GENERAL INFORMATION**

CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (the Company) was incorporated in 29 April 2005 with the legal entity license no. 350625100010337 under the approval of Business administrative department of CHANGTAI town in FUJIAN province. The authorized share capital of the company was RMB100,000,000. The operating period was limited to 30 years.

The principal activities of the company were real estate development and selling (in accordance with the quality certificate) , eco- tourist development and trading of tourist souvenir.

**2. MAJOR ACCOUNTING POLICIES AND ESTIMATION**

**1. Accounting standard adopted**

The company adopted the Small Business Accounting Standard in preparation of the accounts.

**2. Financial year**

The company financial year is from 1 January to 31 December.

**3. Basis and principal of preparation**

The accounts of the company adopted accrual accounting with historical cost basis.

**4 Reporting currency and foreign currency translation**

The company adopted RMB as the reporting currency. For the transactions that transacted with the foreign currency, the company adopted the average rate of the first date of that calendar month quoted by the Central Bank of China. The foreign currency outstanding balance at the end of calendar month will be adjusted by the average rate of that date. Any difference on the adjustment will be treated as financial expenses – gain/loss in currency exchange.

**5 Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**6 Bad debt**

The company recognized bad debt on provision basis.

The standard of provision included

- (a) The non-recoverable amount from the asset of the debtor after his death or bankrupt.
- (b) The long outstanding debtor with the reasonable ground on default

**7 Inventories**

The cost of the real estate development included the historical cost of land cost and the compensation paid for the removal of existing residents, the preliminary development fee, construction and installation fee, infrastructure fee, indirect cost for development.

## 8 Long term investment

Equity accounting method if the investment in investee company accounts for no less than 20% of the total share capital with voting right or the investment in investee company accounts for less than 20% of the total share capital with voting right but has substantial influence on the investee company.

Cost accounting method if the investment in investee company accounts for less than 20% of the total share capital with voting right or the investment in investee company accounts for no less than 20% of the total share capital with voting right but do not has substantial influence on the investee company.

## 9 Fixed assets

Fixed assets were (i) the motor vehicles or items for production or related to operation with the useful life exceed one year and (ii) for the items that exceed RMB2,000 and not related to production or operation with the useful life exceed two years.

Fixed assets were recorded as acquisition cost. Acquisition cost included the purchase consideration, import duty, transportation, insurance and all the expenses that bring the assets into usable condition.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method at following rates.

| <i>Fixed assets categories</i> | <i>Year of depreciation</i> | <i>Residue percentage (%)</i> | <i>Rate of depreciation (%)</i> |
|--------------------------------|-----------------------------|-------------------------------|---------------------------------|
| Motor vehicles                 | 5 years                     | 5%                            | 19%                             |
| Plant and machinery            | 5 years                     | 5%                            | 19%                             |
| Office equipment               | 5 years                     | 5%                            | 19%                             |

## 10 Revenue recognition

Revenue is recognized when it is probable that (A) the economic benefits will flow to the Company and (B) when the revenue can be measured reliably.

## 11 Taxation and surcharge

The tax items and tax rate suitable to the Company are as follow:

| <i>Tax categories</i> | <i>Corporate income tax</i>   | <i>City building tax</i>   | <i>Business tax</i> |
|-----------------------|-------------------------------|----------------------------|---------------------|
| Tax rate              | 24%                           | 7%                         | 5%                  |
| Tax payable           | Local education surcharge fee | Surcharge of education fee |                     |
| Surcharge rate        | 2%                            | 3%                         |                     |

## 12 Profits tax

The company adopted accrual basis to record the Profits tax.

### 3 EXPLANATORY NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

#### 1 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is RMB983,253.41, details as follow :

| Items         | Balance at the end of year |
|---------------|----------------------------|
| Cash          | 54,402.80                  |
| Bank deposits | 928,850.61                 |
| Total         | 983,253.41                 |

Bank deposit as follow :

| Bank list                                | Balance at the end of year |
|--|----------------------------|
| CHANGTAI Agriculture bank                | 915,565.85                 |
| FU JIAN Construction bank                | 4,974.20                   |
| Xing Ye Bank Lotus Branch                | 149.42                     |
| Xing Ye Bank Zhang Zhou Jiang Bin Branch | 643.25                     |
| CHANGTAI Construction bank               | 2,879.22                   |
| Ning Bo Bank Hangzhou Branch             | 4,638.67                   |
| Total                                    | 928,850.61                 |

#### 2 PREPAYMENT

(1) The balance of prepayment is RMB23,164,135.55, details as follow :

| Ageing        | Balance at the end of the year<br>Amount | Percentage |
|---------------|--|------------|
| Within 1 year | 21,000,000.00                            | 90.66%     |
| 1 - 2 years   | 2,164,135.55                             | 9.34%      |
| Total         | 23,164,135.55                            | 100%       |

(2) Detail of major amount of prepayment as follow :

| Unit name                                | Amount        | Nature or content |
|--|---------------|-------------------|
| Changtai Ma Yang Xi Management Committee | 21,000,000.00 | Compensation      |
| Jiao Long                                | 2,000,000.00  | Construction      |

#### 3 OTHER RECEIVABLES

(1) The balance of other receivables are RMB208,106.12 and the details as follow :

| Ageing        | Amount     | Percentage | Provision for bad debt | Net amount |
|---------------|------------|------------|------------------------|------------|
| Within 1 year | 152,355.92 | 73.21%     | —                      | 152,355.92 |
| 1 - 2 years   | 55,750.20  | 26.79%     | —                      | 55,750.20  |
| Total         | 208,106.12 | 100%       | 208,106.12             |            |

(2) Detail of major amount of other receivables are as follow :

| Unit name                      | Amount    | Nature or content |
|--------------------------------|-----------|-------------------|
| Jiao Long Construction Company | 58,788.00 | Current account   |

#### 4 INVENTORY

The balance of inventory is RMB239,460,921.13, details as follow :

| Items            | Balance at the beginning of year | Increase in the year | Decrease in the year | Balance at the end of the year |
|------------------|----------------------------------|----------------------|----------------------|--------------------------------|
| Development cost | 181,826,608.94                   | 57,634,312.19        | —                    | 239,460,921.13                 |

#### 5 LONG TERM INVESTMENT

The balance of long term investment is RMB15,000,000.00, details as follow :

| Investee   | At the beginning of the year | At the end of the year | Percentage held on the registered capital at the end of the year |
|--|------------------------------|------------------------|--|
| Changtai Tiantongshan Real Estate Development Co., Ltd | 15,000,000.00                | 15,000,000.00          | 100%   |
| Asian Game gold coin                                   | 2,668,800.00                 | —                      |  |
| Total  | 17,668,800.00                | 15,000,000.00          |  |

#### 6. FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets and accumulated depreciation and the changes as follow:

| Categories               | Balance at the beginning of year | Increase during the year | Decrease during the year | Balance at the end of the year |
|--------------------------|----------------------------------|--------------------------|--------------------------|--------------------------------|
| 1 Cost of fixed assets   | 1,857,488.80                     | 602,869.00               | —                        | 2,460,357.80                   |
| of which:                |                                  |                          |                          |                                |
| Plant and machinery      | 1,108,297.80                     | —                        | —                        | 1,108,297.80                   |
| Office equipment         | 107,405.00                       | 60,570.00                | —                        | 167,975.00                     |
| Motor vehicles           | 641,786.00                       | 542,299.00               | —                        | 1,184,085.00                   |
| 2 Aggregate depreciation | 760,336.81                       | 412,851.06               | —                        | 1,173,187.87                   |
| Net book value           | 1,097,151.99                     | —                        | —                        | 1,287,169.93                   |

#### 7 LONG TERM AMORTISATION FROM LEASING

The balance of long term investment is RMB3,126,530.00, details as follow :

| Item              | Balance at the beginning of year | Increase during the year | Decrease during the year | Balance at the end of the year |
|-------------------|----------------------------------|--------------------------|--------------------------|--------------------------------|
| Land premium paid | —                                | 3,126,530.00             | —                        | 3,126,530.00                   |

## 8 SHORT TERM BORROWINGS

The balance of short term borrowings is RMB20,000,000.00, details as follow :

| Lender                          | Draw down date | Maturity date | Monthly interest rate | At the end of the year | Security  |
|---------------------------------|----------------|---------------|-----------------------|------------------------|-----------|
| Ning Bo Bank<br>Hangzhou Branch | 1 July 2011    | 30 June 2012  | 8.3333%               | 20,000,000.00          | Guarantee |

## 9 ACCOUNT PAYABLES

(1) The balance of account payable was RMB13,408,674.45, the details as follow:

| Ageing        | Balance at the end of the year<br>Amount | Percentage  |
|---------------|--|-------------|
| Within 1 year | 13,402,586.21                            | 99.95%      |
| 1-2 year      | 6,088.24                                 | 0.05%       |
|               | <u>13,408,674.45</u>                     | <u>100%</u> |

(2) Details of major amount prepayment are as follow :

| Unit name                      | Amount        | Nature or content |
|--------------------------------|---------------|-------------------|
| Jiao Long Construction Company | 13,393,586.21 | Current account   |

## 10 OTHER PAYABLES

(1) The balance of other payable is RMB161,474,236.90, details as follow :

| Ageing           | Balance at the end of the year<br>Amount | Percentage     |
|------------------|--|----------------|
| Within 1 year    | 29,568,422.74                            | 18.31%         |
| One to two years | 131,905,814.16                           | 81.69%         |
| Total            | <u>161,474,236.90</u>                    | <u>100.00%</u> |

(2) Details of major amount of other payable are as follow :

| Unit name  | Amount                | Nature or content |
|--|-----------------------|-------------------|
| Changtai Tiantongshan Real Estate Development Co., Ltd | 13,470,075.18         | Current account   |
| Xia Men Dang Dai Real Estate Group Company Limited     | 3,126,530.00          | Current account   |
| Zhe Jiang Chang Xing                                   | 77,761,976.00         | Current account   |
| Sunny Century Real Estate Company                      | 60,981,962.00         | Current account   |
|  | <u>155,340,543.18</u> |                   |

## 11 ACCRUED PAYROLL

The balance of accrued payroll is nil.

| Balance<br>the beginning<br>of the year | Increase<br>in the year | Decrease<br>in the year | Balance<br>at the end<br>of the year |
|---|-------------------------|-------------------------|--------------------------------------|
| –                                       | 1,544,559.18            | 1,544,559.18            | –                                    |

## 12 TAX PAYABLES

The balance of tax payables are RMB8,802.25, details as follow :

| Tax categories | At the beginning<br>of the year | Increase<br>during year | Paid<br>during year | At the end<br>of the year |
|----------------|---------------------------------|-------------------------|---------------------|---------------------------|
| Individual tax | 5,128.73                        | 41,340.36               | 37,666.84           | 8,802.25                  |
| Stamp duty     | –                               | 72,650.00               | 72,650.00           | –                         |
| Total          | 5,128.73                        | 113,990.36              | 110,316.84          | 8,802.25                  |

## 13 SHARE CAPITAL

Details of the issued and fully paid up capital are as follow:

| Name of shareholder                          | Subscribed<br>share capital<br>at the end<br>of the year | Fully paid up<br>share capital<br>at the end<br>of the year | Percentage<br>of fully<br>paid up to<br>share capital |
|--|--|---|---|
| Escrow Limited                               | –  | 50,000,000.00   | 100%  |
| S&T Group Holdings Limited                   | –  | 50,000,000.00   | 100%  |
| Xia Men Sunny Century<br>Real Estate Company | 50,000,000.00  | –   | 0%  |
| Total  | 50,000,000.00  | 100,000,000.00  | 200%  |

The injected capital had been verified by Xai Men Xin Zhou CPA Limited with the report Xia Xin Zhou (2011) No009

## 14 RETAINED PROFITS

The changes status and the balance of the retained profit are as follow:

| Items                                  | Amount          |
|--|-----------------|
| Retained profits at beginning of year  | (5,715,642.46)  |
| Net profit for the year                | (5,946,795.00)  |
| Add transferred from others            | 840.00          |
| Distributable profit                   | (11,661,597.46) |
| Less dividend for the year             | –               |
| Retained profit at the end of the year | (11,661,597.46) |

## 15 SELLING EXPENSES

The balance of selling expenses is RMB381,298.00 details as follow:

| Item          | Incurred amount during the year |
|---------------|---------------------------------|
| Advertisement | 360,000.00                      |
| Trip expenses | 21,298.00                       |
| Total         | 381,298.00                      |

## 16 ADMINISTRATIVE EXPENSES

The balance of administrative expenses is RMB5,566,706.79 details as follow :

| Items                              | Incurred amount during the year |
|------------------------------------|---------------------------------|
| Wages                              | 1,172,217.78                    |
| Staff welfare                      | 73,589.55                       |
| Office expenses                    | 109,936.00                      |
| Entertainment                      | 2,944,512.30                    |
| Telephone and fax                  | 31,464.28                       |
| Motor car expenses                 | 229,898.11                      |
| Depreciation                       | 202,274.46                      |
| Travelling expense                 | 194,794.83                      |
| Building management fee            | 91,382.52                       |
| Auditor remuneration               | 8,600.00                        |
| Land use right duty and stamp duty | 353,202.42                      |
| Consumable expense                 | 1,689.00                        |
| Local travelling                   | 25,935.40                       |
| License fee                        | 20,540.00                       |
| Leasing                            | 14,685.60                       |
| Staff education fee                | 15,707.19                       |
| Social security fee                | 32,375.93                       |
| Provident fund                     | 18,980.00                       |
| Union operation fee                | 20,942.92                       |
| Others                             | 3,978.50                        |
| Total                              | 5,566,706.79                    |

## 17 FINANCIAL EXPENSES

The balance of the financial expenses is RMB13,537.55 details are as follow :

| Item                        | Incurred amount during the year |
|-----------------------------|---------------------------------|
| Bank charge                 | 22,522.55                       |
| Bank interest               | (119,943.25)                    |
| Loss of exchange difference | 83,883.15                       |
| Total                       | (13,537.55)                     |



#### 18. EXPENSES OTHER THAN SELLING EXPENSES

The amount of RMB12,327.76 is the expenses other than selling expenses, details is as below :

| Item    | Incurred during the period |
|---------|----------------------------|
| Deposit | 12,327.76                  |

#### 4. RELATED PARTY TRANSACTIONS

##### 1 Related party

| Name of the enterprise                                 | Registration address | Principal activities   | Relation with the company | Economical nature | Legal representative |
|--|----------------------|--|---------------------------|-------------------|----------------------|
| Changtai Tiantongshan Real Estate Development Co., Ltd | Changtai             | Real estate development, leasing, and relevant property services | Subsidiary                | Company limited   | Wang Zhu Tong        |

##### (3) The current account balance of the related party

| Item  | Balance at the end of the year | Balance at the beginning of the year |
|---|--------------------------------|--------------------------------------|
| Account receivable - Changtai Tiantongshan Real Estate Development Co., Ltd | —                              | 13,470,075.18                        |

#### 5 CONTINGENT LIABILITIES

At the balance sheet date, no contingent liability is required to be disclosed.

#### 6 POST BALANCE SHEET EVENT

In accordance with the sales and purchase agreement and the notice of Min Foreign Economic Trading Capital No (2010) 447 ((Approval Document of Fu Jian Province Foreign Trading Economic Co-operation Related to Acquisition and Set Up Foreign Entity CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED)) issued by the foreign business and economy department, Escrow Limited and S&T Group Holdings Limited acquired the entire equity of the company. The legal status of the company changed from domestic entity into foreign investor company. After the acquisition, the register capital of the company increase to RMB 100,000,000. The additional capital had been injected by foreign investor in foreign currency. The additional injected capital had been verified by Xai Men Xin Zhou CPA Limited with the report Xia Xin Zhou (2011) No009 dated 9 February 2011.

## **SECTION C: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012**

### **AUDIT REPORT**

#### **CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**

We have audited the attached financial statements of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (“the company”) including balance sheet as at 31 December 2012, income statement, statement of distributable profit, the cash flow statement and the notes to accounts for the year ended 31 December 2012.

#### **Management Responsibility for the Financial Statements**

It is the responsibility of the management of the company to prepare the financial statements of the company in accordance with the enterprise accounting standard and the enterprise accounting system. They are including (1) design, execute and maintain the internal control for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. (2) chosen the proper accounting policy; (3) reasonable accounting estimation.

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2012, and of the Company’s result and cash flows for the year then ended in accordance with the enterprise accounting standard and the Small Business Accounting Standard.

(Signed and chop)

XIAMEN XINZHOU Certified Public Accountants Company Limited    China Certified Public Accountants

Xiamen, China

(Chop)

LIN Rong

8 May 2013

Enclosed: 1. Balance Sheet of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2012, income statement, statement of retained profit, the cash flow statement for the year ended 31 December 2012

Enclosed: 2 the notes to accounts of CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED as at 31 December 2012

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>Unit: RMB</b>  |             |                                     |                                      |
|---|-------------|-------------------------------------|--------------------------------------|
| <b>ITEMS</b>  | <b>Line</b> | <b>Accumulated<br/>for the year</b> | <b>Accumulated<br/>for last year</b> |
| Turnover  | 1           |                                     |                                      |
| Cost of sales   | 2           |                                     |                                      |
| Sales tax and surcharges  | 3           |                                     |                                      |
| <b>Gross profit</b>   | <b>4</b>    |                                     |                                      |
| Other income  | 5           |                                     |                                      |
| Operating expenses  | 6           | 1,044,488.00                        | 381,298.00                           |
| Administrative expenses   | 7           | 2,925,020.12                        | 5,566,706.79                         |
| Financial expenses  | 8           | 35,340.03                           | (13,537.55)                          |
| <b>Operating profit</b>   | <b>9</b>    | <b>(4,004,848.15)</b>               | <b>(5,934,467.24)</b>                |
| Income from investment  | 10          |                                     |                                      |
| Subsidy income  | 11          |                                     |                                      |
| Non-operating income  | 12          |                                     |                                      |
| Non-operating expenses  | 13          | 100,387.54                          | 12,327.76                            |
| <b>Total profit</b>   | <b>14</b>   | <b>(4,105,235.69)</b>               | <b>(5,946,795.00)</b>                |
| Profits tax   | 15          |                                     |                                      |
| <b>Net profit for the year</b>                                  | <b>16</b>   | <b>(4,105,235.69)</b>               | <b>(5,946,795.00)</b>                |
| <b>Undistributed profit at the beginning of the year</b>        | <b>17</b>   | <b>(11,661,597.46)</b>              | <b>(5,715,642.46)</b>                |
| Adjustment to undistributed profit at the beginning of the year | 18          |                                     | 840.00                               |
| <b>Undistributed profit at the end of the year</b>              | <b>19</b>   | <b>(15,766,833.15)</b>              | <b>(11,661,597.46)</b>               |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2012**

**Appendix 2**  
**Unit: RMB**

|  |             | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|--|-------------|---|-----------------------------------|
| <b>ASSETS</b>                                    | <b>Line</b> |   |                                   |
| Current assets                                   |             |   |                                   |
| Cash and bank balances                           | 1           | 983,253.41                              | 521,232.14                        |
| Short term investment                            | 2           |   |                                   |
| Notes receivables                                | 3           |   |                                   |
| Account receivables                              | 4           |   |                                   |
| Provision for bad debt                           | 5           |   |                                   |
| Net accounts receivable                          | 6           |   |                                   |
| Prepayments                                      | 7           | 23,164,135.55                           | 41,770,510.86                     |
| Other receivables                                | 8           | 208,106.12                              | 1,335,295.74                      |
| Inventory  | 9           | 239,460,921.13                          | 269,069,101.88                    |
| Of which finished goods & development cost       | 10          |   |                                   |
| Deferred expenses                                | 11          |   |                                   |
| Net loss for current asset for disposal          | 12          |   |                                   |
| Long term bond investment                        | 13          |   |                                   |
| Other current assets                             | 14          |   |                                   |
| <b>Total current assets</b>                      | <b>15</b>   | <b>263,816,416.21</b>                   | <b>312,696,140.62</b>             |
| Long term investment                             |             |   |                                   |
| Long term investment                             | 16          | 15,000,000.00                           | 17,000,000.00                     |
| <b>Total long term investment</b>                |             | <b>15,000,000.00</b>                    | <b>17,000,000.00</b>              |
| Fixed Assets                                     |             |   |                                   |
| Fixed Assets - at cost                           | 17          | 2,460,357.80                            | 2,611,203.80                      |
| Less: Aggregate depreciation                     | 18          | 1,173,187.87                            | 1,611,673.50                      |
| Net book value of fixed assets                   | 19          | 1,287,169.93                            | 999,530.30                        |
| Fixed assets available for disposal              | 20          |   |                                   |
| Purchase and establishment cost for fixed assets | 21          |   |                                   |
| Net loss on disposal of fixed assets             | 22          |   |                                   |
| <b>Total fixed assets</b>                        | <b>23</b>   | <b>1,287,169.93</b>                     | <b>999,530.30</b>                 |
| Intangible assets and Deferred assets            |             |   |                                   |
| Intangible assets                                | 24          | 3,126,530.00                            | —                                 |
| Deferred assets                                  | 25          |   |                                   |
| <b>Total intangible assets</b>                   | <b>26</b>   | <b>3,126,530.00</b>                     | <b>—</b>                          |
| Other long term investment                       |             |   |                                   |
| Other long term investment                       | 27          |   |                                   |
| Deferred tax                                     |             |   |                                   |
| Deferred tax assets                              | 28          |   |                                   |
| <b>Total assets</b>                              | <b>29</b>   | <b>283,230,116.14</b>                   | <b>330,695,670.92</b>             |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2012**

**Appendix 2**  
**Unit: RMB**

| <b>ITEM</b>                               | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the year</b> |
|---|-------------|---|-----------------------------------|
| Current liabilities                       |             |   |                                   |
| Short term borrowings                     | 30          | 20,000,000.00                           | 65,000,000.00                     |
| Bills payables                            | 31          |   |                                   |
| Account payables                          | 32          | 13,408,674.45                           | 14,297,011.01                     |
| Advance from customers                    | 33          |   |                                   |
| Salary payables                           | 34          |   |                                   |
| Welfare payables                          | 35          |   |                                   |
| Dividend payables                         | 36          |   |                                   |
| Tax payables                              | 37          | 8,802.25                                | 9,410.96                          |
| Other payables                            | 38          | 161,474,236.90                          | 167,156,082.10                    |
| Other unsettled expenses                  | 39          |   |                                   |
| Accruals                                  | 40          |   |                                   |
| Long term liabilities due within one year | 41          |   |                                   |
| Other current payables                    | 42          |   |                                   |
| <b>Total current liabilities</b>          | <b>43</b>   | <b>194,891,713.60</b>                   | <b>246,462,504.07</b>             |
| Long terms payables                       |             |   |                                   |
| Long term borrowings                      | 44          |   |                                   |
| Bonds payables                            | 45          |   |                                   |
| Long term payables                        | 46          |   |                                   |
| Deferred rental income                    | 47          |   |                                   |
| Other long term payable                   | 48          |   |                                   |
| Rental deposit                            | 49          |   |                                   |
| <b>Total long terms payables</b>          | <b>50</b>   |   |                                   |
| Deferred tax liabilities                  | 51          |   |                                   |
| <b>Total liabilities</b>                  | <b>52</b>   | <b>194,891,713.60</b>                   | <b>246,462,504.07</b>             |
| Equity                                    |             |   |                                   |
| Capital                                   |             | 100,000,000.00                          | 100,000,000.00                    |
|   | 54          |   |                                   |
|   | 55          |   |                                   |
|   | 56          |   |                                   |
| Undistributed profit                      | 57          | (11,661,597.46)                         | (15,766,833.15)                   |
| <b>Total equity</b>                       | <b>58</b>   | <b>88,338,402.54</b>                    | <b>84,233,166.85</b>              |
| <b>Total liabilities &amp; equity</b>     | <b>59</b>   | <b>283,230,116.14</b>                   | <b>330,695,670.92</b>             |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**Appendix 3**  
**Unit: RMB**

| <b>ITEM</b>   | <b>Line</b> | <b>Amount</b>          |
|---|-------------|------------------------|
| <b>OPERATING ACTIVITIES</b>   | <b>1</b>    |                        |
| Cash received from selling goods and providing services   | 2           |                        |
| Tax refund  | 3           |                        |
| Cash received related to operating activities   | 4           | 10,904,172.30          |
| Total cash generated from operation   | 5           | 10,904,172.30          |
| Payment for purchasing and expenses for services  | 6           | 47,326,219.50          |
| Salary payments   | 7           | 1,598,404.38           |
| Taxations   | 8           | 174,314.29             |
| Other cash payment related to operations  | 9           | 1,444,872.54           |
| Total cash used in operating activities   | 10          | 50,543,810.71          |
| <b>NET CASH USED IN OPERATION ACTIVITIES</b>  | <b>11</b>   | <b>(39,639,638.41)</b> |
| <b>INVESTMENT ACTIVITIES</b>  | <b>12</b>   |                        |
| Cash received from investment   | 13          |                        |
| Cash obtained from investment benefit   | 14          |                        |
| Net cash received from disposal of fixed assets, intangible assets and other long term investment | 15          |                        |
| Cash from other investment  | 16          |                        |
| Total cash inflow from investing activities   | 17          |                        |
| Cash used for purchasing fixed assets, intangible assets and other long term investment           | 18          | 150,846.00             |
| Cash paid for investment  | 19          | 2,000,000.00           |
| Cash paid for other investment activities   | 20          |                        |
| Total cash outflow from investing activities  | 21          | 2,150,846.00           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>22</b>   | <b>(2,150,846.00)</b>  |
| Cash generated from financing activities  | 23          |                        |
| Cash from increase of capital   | 24          |                        |
| Cash from debt financing  | 25          | 65,000,000.00          |
| Cash received from other financing activities   | 26          |                        |
| <b>CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>27</b>   | <b>65,000,000.00</b>   |
| Repayment of loan   | 28          | 20,000,000.00          |
| Dividends and interest paid   | 29          | 3,671,536.86           |
| Cash used in financing activities   | 30          |                        |
| Cash outflow  | 31          | 23,671,536.86          |
| <b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>   | <b>32</b>   | <b>41,328,463.14</b>   |
| Exchange difference to cash flow  | 33          |                        |
| <b>NET INCREASE IN CASH, AND CASH EQUIVALENTS</b>   | <b>34</b>   | <b>(462,021.27)</b>    |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**Appendix 3**  
**Unit: RMB**

| <b>ITEM</b>  | <b>Line</b> | <b>Amount</b>          |
|--|-------------|------------------------|
| <b>COMPLEMENTARY INFORMATION</b>   | <b>35</b>   |                        |
| 1. Reconciliation of net profit to cash flow from operating activities                 | 36          |                        |
| Net profit   | 37          | (4,105,235.69)         |
| Impairment loss on property, plant and equipment                                       | 38          |                        |
| Depreciation of property, plant and equipment  | 39          | 438,485.63             |
| Amortization of intangibles assets   | 40          |                        |
| Amortization of long term deferred and prepaid expenses                                | 41          | 3,126,530.00           |
|  | 42          |                        |
|  | 43          |                        |
| Decrease/(increase) in amortization  | 44          |                        |
| Increase/(decrease) in prepayment  | 45          |                        |
| Loss/ (gain) on disposal of fixed assets, intangible assets and other long term assets | 46          |                        |
| Loss from scrap of fixed assets  | 47          |                        |
| Finance cost   | 48          | 3,671,536.86           |
| Loss/(gain) on investment  | 49          |                        |
| Deferred tax liabilities   | 50          |                        |
| Decrease/ (Increase) in inventories  | 51          | (29,608,180.75)        |
| Decrease /(Increase) in receivables from operation                                     | 52          | (19,733,564.93)        |
| Increase/(decrease) in payables from operation   | 53          | 6,570,790.47           |
| Others   | 54          |                        |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>55</b>   | <b>(39,639,638.41)</b> |
| Non cash items in investing and financing activities                                   | 56          |                        |
| Capitalized debt   | 57          |                        |
| Convertible bond to be matured within one year   | 58          |                        |
| Financing leased fixed assets  | 59          |                        |
|  | 60          |                        |
|  | 61          |                        |
|  | 62          |                        |
| Changes in cash and cash equivalents   | 63          |                        |
| <b>CASH AND BANK BALANCES AT THE END OF THE YEAR</b>                                   | <b>64</b>   | <b>521,232.14</b>      |
| <b>LESS : CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR</b>                      | <b>65</b>   | <b>983,253.41</b>      |
| Add : balance at end of cash equivalents   | 66          |                        |
| Less : balance at beginning of cash equivalents  | 67          |                        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                       | <b>68</b>   | <b>(462,021.27)</b>    |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED  
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2012**

**1. GENERAL INFORMATION**

CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED (the Company) was incorporated in 29 April 2005 with the legal entity license no. 350625100010337 under the approval of Business administrative department of CHANGTAI County in FU JIAN province. The authorized share capital of the company was RMB100,000,000. The operating period was limited to 30 years.

The principal activities of the company were real estate development and selling (in accordance with the quality certificate) , eco- tourist development and trading of tourist souvenir.

**2. MAJOR ACCOUNTING POLICIES AND ESTIMATION**

**1. Accounting standard adopted**

The company adopted the Small Business Accounting Standard in preparation of the accounts.

**2. Financial year**

The company financial year is from 1 January to 31 December.

**3. Basis and principal of preparation**

The accounts of the company adopted accrual accounting with historical cost basis.

**4 Reporting currency and foreign currency translation**

The company adopted RMB as the reporting currency. For the transactions that transacted with the foreign currency, the company adopted the average rate of the first date of that calendar month quoted by the People's Bank of China. The foreign currency outstanding balance at the end of calendar month will be adjusted by the average rate of that date. Any difference on the adjustment will be treated as financial expenses – gain/loss in currency exchange.

**5 Cash and cash equivalents**

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**6 Bad debt**

The company recognized bad debt on provision basis.

The standard of provision included

- (a) The non-recoverable amount from the asset of the debtor after his death or bankrupt.
- (b) The long outstanding debtor with the reasonable ground on default.

**7 Inventories**

The cost of the real estate development included the historical cost of land cost and the compensation paid for the removal of existing residents, the preliminary development fee, construction and installation fee, infrastructure fee, indirect cost for development.



## 8 Long term investment

Equity accounting method if the investment in investee company accounts for no less than 20% of the total share capital with voting right or the investment in investee company accounts for less than 20% of the total share capital with voting right but the investor has substantial influence on the investee company.

Cost accounting method if the investment in investee company accounts for less than 20% of the total share capital with voting right or the investment in investee company accounts for no less than 20% of the total share capital with voting right but the investor do not has substantial influence on the investee company.

## 9 Fixed assets

Fixed assets were (i) the motor vehicles or items for production or related to operation with the useful life exceed one year and (ii) for the items that exceed RMB2,000 and not related to production or operation with the useful life exceed two years.

Fixed assets were recorded as acquisition cost. Acquisition cost included the purchase consideration, import duty, transportation, insurance and all the expenses that bring the assets into usable condition.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method at following rates.

| <i>Fixed assets categories</i>          | <i>Year of depreciation</i> | <i>Residue percentage (%)</i> | <i>Rate of depreciation (%)</i> |
|---|-----------------------------|-------------------------------|---------------------------------|
| Motor vehicles                          | 5 years                     | 5 %                           | 19 %                            |
| Plant and machinery                     | 5 years                     | 5 %                           | 19 %                            |
| Office equipment and electronic devices | 5 years                     | 5 %                           | 19 %                            |

## 10 Revenue recognition

Revenue is recognized when it is probable that (A) the economic benefits will flow to the Company and (B) when the revenue can be measured reliably.

## 11 Taxation and surcharge

The tax items and tax rate suitable to the Company are as follow:

| <i>Tax categories</i> | <i>Corporate income tax</i>   | <i>City building tax</i>   | <i>Business tax</i> |
|-----------------------|-------------------------------|----------------------------|---------------------|
| Tax rate              | 24%                           | 7%                         | 5%                  |
| Tax payable           | Local education surcharge fee | Surcharge of education fee |                     |
| Surcharge rate        | 2%                            | 3%                         |                     |

## 12 Profits tax

The company adopted accrual basis to record the Profits tax.

### 3 EXPLANATORY NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

#### 1 CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is RMB521,232.14, details as follow :

| Items         | Balance at the end of year |
|---------------|----------------------------|
| Cash          | 96,271.99                  |
| Bank deposits | 424,960.15                 |
| Total         | 521,232.14                 |

#### 2 PREPAYMENT

(1) The balance of prepayment is RMB41,770,510.86, details as follow :

| Ageing        | Balance at the end of the year<br>Amount | Percentage |
|---------------|--|------------|
| Within 1 year | 20,641,792.86                            | 49.42%     |
| 1 - 2 years   | 128,718.00                               | 0.31%      |
| 2 - 3 years   | 21,000,000.00                            | 50.27%     |
|               | 41,770,510.86                            | 100.00%    |

(2) Detail of major amount of prepayment as follow :

| Unit name  | Amount        | Nature or content |
|--|---------------|-------------------|
| Administrative Committee of Ma Yang Brook in Changtai County | 21,000,000.00 | Compensation      |
| Fujian Jiulong Construction Group Co., Ltd                   | 4,556,238.36  | Construction      |

#### 3 OTHER RECEIVABLES

(1) The balance of other receivables are RMB1,335,295.74 and the details as follow :

| Ageing             | Amount       | Percentage (%) | Provision for bad debt | Net amount   |
|--------------------|--------------|----------------|------------------------|--------------|
| Within 1 year      | 1,297,440.54 | 97.17%         | —                      | 1,297,440.54 |
| One to two years   | 22,605.00    | 1.69%          | —                      | 22,605.00    |
| Two to three years | 15,250.20    | 1.14%          | —                      | 15,250.20    |
| Total              | 1,335,295.74 | 100%           |                        | 1,335,295.74 |

(2) Detail of major amount of other receivables are as follow :

| Unit name                                    | Amount     | Nature or content |
|--|------------|-------------------|
| Changtai Mayang Brook Water Service Co., Ltd | 520,000.00 | Current account   |

#### 4 INVENTORY

The balance of inventory is RMB269,069,101.88 details as follow :

The balance of inventory is RMB181,826,608.94, details as follow :

| Items            | Balance at the beginning of year | Increase in the year | Decrease in the year | Balance at the end of the year |
|------------------|----------------------------------|----------------------|----------------------|--------------------------------|
| Development cost | 239,460,921.13                   | 29,608,180.75        | —                    | 269,069,101.88                 |

#### 5 LONG TERM INVESTMENT

The balance of long term investment is RMB17,000,000.00, details as follow :

| Investee   | At the beginning of the year | At the end of the year | Percentage held on the registered capital at the end of the year |
|--|------------------------------|------------------------|--|
| Changtai Tiantongshan Tourism Development Co., Ltd | 15,000,000.00                | 15,000,000.00          | 100%   |
| Changtai Tiantong Property Service Co., Ltd        | —                            | 2,000,000.00           | 100%   |
| Total  | 15,000,000.00                | 17,000,000.00          |  |

#### 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

Fixed assets and accumulated depreciation and the changes as follow:

| Categories                              | Balance at the beginning of year | Increase during the year | Decrease during the year | Balance at the end of the year |
|---|----------------------------------|--------------------------|--------------------------|--------------------------------|
| 1 Cost of fixed assets                  | 2,460,357.80                     | 150,846.00               | —                        | 2,611,203.80                   |
| of which:                               |                                  |                          |                          |                                |
| Plant and machinery                     | 1,108,297.80                     | —                        | —                        | 1,108,297.80                   |
| Office equipment and electronic devices | 167,975.00                       | 150,846.00               | —                        | 318,821.00                     |
| Motor vehicles                          | 1,184,085.00                     | —                        | —                        | 1,184,085.00                   |
| 2 Aggregate depreciation                | 1,173,187.87                     | 438,485.63               | —                        | 1,611,673.50                   |
| Net book value                          | 1,287,169.93                     | —                        | —                        | 999,530.30                     |

#### 7 LONG TERM AMORTISATION FROM LEASING

The balance of long term investment is nil, details as follow :

| Item              | Balance at the beginning of year | Increase during the year | Decrease during the year | Balance at the end of the year |
|-------------------|----------------------------------|--------------------------|--------------------------|--------------------------------|
| Land premium paid | 3,126,530.00                     | —                        | 3,126,530.00             | —                              |

## 8 SHORT TERM BORROWINGS

The balance of short term borrowings is RMB65,000,000.00, details as follow :

| <b>Lender</b>                              | <b>Draw down date</b> | <b>Maturity date</b> | <b>Monthly interest rate</b> | <b>At the end of the year</b> | <b>Security</b> |
|--|-----------------------|----------------------|------------------------------|-------------------------------|-----------------|
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 9 January 2012        | 9 January 2013       | 10%                          | 5,000,000.00                  | Guarantee       |
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 1 April 2012          | 1 April 2013         | 10%                          | 5,000,000.00                  | Guarantee       |
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 7 May 2012            | 7 May 2013           | 10%                          | 5,000,000.00                  | Guarantee       |
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 28 June 2012          | 28 June 2013         | 10%                          | 10,000,000.00                 | Guarantee       |
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 29 June 2012          | 29 June 2013         | 10%                          | 10,000,000.00                 | Guarantee       |
| Hangzhou Branch of Bank of Ningbo Co., Ltd | 16 July 2012          | 16 July 2013         | 10%                          | 5,000,000.00                  | Guarantee       |
| Baochu Branch of Bank of Hangzhou          | 25 September 2012     | 25 September 2013    | 10%                          | 5,000,000.00                  | Guarantee       |
| Baochu Branch of Bank of Hangzhou          | 4 November 2012       | 4 November 2013      | 10%                          | 5,000,000.00                  | Guarantee       |
| Baochu Branch of Bank of Hangzhou          | 13 November 2012      | 13 November 2013     | 10%                          | 5,000,000.00                  | Guarantee       |
| Baochu Branch of Bank of Hangzhou          | 7 December 2012       | 7 December 2013      | 10%                          | 5,000,000.00                  | Guarantee       |
| Baochu Branch of Bank of Hangzhou          | 20 December 2012      | 20 December 2013     | 10%                          | 5,000,000.00                  | Guarantee       |
| <b>Total</b>                               |                       |                      |                              | <b>65,000,000.00</b>          |                 |

## 9 ACCOUNT PAYABLES

(1) The balance of account payable was RMB14,297,011.01, the details as follow :

| <b>Ageing</b> | <b>Balance at the end of the year Amount</b> | <b>Percentage</b> |
|---------------|--|-------------------|
| Within 1 year | 903,424.80                                   | 6.32%             |
| 1-2 year      | 13,393,586.21                                | 93.68%            |
|               | <b>14,297,011.01</b>                         | <b>100.00%</b>    |

(2) Details of major amount prepayment are as follow :

| <b>Unit name</b>                             | <b>Amount</b> | <b>Nature or content</b> |
|--|---------------|--------------------------|
| Jiulong Construction and Engineering Company | 13,393,586.21 | Current account          |

## 10 OTHER PAYABLES

(1) The balance of other payable is RMB167,156,082.10, details as follow :

| Ageing        | Balance at the<br>end of the year<br>Amount | Percentage |
|---------------|---|------------|
| Within 1 year | 88,933,935.13                               | 53.20%     |
| 1-2 years     | 26,321,735.99                               | 15.75%     |
| 2-3 years     | 51,900,410.98                               | 31.05%     |
| Total         | 167,156,082.10                              | 100.00%    |

(2) Details of major amount of other payable are as follow :

| Unit name  | Amount        | Nature or content |
|--|---------------|-------------------|
| Zhejiang Changxing Investment Limited                    | 17,750,000.00 | Current account   |
| Changtai Tiantongshan Tourism Development Co., Ltd       | 13,463,075.18 | Current account   |
| Changtai Tiantong Property Service Co., Ltd              | 1,917,144.59  | Current account   |
| Escrow Limited   | 60,000,000.00 | Current account   |
| Xiamen Sunshine Century Real Estate Development Co., Ltd | 60,929,155.81 | Current account   |

## 11 ACCRUED PAYROLL

The balance of accrued payroll is nil.

| Balance<br>the beginning<br>of the year | Increase<br>in the year | Decrease<br>in the year | Balance<br>at the end<br>of the year |
|---|-------------------------|-------------------------|--------------------------------------|
| —                                       | 1,598,404.38            | 1,598,404.38            | —                                    |

## 12 TAX PAYABLES

The balance of tax payables are RMB9,410.96, details as follow :

| Tax categories      | At the beginning<br>of year | Increase<br>during the year | Paid<br>during the year | At the end<br>of the year |
|---------------------|-----------------------------|-----------------------------|-------------------------|---------------------------|
| Individual tax      | 8,802.25                    | 30,343.52                   | 26,229.92               | 12,915.85                 |
| Stamp duty          | —                           | 10,542.38                   | 12,043.14               | (1,500.76)                |
| Land use right duty | —                           | 134,037.10                  | 136,041.23              | (2,004.13)                |
| Total               | 8,802.25                    | 174,923.00                  | 174,314.29              | 9,410.96                  |

The tax payable is according to the confirmed amount by the Tax Bureau

### 13 SHARE CAPITAL

Details of the issued and fully paid up capital are as follow:

| Name of shareholder        | Subscribed<br>share capital<br>at the beginning<br>of the year | Fully paid up<br>share capital<br>at the end<br>of the year | Percentage<br>of fully<br>paid up to<br>share capital |
|----------------------------|--|---|---|
| Escrow Limited             | 50,000,000.00  | 50,000,000.00   | 50%   |
| S&T Group Holdings Limited | 50,000,000.00  | 50,000,000.00   | 50%   |
| Total                      | 100,000,000.00   | 100,000,000.00  | 100%  |

The injected capital had been verified by Xiamen Xinzhou Certified Public Accountants Company Limited with the report No.9 of Xiamen Xinzhou Certified (2011)

### 14 RETAINED PROFITS

The changes status and the balance of the retained profit are as follow:

| Item                                   | Amount           |
|--|------------------|
| Retained profits at beginning of year  | (11,661,597.46)  |
| Net profit for the year                | (4,105,235.69)   |
| Distributable profit                   | (15,766,833.150) |
| Dividend                               | —                |
| Retained profit at the end of the year | (15,766,833.15)  |

### 15 SELLING EXPENSES

The balance of selling expenses is RMB1,044,488.00 details as follow:

| Item           | Incurred amount during the year |
|----------------|---------------------------------|
| Advertisement  | 904,500.00                      |
| Entertainment  | 2,180.00                        |
| Exhibition fee | 137,808.00                      |
| Total          | 1,044,488.00                    |

## 16 ADMINISTRATIVE EXPENSES

The balance of administrative expenses is RMB2,925,020.12 details as follow :

| Items                   | Incurred amount during the year |
|-------------------------|---------------------------------|
| Wages                   | 1,042,722.75                    |
| Staff welfare           | 65,893.25                       |
| Office expenses         | 113,758.98                      |
| Entertainment           | 331,340.61                      |
| Telephone and fax       | 25,333.66                       |
| Motor car expenses      | 211,959.18                      |
| Depreciation            | 269,500.33                      |
| Travelling expense      | 83,591.10                       |
| Building management fee | 82,969.10                       |
| Auditor remuneration    | 26,900.00                       |
| Land use right duty     | 134,037.10                      |
| Stamp duty              | 13,042.38                       |
| Local travelling        | 13,223.10                       |
| License fee             | 400.00                          |
| Leasing                 | 410,377.20                      |
| Staff education fee     | 16,216.56                       |
| Social security fee     | 39,096.75                       |
| Provident fund          | 23,036.00                       |
| Union operation fee     | 21,622.07                       |
| Total                   | 2,925,020.12                    |

## 17 FINANCIAL EXPENSES

The balance of the financial expenses is RMB35,340.03 details are as follow :

| Item            | Incurred amount during the year |
|-----------------|---------------------------------|
| Bank charge     | 44,632.07                       |
| Interest income | (9,292.04)                      |
| Total           | 35,340.03                       |

## 18 NON-OPERATING EXPENSES

The balance of the financial expenses is RMB 100,387.54 details are as follow:

| Item     | Incurred amount during the year |
|----------|---------------------------------|
| Donation | 100,000.00                      |
| Deposit  | 387.54                          |
| Total    | 100,387.54                      |

#### 4 RELATED PARTY TRANSACTIONS

##### (1) Related party

| Name of the enterprises                            | Registration address | Principal activities   | Relation with the company | Economical nature | Legal representative |
|--|----------------------|--|---------------------------|-------------------|----------------------|
| Changtai Mayang Brook Water Service Co., Ltd       | Changtai             |  | Holding                   | Company limited   |                      |
| Changtai Tiantong Property Service Co., Ltd        | Changtai             | Property services of leasing agent                               |                           | Company limited   | Wang Chunfang        |
| Changtai Tiantongshan Tourism Development Co., Ltd | Changtai             | Real estate development, leasing, and relevant property services | Subsidiary                | Company limited   | Wang Shutong         |

##### (2) The current account balance of the related party

| Item   | Accounting Nature | Balance at the end of the year |
|--|-------------------|--------------------------------|
| Changtai Mayangxi Water Service Co., Ltd           | Other receivables | 520,000.00                     |
| Changtai Tiantongshan Tourism Development Co., Ltd | Other receivables | 13,463,075.18                  |
| Changtai Tiantong Property Service Co., Ltd        | Other receivables | 1,917,144.59                   |
| Escrow Limited                                     | Other receivables | 60,000,000.00                  |

#### 5 CONTINGENT LIABILITIES

At the balance sheet date, no contingent liability is required to be disclosed.

#### 6 POST BALANCE SHEET EVENT

In accordance with the sales and purchase agreement and the notice of No.447 of Fujian Provincial Department of Foreign Trade & Economic Cooperation (The Response Regarding to the Affiliate Merger and Set Up Changtai Jinhongbang Real Estate Development Co., Ltd as a WOFE by Fujian Provincial Department of Foreign Trade & Economic Cooperation) issued by the foreign business and economy department, Escrow Limited and S&T Group Holdings Limited acquired the entire equity of the company. The legal status of the company changed from domestic entity into foreign investor company. After the acquisition, the registered capital of the company increased to RMB 100,000,000. The additional capital had been injected by foreign investor in foreign currency. The additional injected capital had been verified by Xiamen Xinzhou Certified Public Accountants Company Limited with the report No.9 of Xiamen Xinzhou Certified (2011) dated 9 February 2012.



**SECTION D: INTERIM FINANCIAL STATEMENTS FOR  
THE SIX MONTHS ENDED 30 JUNE 2012**

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED  
BALANCE SHEET AS AT 30 JUNE 2012**

| <b>ASSETS</b>                                    | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the period</b> |
|--|-------------|---|-------------------------------------|
| Current assets                                   |             |   |                                     |
| Cash and bank balances                           | 1           | 983,253.41                              | 82,064.65                           |
| Short term investment                            | 2           |   |                                     |
| Notes receivables                                | 3           |   |                                     |
| Account receivables                              | 4           |   | -                                   |
| Provision for bad debt                           | 5           |   |                                     |
| Net accounts receivable                          | 6           |   |                                     |
| Prepayments                                      | 7           | 23,161,135.55                           | 32,763,298.05                       |
| Other receivables                                | 8           | 208,052.96                              | 354,702.76                          |
| Inventory  | 9           | 239,460,921.13                          | 244,046,089.34                      |
| Of which finished goods & development cost       | 10          |   |                                     |
| Deferred expenses                                | 11          |   |                                     |
| Net loss for disposal of current assets          | 12          |   |                                     |
| Long term bond investment                        | 13          |   |                                     |
| Other current assets                             | 14          |   |                                     |
| <b>Total current assets</b>                      | <b>15</b>   | <b>263,813,363.05</b>                   | <b>277,246,154.80</b>               |
| Long term investment                             |             |   |                                     |
| Long term investment                             | 16          | 15,000,000.00                           | 15,000,000.00                       |
| <b>Total long term investment</b>                |             | <b>15,000,000.00</b>                    | <b>15,000,000.00</b>                |
| Fixed Assets                                     |             |   |                                     |
| Fixed Assets - at cost                           | 17          | 2,460,357.80                            | 2,490,357.80                        |
| Less: Aggregate depreciation                     | 18          | 1,173,187.87                            | 1,399,511.89                        |
| Net book value of fixed assets                   | 19          | 1,287,169.93                            | 1,090,845.91                        |
| Fixed assets available for disposal              | 20          |   |                                     |
| Purchase and establishment cost for fixed assets | 21          |   |                                     |
| Net loss on disposal of fixed assets             | 22          |   |                                     |
| <b>Total fixed assets</b>                        | <b>23</b>   | <b>1,287,169.93</b>                     | <b>1,090,845.91</b>                 |
| Intangible assets and Deferred assets            |             |   |                                     |
| Intangible assets                                | 24          |   |                                     |
| Deferred assets                                  | 25          | 3,126,530.00                            | 3,126,530.00                        |
| <b>Total intangible assets</b>                   | <b>26</b>   | <b>3,126,530.00</b>                     | <b>3,126,530.00</b>                 |
| Other long term investment                       |             |   |                                     |
| Other long term investment                       | 27          |   |                                     |
| Deferred tax                                     |             |   |                                     |
| Deferred tax assets                              | 28          |   |                                     |
| <b>Total assets</b>                              | <b>29</b>   | <b>283,227,062.98</b>                   | <b>296,463,530.71</b>               |

| <b>LIABILITIES AND EQUITY</b>             | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the period</b> |
|---|-------------|---|-------------------------------------|
| Current liabilities                       |             |   |                                     |
| Short term borrowings                     | 30          | 20,000,000.00                           | 35,000,000.00                       |
| Bills payables                            | 31          |   |                                     |
| Account payables                          | 32          | 13,405,674.45                           | 13,405,674.45                       |
| Advance from customers                    | 33          |   | —                                   |
| Salary payables                           | 34          |   |                                     |
| Welfare payables                          | 35          |   |                                     |
| Dividend payables                         | 36          |   |                                     |
| Tax payables                              | 37          | 8,802.25                                | 7,557.11                            |
| Other payables                            | 38          | 161,474,183.74                          | 161,467,750.26                      |
| Other unsettled expenses                  | 39          |   |                                     |
| Accruals                                  | 40          |   |                                     |
| Long term liabilities due within one year | 41          |   |                                     |
| Other current payables                    | 42          |   |                                     |
| <b>Total current liabilities</b>          | <b>43</b>   | <b>194,888,660.44</b>                   | <b>209,880,981.82</b>               |
| Long terms payables                       |             |   |                                     |
| Long term borrowings                      | 44          |   |                                     |
| Bonds payables                            | 45          |   |                                     |
| Long term payables                        | 46          |   |                                     |
| Deferred rental income                    | 47          |   |                                     |
| Other long term payable                   | 48          |   |                                     |
| Rental deposit                            | 49          |   |                                     |
| <b>Total long terms payables</b>          | <b>50</b>   | <b>—</b>                                | <b>-</b>                            |
| Deferred tax liabilities                  | 51          |   |                                     |
| <b>Total liabilities</b>                  | <b>52</b>   | <b>194,888,660.44</b>                   | <b>209,880,981.82</b>               |
| Equity                                    |             |   |                                     |
| Capital                                   |             | 100,000,000.00                          | 100,000,000.00                      |
|   | 54          |   |                                     |
|   | 55          |   |                                     |
|   | 56          |   |                                     |
| Retained profit                           | 57          | (11,661,597.46 )                        | (13,417,451.11 )                    |
| <b>Total equity</b>                       | <b>58</b>   | <b>88,338,402.54</b>                    | <b>86,582,548.89</b>                |
| Total liabilities & equity                | 59          | 283,227,062.98                          | 296,463,530.71                      |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012**

| <b>Items</b>  | <b>Line</b> | <b>This month</b>   | <b>Accumulated<br/>for the period</b> |
|---|-------------|---------------------|---------------------------------------|
| Turnover  | 1           |                     |                                       |
| Cost of sales   | 2           |                     |                                       |
| Sales tax and surcharges  | 3           |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Gross profit</b>   | <b>4</b>    |                     |                                       |
| Other income  | 5           |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Operating expenses</b>                                       | <b>6</b>    | <b>480.00</b>       | <b>480.00</b>                         |
| Administrative expenses   | 7           | 173,726.55          | 1,724,674.85                          |
| Financial expenses  | 8           | 13,294.88           | 30,311.26                             |
| Operating profit  | 9           | (187,501.43)        | (1,755,466.11)                        |
| Income from investment  | 10          |                     |                                       |
| Subsidy income  | 11          |                     |                                       |
| Non-operating income  | 12          |                     |                                       |
| Non-operating expenses  | 13          |                     | 387.54                                |
|   |             | <hr/>               | <hr/>                                 |
| <b>Total profit</b>   | <b>14</b>   | <b>(187,501.43)</b> | <b>(1,755,853.65)</b>                 |
| Profits tax   | 15          |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Net profit for the year</b>                                  | <b>16</b>   | <b>(187,501.43)</b> | <b>(1,755,853.65)</b>                 |
|   |             | <hr/>               | <hr/>                                 |
| <b>Undistributed profit at the beginning of the year</b>        | <b>17</b>   |                     | <b>(11,661,597.46)</b>                |
|   |             | <hr/>               | <hr/>                                 |
| Adjustment to undistributed profit at the beginning of the year | 18          |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Undistributed profit at the end of the year</b>              | <b>19</b>   | <b>(187,501.43)</b> | <b>(13,417,451.11)</b>                |
|   |             | <hr/> <hr/>         | <hr/> <hr/>                           |

**SECTION E: INTERIM FINANCIAL STATEMENTS FOR  
THE SIX MONTHS ENDED 30 JUNE 2013**

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED  
BALANCE SHEET AS AT 30 JUNE 2013**

| <b>ASSETS</b>                                    | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the period</b> |
|--|-------------|---|-------------------------------------|
| Current assets                                   |             |   |                                     |
| Cash and bank balances                           | 1           | 521,232.14                              | 419,132.52                          |
| Short term investment                            | 2           |   |                                     |
| Notes receivables                                | 3           |   |                                     |
| Account receivables                              | 4           |   |                                     |
| Provision for bad debt                           | 5           |   |                                     |
| Net accounts receivable                          | 6           |   |                                     |
| Prepayments                                      | 7           | 40,867,594.86                           | 57,774,763.27                       |
| Other receivables                                | 8           | 976,245.93                              | 969,089.63                          |
| Inventory  | 9           | 265,942,571.88                          | 290,646,031.54                      |
| Of which finished goods & development cost       | 10          |   |                                     |
| Deferred expenses                                | 11          |   |                                     |
| Net loss for disposal of current assets          | 12          |   |                                     |
| Long term bond investment                        | 13          |   |                                     |
| Other current assets                             | 14          |   |                                     |
| Total current assets                             | 15          | 308,307,644.81                          | 349,809,016.96                      |
| Long term investment                             |             |   |                                     |
| Long term investment                             | 16          | 17,000,000.00                           | 17,000,000.00                       |
| <b>Total long term investment</b>                |             | <b>17,000,000.00</b>                    | <b>17,000,000.00</b>                |
| Fixed Assets                                     |             |   |                                     |
| Fixed Assets - at cost                           | 17          | 2,611,203.80                            | 2,617,503.80                        |
| Less: Aggregate depreciation                     | 18          | 1,611,673.50                            | 1,823,792.43                        |
| Net book value of fixed assets                   | 19          | 999,530.30                              | 793,711.37                          |
| Fixed assets available for disposal              | 20          |   |                                     |
| Purchase and establishment cost for fixed assets | 21          |   |                                     |
| Net loss on disposal of fixed assets             | 22          |   |                                     |
| Total fixed assets                               | 23          | 999,530.30                              | 793,711.37                          |
| Intangible assets and Deferred assets            |             |   |                                     |
| Intangible assets                                | 24          |   |                                     |
| Deferred assets                                  | 25          | 3,126,530.00                            | 3,126,530.00                        |
| <b>Total intangible assets</b>                   | <b>26</b>   | <b>3,126,530.00</b>                     | <b>3,126,530.00</b>                 |
| Other long term investment                       |             |   |                                     |
| Other long term investment                       | 27          |   |                                     |
| Deferred tax                                     |             |   |                                     |
| Deferred tax assets                              | 28          |   |                                     |
| <b>Total assets</b>                              | <b>29</b>   | <b>329,433,705.11</b>                   | <b>370,729,258.33</b>               |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**BALANCE SHEET AS AT 30 JUNE 2013**

| <b>LIABILITIES AND EQUITY</b>             | <b>Line</b> | <b>At the beginning<br/>of the year</b> | <b>At the end<br/>of the period</b> |
|---|-------------|---|-------------------------------------|
| Current liabilities                       |             |   |                                     |
| Short term borrowings                     | 30          | 65,000,000.00                           | 68,000,000.00                       |
| Bills payables                            | 31          |   |                                     |
| Account payables                          | 32          | 13,394,095.01                           | 13,394,095.01                       |
| Advance from customers                    | 33          |   |                                     |
| Salary payables                           | 34          | (10,350.00)                             |                                     |
| Welfare payables                          | 35          |   |                                     |
| Dividend payables                         | 36          |   |                                     |
| Tax payables                              | 37          | 9,410.96                                | 19,556.10                           |
| Other payables                            | 38          | 166,797,032.29                          | 206,766,132.49                      |
| Other unsettled expenses                  | 39          |   |                                     |
| Accruals                                  | 40          |   |                                     |
| Long term liabilities due within one year | 41          |   |                                     |
| Other current payables                    | 42          |   |                                     |
| <b>Total current liabilities</b>          | <b>43</b>   | <b>245,190,188.26</b>                   | <b>288,179,783.60</b>               |
| Long terms payables                       |             |   |                                     |
| Long term borrowings                      | 44          |   |                                     |
| Bonds payables                            | 45          |   |                                     |
| Long term payables                        | 46          |   |                                     |
| Deferred rental income                    | 47          |   |                                     |
| Other long term payable                   | 48          |   |                                     |
| Rental deposit                            | 49          |   |                                     |
| Total long terms payables                 | 50          |   |                                     |
| Deferred tax liabilities                  | 51          |   |                                     |
| <b>Total liabilities</b>                  | <b>52</b>   | <b>245,190,188.26</b>                   | <b>288,179,783.60</b>               |
| Equity                                    |             |   |                                     |
| Capital                                   |             | 100,000,000.00                          | 100,000,000.00                      |
|   | 54          |   |                                     |
|   | 55          |   |                                     |
|   | 56          |   |                                     |
| Retained profit                           | 57          | (15,756,483.15)                         | (17,450,525.27)                     |
| <b>Total equity</b>                       | <b>58</b>   | <b>84,243,516.85</b>                    | <b>82,549,474.73</b>                |
| <b>Total liabilities &amp; equity</b>     | <b>59</b>   | <b>329,433,705.11</b>                   | <b>370,729,258.33</b>               |

**CHANGTAI JINHONGBANG REAL ESTATE DEVELOPMENT COMPANY LIMITED**  
**INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013**

| <b>Items</b>  | <b>Line</b> | <b>This month</b>   | <b>Accumulated<br/>for the period</b> |
|---|-------------|---------------------|---------------------------------------|
| Turnover  | 1           |                     |                                       |
| Cost of sales   | 2           |                     |                                       |
| Sales tax and surcharges  | 3           |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Gross profit</b>   | <b>4</b>    |                     |                                       |
| Other income  | 5           |                     |                                       |
| Operating expenses  | 6           | 12,462.50           | 472,478.70                            |
| Administrative expenses   | 7           | 108,689.11          | 1,206,493.78                          |
| Financial expenses  | 8           | 9,888.77            | 13,568.88                             |
|   |             | <hr/>               | <hr/>                                 |
| <b>Operating profit</b>   | <b>9</b>    | <b>(131,040.38)</b> | <b>(1,692,541.36)</b>                 |
| Income from investment  | 10          |                     |                                       |
| Subsidy income  | 11          |                     |                                       |
| Non-operating income  | 12          |                     |                                       |
| Non-operating expenses  | 13          |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Total profit</b>   | <b>14</b>   | <b>(131,040.38)</b> | <b>(1,692,541.36)</b>                 |
|   |             | <hr/>               | <hr/>                                 |
| Profits tax   | 15          |                     |                                       |
|   |             | <hr/>               | <hr/>                                 |
| <b>Net profit for the year</b>                                  | <b>16</b>   | <b>(131,040.38)</b> | <b>(1,692,541.36)</b>                 |
|   |             | <hr/>               | <hr/>                                 |
| <b>Undistributed profit at the beginning of the year</b>        | <b>17</b>   |                     | <b>(15,756,483.15)</b>                |
| Adjustment to undistributed profit at the beginning of the year | 18          |                     | (1,500.76)                            |
|   |             | <hr/>               | <hr/>                                 |
| <b>Undistributed profit at the end of the year</b>              | <b>19</b>   | <b>(131,040.38)</b> | <b>(17,450,525.27)</b>                |
|   |             | <hr/>               | <hr/>                                 |

## DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

|                                    |   |
|------------------------------------|---|
| “Acquisition”                      | the proposed acquisition of the New Assets by the Company from Elypsis pursuant to the Acquisition Agreement  |
| “Acquisition Agreement”            | the conditional agreement dated 29 January 2014 between the Company and Elypsis in respect of the Acquisition, further details of which are set out in paragraph 8.11 of Part VI of this document |
| “Adamas”                           | Adamas Asset Management (HK) Limited and its affiliated companies   |
| “Adamas GAIM”                      | Adamas Global Alternative Investment Management Inc.  |
| “Admission”                        | admission of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules for Companies                                   |
| “Admission Document”               | this document   |
| “AIM”                              | the market of that name operated by the London Stock Exchange   |
| “AIM Rules for Companies”          | the AIM Rules for Companies published by the London Stock Exchange, as amended from time to time  |
| “AIM Rules for Nominated Advisers” | the AIM Rules for Nominated Advisers published by the London Stock Exchange, as amended from time to time   |
| “AIP Global”                       | AIP Global Holdings Limited   |
| “APCF”                             | Asia Private Credit Fund Limited, a fund managed by Adamas GAIM   |
| “Articles”                         | the articles of association of the Company to be adopted following the passing of Resolution 3 at the General Meeting as further described in paragraph 4.3 of Part VI of this document           |
| “Asia Bioenergy”                   | Asia Bioenergy Technologies Berhad  |
| “Blazer Delight”                   | Blazer Delight Limited, a company registered in the BVI which indirectly holds the interest of Elypsis in Global Pharm  |
| “Bonus Issue”                      | the bonus issue on the basis of one new Ordinary Share for every three Ordinary Shares held on the Record Date  |
| “Bonus Shares”                     | the Ordinary Shares to be issued pursuant to the Bonus Issue  |
| “BVI”                              | British Virgin Islands  |
| “BVIBCA”                           | the BVI Business Companies Act, 2004 (as amended) and regulations made thereunder   |
| “China iEducation”                 | China iEducation Holdings Limited   |

|                                 |   |
|---------------------------------|---|
| “City Code”                     | the City Code on Takeovers and Mergers  |
| “CJRE”                          | Changtai Jinhongbang Real Estate Development Co. Ltd  |
| “Company” or “CPE”              | China Private Equity Investment Holdings Limited, a company registered in the BVI with registered number 1459602  |
| “Completion”                    | completion of the Acquisition in accordance with the terms of the Acquisition Agreement   |
| “Consideration Shares”          | the 1,445,416,667 new Ordinary Shares to be issued to Elypsis pursuant to the Acquisition Agreement   |
| “Consideration Warrants”        | the 722,708,333 new Warrants to be issued to Elypsis pursuant to the Acquisition Agreement  |
| “CREST”                         | the electronic systems for the holding and transfer of shares in dematerialised form operated by Euroclear  |
| “CREST Regulations”             | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)  |
| “Depository”                    | Computer Investor Services PLC  |
| “Depository Interests” or “DIs” | depository interests representing an entitlement to Ordinary Shares, further details of which are contained in paragraph 15.2 of Part VI of this document                   |
| “DI Deed Poll”                  | the deed entered into by the Depository for the creation and issue of DIs, a summary of which is contained in paragraph 15.2 of Part VI of this document                    |
| “Directors” or “Board”          | the existing board of directors of the Company whose names appear on page 4 of this document or, where the context so requires, the board of directors on Admission         |
| “DTR 5”                         | the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) made by the FCA under Part VI of FSMA                                   |
| “Dynamite Win”                  | Dynamite Win Limited, a company registered in the BVI which indirectly holds the interest of Elypsis in HKMH  |
| “Elypsis”                       | Elypsis Solutions Limited, a company registered in the BVI  |
| “Enfinium”                      | Enfinium International Holdings Limited   |
| “Enlarged Group”                | the Company and its subsidiaries immediately following Completion   |
| “Enlarged Issued Share Capital” | the issued share capital of the Company following Admission, comprising the Existing Ordinary Shares, the Consideration Shares, the Bonus Shares and the Fundraising Shares |
| “Euroclear”                     | Euroclear UK & Ireland Limited  |
| “Existing Ordinary Shares”      | the 126,284,645 Ordinary Shares in issue at the date of this document   |



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| “FCA”                     | the Financial Conduct Authority of the United Kingdom  |
| “FIE”                     | Foreign Investment Enterprise  |
| “Form of Proxy”           | the form of proxy accompanying this document for use by Shareholders at the General Meeting  |
| “Fortel”                  | Fortel Technology Holdings Limited   |
| “FSMA”                    | the Financial Services and Markets Act 2000 (as amended)   |
| “Fundraising”             | the subscription for 83,600,000 new Ordinary Shares conditional on Admission, which are the subject of the Subscription Agreements                       |
| “Fundraising Shares”      | the 83,600,000 new Ordinary Shares which are the subject of the Fundraising  |
| “GCCF”                    | Greater China Credit Fund LP, a fund managed by Adamas GAIM  |
| “GDP”                     | gross domestic product   |
| “General Meeting” or “GM” | the general meeting of the Company to be held at 8.00 a.m. GMT/4.00 p.m. HKT on 18 February 2014, notice of which is set out at the end of this document |
| “Global Pharm”            | Global Pharm Holdings Group Inc., a company incorporated in the Cayman Islands   |
| “GMT”                     | Greenwich Mean Time  |
| “Greater China”           | the regions of mainland China, Hong Kong, Macau and Taiwan   |
| “Group”                   | the Company, its subsidiaries and subsidiary undertakings  |
| “HKD”                     | Hong Kong dollar, the lawful currency of Hong Kong   |
| “HKT”                     | Hong Kong time   |
| “HKMH”                    | Hong Kong Mining Holdings Limited  |
| “HKSE”                    | Hong Kong Stock Exchange   |
| “HMRC”                    | Her Majesty’s Revenue and Customs  |
| “IFRS”                    | International Financial Reporting Standards as adopted by the member states of the European Union  |
| “Independent Directors”   | John Croft and Ernest Wong   |
| “Introduction Agreement”  | the agreement as described in paragraph 8.1 of Part VI of this document  |
| “Investing Policy”        | the investing policy of the Company with effect from Admission as set out in Part I of this document   |
| “IPO”                     | initial public offering  |
| “IRR”                     | internal rate of return  |
| “Issue Price”             | US\$0.06 per share   |

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| “Laurel Capital”                          | Laurel Capital Kingsway LLP  |
| “Lead Winner”                             | Lead Winner Limited, a company registered in the BVI which indirectly holds the interest of Elypsis in CJRE  |
| “Lock-In Agreements”                      | the conditional agreements dated 29 January 2014 between the Company, WH Ireland and the Directors and Elypsis, details of which are set out in paragraphs 8.4 and 8.5 of Part VI of this document |
| “London Stock Exchange”                   | London Stock Exchange plc  |
| “Memorandum”                              | the memorandum of association of the Company as in force at the date of this document, further details of which are set out in paragraph 4.1 of Part VI of this document                           |
| “Meize Energy”                            | Meize Energy Industries Holdings   |
| “mu”                                      | 614.4 m <sup>2</sup>   |
| “MW”                                      | megawatt   |
| “Name Change”                             | the proposed change of name of the Company to Adamas Finance Asia Limited, conditional on shareholder approval   |
| “NAV”                                     | net asset value  |
| “NBFI”                                    | Non-Bank Financial Institution   |
| “New Assets”                              | the interests owned by Elypsis indirectly in CJRE, Global Pharm, HKMH and Meize Energy, which are the subject of the Acquisition   |
| “Official List”                           | the Official List of the UKLA  |
| “Options”                                 | 2,250,000 options to acquire Ordinary Shares issued to Adamas, further details of which are set out in paragraph 5.3 of Part VI of this document   |
| “Ordinary Shares”                         | ordinary shares of no par value each in the capital of the Company   |
| “PRC” or “China”                          | the People’s Republic of China   |
| “Proposals”                               | the Acquisition, Fundraising, Admission and the Name Change  |
| “QCA Guidelines”                          | Corporate Governance Guidelines for Smaller Quoted Companies published in September 2010 by the Quoted Companies Alliance  |
| “Record Date”                             | close of business in the UK on 18 February 2014  |
| “Register”                                | the register of members of the Company   |
| “Registrar”                               | Computershare Investor Services (BVI) Limited  |
| “Regulatory Information Service” or “RIS” | one of the regulatory information services authorised by the London Stock Exchange to receive, process and disseminate regulatory information in respect of AIM quoted companies                   |

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| “Relevant Code Provisions”                   | the provisions of Rule 9 of the Takeover Code  |
| “Resolutions”                                | the resolutions contained in the notice of GM set out at the end of this document  |
| “Restricted Jurisdiction”                    | the United States (or any of its territories or possessions), Canada, Australia, Japan, the Republic of South Africa, the Kingdom of Thailand, The Swiss Confederation, the Republic of Cyprus and New Zealand                         |
| “RMB”  | Renminbi, the lawful currency of the PRC   |
| “SAFE”                                       | State Administration of Foreign Exchange   |
| “SAIC”                                       | The State Administration of Industry and Commerce in Guangzhou and Shanghai  |
| “Services Agreement”                         | the conditional agreement dated 29 January 2014 between the Company and Adamas GAIM pursuant to which Adamas GAIM will provide investment services, further details of which are set out in paragraph 8.13 of Part VI of this document |
| “Shareholder(s)”                             | holder(s) of Ordinary Shares   |
| “Shareholder Warrants”                       | up to 63,142,322 Warrants to be issued to Shareholders on Admission on the basis of one warrant for every two Ordinary Shares held on the Record Date  |
| “SMEs”                                       | small and medium sized enterprises   |
| “Subscription Agreements”                    | the agreements dated 29 January 2014 between the Company and certain investors relating to the Fundraising, further details of which are set out in paragraph 8.8 of Part VI of this document  |
| “Swift Wealth Investments”                   | Swift Wealth Investments Holdings Limited, a company registered in the BVI which indirectly holds the interest of Elypsis in Meize Energy  |
| “Takeover Code”                              | the City Code on Takeovers and Mergers (as published by the Panel)   |
| “Takeover Panel” or “Panel”                  | the UK Panel on Takeovers and Mergers  |
| “Target Companies”                           | Lead Winner, Blazer Delight, Dynamite Win and Swift Wealth Investment  |
| “TTS Project”                                | the Tian Tong Shan Villa Project, which is the principal asset owned by CJRE   |
| “UK Listing Authority” or “UKLA”             | the United Kingdom Listing Authority, being the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of the UK Financial Services and Markets Act 2000                                       |
| “uncertificated” or “in uncertificated form” | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST                        |

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|--------------------------------|--|
| “United Kingdom” or “UK”       | the United Kingdom of Great Britain and Northern Ireland   |
| “United States”, “US” or “USA” | the United States of America   |
| “US\$”                         | US dollars   |
| “US GAAP”                      | Generally Accepted Accounting Principles of the United States issued by the Financial Accounting Standards Board |
| “Warrants”                     | the Shareholder Warrants and the Consideration Warrants  |
| “WH Ireland” or “WHI”          | WH Ireland Limited, nominated adviser to the Company   |
| “£” and “p”                    | United Kingdom pounds and pence sterling, respectively   |

All references to dates and times in this document are to UK time unless otherwise stated. References to the singular shall include references to the plural, where applicable, and vice versa.

An exchange rate of £1: US\$1.66 has been used in this document.

## NOTICE OF GENERAL MEETING

### China Private Equity Investment Holdings Limited

Romasco Place, Wickhams Cay 1, P.O. Box 3140

Road Town, Tortola, British Virgin Islands

#### NOTICE OF GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT a general meeting (the “Meeting”) of the holders of ordinary shares (“Ordinary Shares”) of China Private Equity Investment Holdings Limited (the “Company”) will be held at 1801-03,18F, Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong on 18 February 2014 at 8.00 a.m. GMT/4.00 p.m. HKT for the following purposes:

#### Special Business

##### Resolution 1 – Approval of the Acquisition

To propose the following resolution as an ordinary resolution of the Company:

1. **THAT** the acquisition by the Company of 100 per cent. of the share capital of Lead Winner Limited, Swift Wealth Investments Limited and Dynamite Win Limited and the acquisition of 75 per cent. of the issued share capital of Blazer Delight Limited in accordance with the terms of the Acquisition Agreement (as such term is defined in the admission document of the Company dated 30 January 2014 of which this notice forms part (“**Admission Document**”)), be and is hereby approved for the purpose of Rule 14 of the AIM Rules for Companies and that the Directors be and are hereby authorised to complete such agreement, subject to such modifications as the Directors may deem appropriate, and to execute, sign and do all such other documents, deeds, acts and things as may be necessary or desirable to complete the aforesaid transaction.

##### Resolution 2 – Change the name of the Company

To propose the following resolution as an ordinary resolution of the Company:

2. **THAT**, subject to the approval of resolution 1 and the permission of the Registrar of Corporate Affairs (British Virgin Islands) (the “**Registrar**”), the name of the Company be changed to “Adamas Finance Asia Limited” and the Registered Agent of the Company be and is hereby authorised and directed to make the above name change application to the Registrar and to take any and all other actions which may be necessary or desirable to effect the change of name of the Company.

##### Resolution 3 – adopting the new articles of association of the Company

To propose the following resolution as an ordinary resolution of the Company:

3. **THAT**, subject to approval of resolution 1:
  - 3.1 the form of revised memorandum of association and articles of association annexed to these resolutions (the “**New Articles**”) be adopted as the Company’s amended and restated memorandum of association and articles of association in substitution for and to the exclusion of the existing memorandum of association and articles of association of the Company; and
  - 3.2 the Registered Agent of the Company be and is hereby directed to file the New Articles with the Registrar and to take any and all other actions which may be necessary or desirable to effect the change of name of the Company.

#### **Resolution 4 – Increase Authorised Share Capital**

To propose the following as an ordinary resolution of the Company:

4. **THAT**, subject to approval of resolution 1:
  - 4.1 the Company increase its number of authorised shares from 300,000,000 ordinary shares of no par value in the capital of the Company (“Ordinary Shares”) to 2,825,000,000 Ordinary Shares; and
  - 4.2 the Memorandum be amended by deleting the existing clause 5 in its entirety and replacing it with the following:

“5. NUMBER AND CLASS OF SHARES

The Company is authorised to issue up to a maximum of 2,825,000,000 ordinary shares of a single class without par value.”

#### **Resolution 5 – Directors’ authority to allot**

To propose the following resolution as an ordinary resolution of the Company:

5. Subject to the approval of resolutions 1, 3 and 4 and the registration of the New Articles by the Registrar, and in accordance with the New Articles, that the Directors be granted an authority to allot without limitation for the purpose of Article 3 of the New Articles:
  - 5.1 83,600,000 Ordinary Shares for the purpose of the fundraising to raise US\$5,016,000 at US\$0.06 per share;
  - 5.2 722,708,333 Ordinary Shares for the purpose of the Consideration Warrants (as such term is defined in the Admission Document);
  - 5.3 1,445,416,667 Ordinary Shares for the purpose of the Consideration Shares (as such term is defined in the Admission Document);
  - 5.4 up to 63,142,322 Ordinary Shares for the purpose of the Shareholder Warrants (as such term is defined in the Admission Document);
  - 5.5 up to 42,094,881 Ordinary Shares for the purpose of the Bonus Issue (as such term is defined in the Admission Document); and
  - 5.6 up to 341,753,152 Ordinary Shares for any other purpose approved by the Directors.in each case subject to the provisions of the New Articles.

#### **Resolution 6 – Directors’ authority to grant warrants**

To propose the following resolution as an ordinary resolution of the Company:

6. Subject to the approval of resolutions 1, 3, 4 and 5 and the registration of the New Articles by the Registrar and in accordance with Article 3 of the New Articles, that the Directors be granted an authority to grant warrants over the entire unissued share capital of the Company, from time to time, without limitation for the purpose of Article 3 of the New Articles.

#### **Resolution 7 – Directors’ authority to issue bonus shares**

To propose the following resolution as an ordinary resolution of the Company:

7. Subject to the approval of resolutions 1, 3, 4 and 5 and the registration of the New Articles by the Registrar and in accordance with Article 3 of the New Articles, that the Directors be granted an authority to grant bonus shares from time to time.

DATED 30 January 2014

## **BY ORDER OF THE BOARD OF DIRECTORS**

Romasco Place  
Wickhams Cay 1  
P.O. Box 3140  
Road Town  
Tortola  
British Virgin Islands

### **Proxies and Form of Instruction for Depositary Interest Holders**

1. A member entitled to attend and vote at the Meeting may appoint a proxy. A proxy need not be a member of the Company and such appointment will not preclude a member from attending and voting at the Meeting in person.
2. The Form of Proxy for use at the Meeting is enclosed with this document and should be returned as soon as possible, so as to be received at the offices of the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, UK as soon as possible but in any event not later than 8.00 a.m. GMT/4.00 p.m. HKT on 16 February 2014, being 48 hours before the time appointed for the holding of the Meeting. The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the Meeting should you wish to do so.
3. If you are a holder of Depositary Interests, a form of instruction is enclosed. To be valid, the form of instruction should be completed, signed and returned in accordance with the instructions printed thereon to the Company's Depositary, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, UK as soon as possible but in any event should arrive not later than 8.00 a.m. GMT/4.00 p.m. HKT on 15 February 2014.
4. The Form of Proxy must be signed by the member or, in the case of joint holders, any one of them. The notice of Meeting shall prevail over any description of the business of the Meeting set out in the Form of Proxy.
5. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.





