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If you have sold or transferred all your shares in Greenfield Chemical Holdings Limited, you should at once hand this circular and accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.

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GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉輝化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 582)

- (I) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT HK\$0.75 PER OFFER SHARE WITH BONUS ISSUE ON THE BASIS OF ELEVEN BONUS SHARES FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER;**
- (II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY;**
- (III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**
- (IV) PROPOSED CHANGE OF DOMICILE; AND**
- (V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriters to the Open Offer (with the Bonus Issue)

Hong Han Limited


KINGSTON SECURITIES LTD.

Financial Adviser to the Company



KINGSTON CORPORATE FINANCE LTD.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (with the Bonus Issue)

AmCap

Ample Capital Limited

豐盛融資有限公司

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date, which is currently expected to be Wednesday, 11 April 2012. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificate(s)) with the Registrar by 4:30 p.m. on Monday, 2 April 2012. The last day of dealings in Shares on a cum-entitlement basis is expected to be Thursday, 29 March 2012. The Shares will be dealt with on an ex-entitlement basis from Friday, 30 March 2012.

A letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 48 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 of this circular.

A notice convening the EGM to be held at Unit 2304, 23/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong at 10:30 a.m. on Wednesday, 28 March 2012 is set out on pages 89 to 93 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Open Offer (with the Bonus Issue) contains provisions entitling any of the Underwriters by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 1 to 2 of this circular. If any of the Underwriters terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer (with the Bonus Issue) will not proceed. In addition, the Open Offer (with the Bonus Issue) is conditional on all conditions set out on pages 18 to 19 of this circular being fulfilled or waived (as applicable). In the event that such conditions have not been satisfied and/or waived in whole or in part by the Underwriters by the Latest Time for Termination or such later date or dates as the Underwriters may agree with the Company in writing, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for any antecedent breach of the Underwriting Agreement and the Open Offer (with the Bonus Issue) will not proceed.

* for identification purpose only

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EXPECTED TIMETABLE

The expected timetable for the Open Offer (with the Bonus Issue) is set out below:

Event	2012 (Hong Kong time)
Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Wednesday, 21 March
Register of members closes (both days inclusive)	Thursday, 22 March to Wednesday, 28 March
Latest time for return of form of proxy for the EGM (not less than 48 hours)	10:30 a.m. on Monday, 26 March
Record date for attendance and voting at the EGM	Wednesday, 28 March
EGM	10:30 a.m. on Wednesday, 28 March
Announcement of results of the EGM	Wednesday, 28 March
Last day of dealings in the Shares on a cum-entitlement basis for the Open Offer (with the Bonus Issue)	Thursday, 29 March
First day of dealings in the Shares on an ex-entitlement basis for the Open Offer (with the Bonus Issue)	Friday, 30 March
Latest time for lodging transfers of the Shares in order to be qualified for the Open Offer (with the Bonus Issue)	4:30 p.m. on Monday, 2 April
Register of members closes (both days inclusive)	Tuesday, 3 April to Wednesday, 11 April
Record Date	Wednesday, 11 April
Register of members re-opens	Thursday, 12 April
Prospectus Documents expected to be despatched	Thursday, 12 April
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Thursday, 26 April
Open Offer (with the Bonus Issue) expected to become unconditional	4:00 p.m. on Wednesday, 2 May
Announcement of results of the Open Offer (with the Bonus Issue) on or before	Tuesday, 8 May
Certificates for the Offer Shares and Bonus Shares expected to be despatched on or before	Wednesday, 9 May
Dealings in the Offer Shares and Bonus Shares commence on	Thursday, 10 May

EXPECTED TIMETABLE

Notes: All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in this circular are indicative only and may be extended or varied by agreement between the Company and the Underwriters. Any changes to the expected timetable for the Open Offer (with the Bonus Issue) will be published or notified to Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

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

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the Latest Time For Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the Latest Time For Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time For Acceptance does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, the success of the Open Offer (with the Bonus Issue) would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Open Offer and/or the Bonus Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position of the Group as a whole or materially and adversely prejudice the success of the Open Offer and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer and/or the Bonus Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any of the Underwriters are likely to materially or adversely affect the success of the Open Offer and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer and/or the Bonus Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any of the Underwriters will adversely affect the prospectus of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Open Offer and/or the Bonus Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer and/or the Bonus Issue,

any of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

Any such notice shall be served by any of the Underwriters prior to the Latest Time For Termination.

If prior to the Latest Time For Termination, any such notice as is referred to above is given by any of the Underwriters, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

DEFINITIONS

In this circular, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acceptance Date”	Thursday, 26 April 2012, or such other date as the Underwriters may agree in writing with the Company as the latest date for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents
“Ample Capital”	Ample Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares)
“Announcement”	the announcement of the Company dated 13 February 2012 in relation to, <i>inter alia</i> , the proposed Open Offer (with the Bonus Issue), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption
“Application Form”	the form of application for use by the Qualifying Shareholders to apply for the Offer Shares (with the Bonus Shares) which shall be in the agreed form
“Articles Amendment”	proposal to amend the existing articles of association of the Company to facilitate the Bonus Issue and the Change of Domicile
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed issue of the Bonus Shares on the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up under the Open Offer
“Bonus Share(s)”	the bonus Shares to be allotted and issued pursuant to the Bonus Issue
“Business Day”	a day (other than a Saturday, Sunday and public holidays) on which banks are generally open for business more than five hours in Hong Kong
“CB Holder”	China Century Worldwide Limited, a company incorporated in the British Virgin Islands, who is the holder of the Convertible Bonds as at the Latest Practicable Date

DEFINITIONS

“Change of Domicile”	the proposed change of domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Greenfield Chemical Holdings Limited, a company incorporated in the Cayman Islands and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	the redeemable convertible bonds in the aggregate principal amount of HK\$65,000,000 with the conversion price of HK\$2.1 per conversion share
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders or the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile, the Bermuda Constitutional Documents Adoption and transactions respectively contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Han”	Hong Han Limited, a company incorporated in British Virgin Islands, who in aggregate holds 140,000,000 Shares, representing approximately 51.31% of the entire issued share capital of the Company as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$100,000,000 divided into 1,000,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors formed to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares) and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder(s) other than directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of and not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	10 February 2012, being the date of the Underwriting Agreement and the day on which the Shares were traded on the Stock Exchange
“Latest Practicable Date”	2 March 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time For Acceptance”	4:00 p.m. on Thursday, 26 April 2012, or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for the Underwriters to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Offer Shares (with the Bonus Shares) to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Offer Shares”	new Shares to be issued and allotted under the Open Offer, being 136,430,000 Shares (assuming no new Share being issued, no Share being repurchased by the Company and no conversion of the outstanding Convertible Bonds on or before the Record Date)
“Open Offer”	the proposed open offer on the basis of one (1) Offer Share for every two (2) existing Shares in issue and held on the Record Date at the Subscription Price, with Bonus Shares on the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“Posting Date”	12 April 2012, or such other date as the Underwriters may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or to the Non-Qualifying Shareholders (as the case may be) for information purposes only
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company and despatched to the Shareholders containing details of the Open Offer (with the Bonus Issue)
“Prospectus Documents”	the Prospectus and the Application Form
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	11 April 2012 (or such other date as the Underwriters may agree in writing with the Company), as the date by reference to which entitlements to the Open Offer (with the Bonus Issue) are expected to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“SFC”	the Securities and Futures Commission
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time For Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.75 per Offer Share
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases of the SFC
“Undertaking”	the irrevocable undertaking dated 10 February 2012 given by Hong Han to the Company, details of which are set out in the paragraph headed “Undertaking” of this circular
“Underwriters”	Hong Han and Kingston Securities
“Underwriting Agreement”	the underwriting agreement dated 10 February 2012 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of the Open Offer (with the Bonus Issue)
“Underwritten Offer Shares”	all the Offer Shares (other than the Offer Shares that will be provisionally allotted to Hong Han) which are fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement
“Untaken Shares”	the Underwritten Offer Shares (if any) which have not been taken up by the Qualifying Shareholders
“%” or “per cent.”	percentage or per centum

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

LETTER FROM THE BOARD



GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉輝化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 582)

Executive Directors:

Mr. Hu Jun
Ms. Zhang Ying
Mr. Li Li
Mr. Zhang Yang
Mr. Jiang Zhiqian

Registered office:

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

Independent non-executive Directors:

Mr. Fok Ho Yin, Thomas
Mr. Ng Hoi Yue
Mr. Chiang Chi Kin, Stephen

*Head Office and principal place
of business:*

Unit 2304, 23/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

5 March 2012

To the Shareholders

Dear Sir or Madam,

- (I) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AT HK\$0.75 PER OFFER SHARE WITH BONUS ISSUE ON THE BASIS OF ELEVEN BONUS SHARES FOR EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER;**
(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY;
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND
(IV) PROPOSED CHANGE OF DOMICILE

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the proposed Open Offer (with the Bonus Issue), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption.

* for identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the proposed Open Offer (with the Bonus Issue), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares); (iii) a letter of advice from Ample Capital to the Independent Board Committee and the Independent Shareholders on the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares); and (iv) the notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the resolutions in relation to the above items.

(I) PROPOSED OPEN OFFER (WITH THE BONUS ISSUE)

Issue statistics

Basis of the Open Offer	:	One (1) Offer Share for every two (2) existing Shares held on the Record Date
Basis of the Bonus Issue	:	Eleven (11) Bonus Shares for every one (1) Offer Share taken up under the Open Offer
Subscription Price	:	HK\$0.75 per Offer Share with nominal value of HK\$0.1 each
Number of Shares in issue as at the Latest Practicable Date	:	272,860,000
Number of Offer Shares	:	136,430,000 Offer Shares (assuming no new Share being issued, no Share being repurchased by the Company and no conversion of the outstanding Convertible Bonds on or before the Record Date)
Number of Bonus Shares	:	1,500,730,000 Bonus Shares

As at the Latest Practicable Date, there are outstanding Convertible Bonds with an aggregate principal amount of HK\$65,000,000 convertible into 30,952,380 new Shares at the conversion price of HK\$2.1 per conversion share (subject to the adjustments). The CB Holder has given an irrevocable undertaking to the Company and the Underwriters pursuant to which the CB Holder shall not exercise any of its conversion rights under the outstanding Convertible Bonds on or before the Record Date.

Save and except for the Convertible Bonds, the Company has no other outstanding convertible securities, options, warrants or other similar rights in issue which confer any right to subscribe for, convert or exchange into Shares.

Bonus Issue

Subject to the satisfaction of the conditions of the Open Offer (with the Bonus Issue), the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up under the Open Offer. Based on the above, 136,430,000 Offer Shares and 1,500,730,000 Bonus Shares will be issued.

LETTER FROM THE BOARD

The Bonus Shares have an aggregate nominal value of approximately HK\$150.07 million with nominal value of HK\$0.1 each. The Bonus Shares will only be issued to the Qualifying Shareholders who take up their Offer Shares.

The Bonus Issue was determined by the Company and the Underwriters after arm's length negotiations with reference to the historical trading liquidities of the Shares (details of which are set out in the section headed "Letter from Ample Capital" of this circular). Also, the trading volume of the Shares per month had been thin during the period from 11 February 2011 to 10 February 2012 (the "Review Period"). Since the Shares were generally illiquid in the open market and the historical closing price of the Shares showed a sliding trend during the Review Period, it is difficult for the Company to attract the Qualifying Shareholders to further invest in it through the Open Offer. Accordingly, the Directors consider that the Bonus Issue can (i) effectively reduce the average price per Offer Share taken up; and (ii) provide incentives to the Qualifying Shareholders to subscribe for the Offer Shares.

Assuming no new Share being issued, no Share being repurchased by the Company and no conversion of the outstanding Convertible Bonds by the CB Holder on or before the Record Date, the total number of Offer Shares and Bonus Shares of 1,637,160,000 Shares represents:

- (i) approximately 600% of the Company's existing issued share capital as at the Latest Practicable Date; and
- (ii) approximately 85.71% of the Company's issued share capital as enlarged by the issue of the Offer Shares and the Bonus Shares.

The Board is aware of the potential dilution effect on the Shareholders' shareholding interests in the Company as a result of the Open Offer (with the Bonus Issue). Nonetheless, the Board considers that the foregoing should be balanced against by the following factors:

- (i) Independent Shareholders are offered a chance to express their views on the terms of the Underwriting Agreement and the Open Offer (with the Bonus Issue) through their votes at the EGM;
- (ii) Qualifying Shareholders can choose whether to accept the Open Offer (with the Bonus Issue) or not;
- (iii) the Open Offer (with the Bonus Issue) offers Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares (with Bonus Shares) for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price (the average price for each Share to be allotted and issued under the Open Offer (with the Bonus Issue) is HK\$0.0625) as compared to the historical and prevailing market price of the Shares; and
- (iv) those Qualifying Shareholders who choose to accept the Offer Shares in full can maintain their respective existing shareholding interests in the Company after the Open Offer (with the Bonus Issue).

LETTER FROM THE BOARD

Having considered the above, the Board considers the potential dilution effect on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Offer Shares, to be acceptable.

Subscription Price

The Subscription Price of HK\$0.75 per Offer Share is payable in full on application. The Subscription Price represents:

- (i) a premium of approximately 47.06% over the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 51.52% over the average closing price of approximately HK\$0.495 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 495.24% over the theoretical ex-entitlement price of HK\$0.126 per Share after the Open Offer (with the Bonus Issue), based on the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 54.49% to the unaudited consolidated net asset value of the equity attributable to owners of the Company per Share of approximately HK\$1.648 as at 30 June 2011 (based on 272,860,000 Shares in issue as at the Last Trading Day);
- (v) a premium of approximately 31.58% over the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 455.56% over the theoretical ex-entitlement price of HK\$0.135 per Share after the Open Offer (with the Bonus Issue), based on the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Since eleven (11) Bonus Shares will be issued upon subscription of one (1) Offer Share, for illustrative purpose, the average price for each Share to be allotted and issued under the Open Offer (with the Bonus Issue) is HK\$0.0625, which represents:

- (i) a discount of approximately 87.75% to the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 87.37% to the average closing price of approximately HK\$0.495 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 50.40% to the theoretical ex-entitlement price of HK\$0.126 per Share after the Open Offer (with the Bonus Issue), based on the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 96.21% to the unaudited consolidated net asset value of the equity attributable to owners of the Company per Share of approximately HK\$1.648 as at 30 June 2011 (based on 272,860,000 Shares in issue as at the Last Trading Day);

LETTER FROM THE BOARD

- (v) a discount of approximately 89.04% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 53.70% to the theoretical ex-entitlement price of HK\$0.135 per Share after the Open Offer (with the Bonus Issue), based on the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of determining the Subscription Price

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day. The Directors (including the independent non-executive Directors) consider the Subscription Price to be fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Open Offer (with the Bonus Issue) is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus to the Non-Qualifying Shareholders for information purpose only.

To qualify for the Open Offer (with the Bonus Issue), a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar, being Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 2 April 2012.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer (with the Bonus Issue), subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

As at the Latest Practicable Date, the Company had no Overseas Shareholders. In the event that there are new Overseas Shareholders in overseas jurisdictions on or before the Record Date, in compliance with the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Open Offer (with the Bonus Issue) to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Offer Shares and the Bonus Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place,

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the Open Offer (with the Bonus Issue) will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Open Offer (with the Bonus Issue), to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only.

The Company will continue to ascertain whether there is any Overseas Shareholder on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Open Offer (with the Bonus Issue) to such other Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus Documents.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 3 April 2012 to Wednesday, 11 April 2012, both days inclusive, to determine the eligibility of the Open Offer (with the Bonus Issue). No transfer of Shares will be registered during this period.

No transfer of nil-paid entitlements

The invitation to subscribe for the Offer Shares (with the Bonus Shares) to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements.

Fractions of Offer Shares (If any)

The Company will not allot and issue fractions of Offer Shares to the Qualifying Shareholders. Such fractional Offer Shares (if any) will be added together and taken by the Underwriters.

No application for excess Offer Shares

The Qualifying Shareholders will not be entitled to apply for any Offer Share in excess of their respective assured entitlements. Considering that each Qualifying Shareholder will be given an equal opportunity to participate in the Company's future development by subscribing for his/her/its entitlements under the Open Offer, the Directors consider that the Company will not be justified in making additional effort and incurring additional costs to administer the excess application procedures. All Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares provisionally allotted to the Non-Qualifying Shareholders are underwritten by the Underwriters.

Since no excess application arrangement for the Untaken Shares is available and the Open Offer (with the Bonus Issue) is underwritten by Hong Han as one of the Underwriters, the absence of such arrangement is conditional on approval by the Independent Shareholders at the EGM.

Status of the Offer Shares and the Bonus Shares

The Offer Shares and the Bonus Shares, when allotted and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue. Holders of fully-paid Offer Shares and the Bonus Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of the allotment of the Offer Shares and the Bonus Shares, both in their fully-paid forms.

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Certificates of the Offer Shares and the Bonus Shares

Subject to the fulfillment of the conditions of the Open Offer (with the Bonus Issue), certificates for all fully-paid Offer Shares and the Bonus Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 9 May 2012. One share certificate each will be issued for the fully-paid Offer Shares and the Bonus Shares respectively.

Refund cheques in respect of the Offer Shares if the Open Offer is terminated are expected to be posted by Wednesday, 9 May 2012 by ordinary post to the applicants at their own risk.

Application for listing

Subject to the approval of the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares) by the Independent Shareholders at the EGM, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares and the Bonus Shares. Other than the Stock Exchange, no part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Offer Shares and the Bonus Shares on the Stock Exchange, the Offer Shares and the Bonus Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Offer Shares and the Bonus Shares will be traded in board lots of 5,000. Dealings in the Offer Shares and the Bonus Shares, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Undertaking

As at the Latest Practicable Date, Hong Han is interested in 140,000,000 Shares, representing approximately 51.31% of the entire issued share capital of the Company. Hong Han has irrevocably undertaken to the Company that:

- (i) all the Shares legally and beneficially owned by it as at the date of the Undertaking shall remain registered in its name up to and including the date on which dealings in the Offer Shares are expected to commence on the Stock Exchange (or such later date as may be agreed with the Company in writing); and
- (ii) it will accept or procure the acceptance of 70,000,000 Offer Shares, being its entitlement under the Open Offer prior to the Latest Time For Acceptance.

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The Underwriting Agreement

- Date : 10 February 2012
- Underwriters : (i) Hong Han; and
(ii) Kingston Securities
- Total number of Offer Shares : 136,430,000 Offer Shares (assuming no new Share being issued, no Share being repurchased by the Company and no conversion of the outstanding Convertible Bonds on or before the Record Date)
- Total number of Bonus Shares : 1,500,730,000 Bonus Shares
- Total number of Underwritten Offer Shares : 66,430,000 Offer Shares, being the total number of Offer Shares less 70,000,000 Offer Shares that Hong Han has undertaken to subscribe for or procure subscription for and will be underwritten by the Underwriters in the following manners: (i) Hong Han: the first 20,000,000 Untaken Shares; and (ii) Kingston Securities: the remaining Untaken Shares. Such allocation of underwriting commitment between the Underwriters can be modified by mutual agreement between the Underwriters, provided that (i) other obligations of the Underwriters and all other terms and conditions of the Underwriting Agreement shall remain unchanged; and (ii) both the Underwriters shall notify the Company in writing such modification of underwriting commitment forthwith.
- Underwriting commission : Payable by the Company to the Underwriters at 2.5% of the aggregate Subscription Price of the number of Underwritten Offer Shares mentioned above. Save for the aforesaid commission and the reasonable legal fees and other reasonable out-of pocket expenses of the Underwriters in respect of the Open Offer, no other fees or expenses are payable by the Company to the Underwriters.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Kingston Securities and its ultimate beneficial owners are Independent Third Parties. Save and except for the underwriting commitment pursuant to the Underwriting Agreement, Kingston Securities and its associates are not interested in any Shares as at the Latest Practicable Date.

In the event of the Underwriters being called upon to subscribe for or procure subscribers to subscribe for the Offer Shares, (1) Kingston Securities has agreed to use its best endeavours to ensure that each of the subscriber(s): (i) who are the Independent Third Parties, and who are not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) none of whom (together with their respective parties acting in concert (within the meaning of the Takeovers Code)) will hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer (with the Bonus Issue). Kingston Securities shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding

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of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer (with the Bonus Issue); and (2) Hong Han has agreed to use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be Independent Third Parties, who are not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for Hong Han itself and its associates, shall not, together with any parties acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer (with the Bonus Issue).

Unless the Underwriting Agreement shall have otherwise been terminated by any of the Underwriters pursuant to its right of termination on or before the Latest Time For Termination, if any of the Underwriters shall default in complying with any of its obligations under the Underwriting Agreement, the Company shall be entitled to claim against the defaulting Underwriter for loss and damage.

The commission rate was determined after arm's length negotiation between the Company and the Underwriters by reference to the existing financial position of the Company, the size of the Open Offer (with the Bonus Issue), and the current and expected market conditions. The Board considers that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

The principal business of Hong Han is investment holding and it does not include underwriting as its ordinary course of business.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the absolute opinion of any of the Underwriters, the success of the Open Offer (with the Bonus Issue) would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Open Offer and/or the Bonus Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of any of the Underwriters materially and adversely affect the business or the financial or trading

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position of the Group as a whole or materially and adversely prejudice the success of the Open Offer and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer and/or the Bonus Issue; or

- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of any of the Underwriters are likely to materially or adversely affect the success of the Open Offer and/or the Bonus Issue or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer and/or the Bonus Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of any of the Underwriters will adversely affect the prospectus of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Open Offer and/or the Bonus Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer and/or the Bonus Issue,

any of the Underwriters shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or
- (ii) any Specified Event comes to the knowledge of any of the Underwriters.

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Any such notice shall be served by any of the Underwriters prior to the Latest Time For Termination.

If prior to the Latest Time For Termination, any such notice as is referred to above is given by any of the Underwriters, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

CONDITIONS OF THE OPEN OFFER (WITH THE BONUS ISSUE)

The Open Offer (with the Bonus Issue) is conditional upon the following conditions being fulfilled or waived (as appropriate):

- a. the passing of all the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the EGM and the Board on or before the Posting Date to approve the Articles Amendment and the Increase in Authorised Share Capital and the transactions contemplated thereunder;
- b. the passing of all the necessary resolution(s) by the Shareholders (where applicable, the Independent Shareholders) at the EGM and the Board on or before the Posting Date to approve the Open Offer and the Bonus Issue and the transactions contemplated thereunder;
- c. the delivery to the Stock Exchange for authorisation and the registration by the Registrar of Companies in Hong Kong of one copy of the Prospectus Documents each duly signed by two Directors (or by their agents duly authorised in writing) in accordance with section 342C of the Companies Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance not later than the Posting Date;
- d. the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer (with the Bonus Issue), on or before the Posting Date;
- e. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, listing of and permission to deal in the Offer Shares and the Bonus Shares by no later than the first day of their dealings;
- f. the Underwriting Agreement not being terminated by any of the Underwriters pursuant to the terms thereof on or before the Latest Time of Termination;
- g. compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;
- h. there being no Specified Event occur prior to the Latest Time For Termination; and

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- i. compliance by Hong Han and the CB Holder with their respective undertakings and obligations under their respective undertakings given to the Company and/or the Underwriters prior to the Latest Time For Termination.

The conditions set out above (other than condition (g)) are incapable of being waived. If the above conditions are not satisfied and/or waived in whole or in part by the Underwriters by the Latest Time For Termination or such later date or dates as the Underwriters may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Shareholders and potential investors of the Company should note that the Open Offer (with the Bonus Issue) is conditional upon the Underwriting Agreement having become unconditional and the Underwriters having not terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” of this letter). Accordingly, the Open Offer (with the Bonus Issue) may or may not proceed.

The Shareholders and potential investors of the Company should note that, based on the expected timetable, the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 30 March 2012 and that dealing in the Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled. Any Shareholder or other person dealing in the Shares until the Open Offer (with the Bonus Shares) becomes unconditional and the force majeure under the Underwriting Agreement expires (which is expected to be at 4:00 p.m. on Wednesday, 2 May 2012) will accordingly bear the risk that the Open Offer (with the Bonus Shares) may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

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CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER (WITH THE BONUS ISSUE)

Set out below is the shareholding structure of the Company (as extracted from the Disclosure of Interests forms posted on the website of the Stock Exchange) immediately before and after completion of the Open Offer (with the Bonus Issue) (assuming no new Share being issued, no Share being repurchased by the Company and no conversion of the outstanding Convertible Bonds on or before the Record Date):

	As at the Latest Practicable Date		All Offer Shares are subscribed by and all the Bonus Shares are granted to the Qualifying Shareholders		None of the Offer Share is subscribed by and none of the Bonus Share is granted to the Qualifying Shareholders (except to the Underwriters) (Notes 1 & 2)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Shareholders						
Hong Han (<i>Note 3</i>)	140,000,000	51.31%	980,000,000	51.31%	1,220,000,000	63.87%
Public:						
Kingston Securities (<i>Note 4</i>)	—	—	—	—	206,040,000	10.79%
Kingston Securities' sub-underwriters (<i>Note 4</i>)	—	—	—	—	351,120,000	18.38%
Other public Shareholder	132,860,000	48.69%	930,020,000	48.69%	132,860,000	6.96%
Total	272,860,000	100%	1,910,020,000	100%	1,910,020,000	100%

Notes:

1. **The above scenario is for illustrative purpose only and will unlikely occur.** In the event of the Underwriters being called upon to subscribe for or procure subscription for the Untaken Shares: (a) Kingston Securities shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer (with the Bonus Issue); (b) Kingston Securities shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii), save for Kingston Securities itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer (with the Bonus Issue); and (c) Hong Han shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or chief executive of the Company or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for Hong Han itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer (with the Bonus Issue).

2. The Company will closely monitor the status of the Open offer (with the Bonus Issue) and ensure the compliance with the public float requirements under Rule 8.08 of the Listing Rules upon completion of the Open Offer (with the Bonus Issue). The Company shall procure Hong Han to place down its shareholding interest in the Company in the unlikely event that there is insufficient public float.

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3. Hong Han is one of the Underwriters and is ultimately beneficially owned as to 50% by Mr. Wan Zhongbo (“**Mr. Wan**”) and as to 50% by Ms. Liu Jia (“**Ms. Liu**”). Ms. Liu has pledged her entire interest in the shares in Hong Han to Simsen Capital Finance Limited, a wholly-owned subsidiary of Simsen International Corporation Limited (“**Simsen International**”), to secure a loan granted to Ms. Liu. As at the Latest Practicable Date, Hong Han has not entered into any sub-underwriting agreement in respect of the Open Offer (with the Bonus Issue).
4. Kingston Securities has confirmed to the Company that it has sub-underwritten 20,000,000, 6,660,000 and 2,600,000 Offer Shares to three sub-underwriters, who are Independent Third Parties. Upon completion of the Open Offer (with the Bonus Issue) and on the assumption that none of the Offer Shares is subscribed by the Qualifying Shareholders, such scenario will unlikely occur and only for illustrative purpose only, the three sub-underwriters will be allocated 240,000,000, 79,920,000 and 31,200,000 new Shares respectively, representing approximately 12.57%, 4.18% and 1.63% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Bonus Shares. As referred to in Note 1 above, Kingston Securities has confirmed to the Company that none of the sub-underwriters shall hold 10% or more of the voting rights of the Company upon completion of the Open Offer (with the Bonus Issue), therefore the 351,120,000 new Shares will also be counted as being held by public shareholders.

REASONS FOR THE OPEN OFFER (WITH THE BONUS ISSUE) AND USE OF PROCEEDS

The Group is principally engaged in (i) the manufacturing and trading of paints, petrochemical and related products (the “**Painting Business**”); and (ii) the design, manufacturing and sale of light-emitting diode (“**LED**”) and semi-conductor lighting related products (the “**Lighting Business**”).

On 19 January 2012, the Company announced to dispose of the Painting Business to an Independent Third Party (the “**Disposal**”), which is subject to the approval of the Shareholders. Following the completion of the Disposal, the Company will continue its Lighting Business. As set out in the announcement of the Company dated 19 January 2012, the proceeds from the Disposal will be used to repay the term loan with a principal amount of HK\$150,000,000 (the “**Term Loan**”). The Term Loan has a period from 28 December 2010 to 30 June 2012 with an interest rate of 10% per annum. The lender of the Term Loan could demand early repayment of the principal amount and accrued interest in full or in part thereof, at any time on or after 1 March 2012.

Other than the Term Loan, the Company has outstanding Convertible Bonds with the principal amount of HK\$65,000,000 with an interest rate of 3% per annum as at the Latest Practicable Date. According to the terms of the Convertible Bonds, the Company is required to repay the principal amounts of the Convertible Bonds to the CB Holder upon maturity on 16 March 2014. Since March 2011, the prices of the Shares have persistently decreased from around HK\$2.22 to HK\$0.51 on the Last Trading Day. The conversion price of the Convertible Bonds is HK\$2.1 per conversion share, which is substantially higher than the current price level of the Shares. The Board expects that it is unlikely for the CB Holder to convert the outstanding Convertible Bonds into Shares before or upon its maturity and therefore the Board decides to raise sufficient funds for repayment of the Convertible Bonds. The early repayment of the Convertible Bonds can reduce the gearing ratio of the Company and reduce the interests burden to the Group.

The Directors are of the view that the Open Offer (with the Bonus Issue) will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Group’s future development and investment purposes as and when suitable opportunities arise and improve the Group’s overall financial position. In addition, the Open Offer (with the Bonus Issue) would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the growth of the Company in proportion to their shareholdings. Accordingly, the Directors consider that the Open Offer (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole.

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The gross proceeds of the Open Offer (with the Bonus Issue) will be approximately HK\$102.32 million before expenses. The estimated expenses in relation to the Open Offer (with the Bonus Issue), including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Open Offer (with the Bonus Issue) will be approximately HK\$99.58 million and the Company intends to apply such net proceeds from the Open Offer (with the Bonus Issue) as to (i) not more than 70% for reduction of liabilities of the Group (including the early redemption of the outstanding Convertible Bonds); and (ii) not less than 30% for the general working capital of the Group (for illustrative purpose, the general working capital of the Group for the year of 2011 is amounted to approximately HK\$30 million). In addition, as the completion of the Disposal is subject to the satisfaction of certain conditions and the long-stop date for the Disposal is 30 April 2012 which is after the repayment on demand clause of the Term Loan becomes effective, it is uncertain that the Disposal will complete on or before the demand of early repayment of the Term Loan by the lender. In such circumstances, the net proceeds will be applied to repay the Term Loan.

PREVIOUS FUND RAISING EXERCISE IN THE PRIOR 12-MONTH PERIOD

The Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement and up to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As set out in the Company's interim report for the six months ended 30 June 2011 (the "**2011 Interim Report**"), the Board observed a significant fluctuation in the turnover and profit of the Painting Business, which reiterates the Company's view towards the Painting Business. In light of the above, the Group entered into the sale and purchase agreement in respect of the Disposal. Upon the completion of the Disposal, the Lighting Business will be the remaining business segment of the Group and the Group will continue the Lighting Business as its principal business. As set out in the 2011 Interim Report, the Lighting Business recorded a turnover of approximately HK\$100,260,000, and segment results of approximately HK\$21,205,000 for the six months ended 30 June 2011.

The Lighting Business is considered as one of the fastest growing industries worldwide. It has strong support from the PRC government and the local demand of LED products is increasing drastically. However, given that the technology of LED has become more common nowadays, the technology barrier is lower than before and more new competitors have entered into the LED market in the PRC, causing persistent decrease in the level of prices of LED related products. To cope with the foreseeable potential competition from new competitors, the Group will try its best endeavour to reduce the production costs of the LED related products in the followings aspects: i) to expand its production scale and obtain the costs advantage; and ii) to reduce the costs through technological innovation. The Group is also considering to allocate additional resources on research and development of new LED related products and technology such that the Group can lower the production costs and differentiate itself from its competitors in the LED market. Furthermore, the Group will carry out marketing campaign to strengthen its brand image for Lighting Business to attract new customers. As the acquisition of the Lighting Business was just completed on 17 March 2011, additional time is needed to improve its operating performance in order to achieve satisfactory results in the long run. Meanwhile, the Group will from time to time seek for other investment opportunities in other business streams with

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promising prospect and companies with profitability track record such that the income base of the Group could be broadened. As at the Latest Practicable Date, the Group has not yet identified any suitable investment opportunities.

(II) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The issuance of the Bonus Shares pursuant to the Bonus Issue, if any, as fully paid up Shares, will require a capitalization of all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profits and loss account or otherwise available for distribution. The existing articles of association of the Company only permits, *inter alia*, capitalization of reserves of the Company to pay up in full unissued Shares to be allotted and distributed credited as fully paid up to and amongst members of the Company in the same proportion. As the Bonus Shares will only be issued to holders of the Offer Shares but not all members of the Company in general, it is proposed that the existing articles of association of the Company be amended to permit capitalization of reserves of the Company to pay up in full Shares to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders.

In view of the above, it is proposed that the articles of association of the Company be amended by the deletion of the following original Article 142:-

“142. The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members in proportion aforesaid or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealized profits may, for the proposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.”

which shall be replaced in its entirety by the following new Article 142:-

“142. The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members

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who would have been entitled thereto if distributed by way of dividend and in the same proportion **or such other proportion as approved by ordinary resolution** on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members or some members as approved by ordinary resolution respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members or some members as approved by ordinary resolution in proportion aforesaid or such other proportion as approved by ordinary resolution or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.”

In addition, to facilitate the Change of Domicile, it is also proposed that the existing articles of association of the Company be amended to permit de-registration of the Company in the Cayman Islands and continuation of the Company in another jurisdiction, subject to the laws of such jurisdiction and approval by the Shareholders by way of special resolution. As such, it is proposed that the following new article 182 be inserted in the Articles of association of the Company:-

“TRANSFER BY WAY OF CONTINUATION

182. The Company may, by special resolution, resolve to de-register the Company from the Cayman Islands and to transfer and continue the Company as a body corporate to, and under the laws of, a country or jurisdiction outside the Cayman Islands which permits or does not prohibit the transfer of the Company pursuant to the law.”

The proposed amendments to the articles of association of the Company to facilitate the Bonus Issue and the Change of Domicile will be submitted to the Shareholders for consideration and if thought fit, approval at the EGM by way of two separate special resolutions and they are not inter-conditional.

(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Company proposes to increase the Company’s authorised share capital from HK\$100,000,000 divided into 1,000,000,000 Shares to HK\$500,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares which shall rank *pari passu* in all respects with the then existing Shares.

The Increase in Authorised Share Capital is subject to and conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

As at the Latest Practicable Date, the number of the Company’s authorised Shares is 1,000,000,000, of which, the number of issued Shares is 272,860,000, 727,140,000 Shares remain unissued. Under the Open Offer (with the Bonus Issue), 136,430,000 Offer Shares and 1,500,730,000 Bonus Shares will be issued, therefore the existing number of unissued Shares is insufficient for the Open Offer (with the Bonus Issue).

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Save for the new Shares to be issued under the Open Offer (with the Bonus Issue), the Directors have no present intention of issuing any part of the authorised but unissued Shares after the Increase in Authorised Share Capital is completed.

(IV) PROPOSED CHANGE OF DOMICILE

The Company proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda.

Effect of the Change of Domicile

The Change of Domicile will not alter the underlying assets, investment, management or financial position of the Company nor the proportionate interests of the Shareholders. The Company's legal advisers are of the view that the continuation of the Company into Bermuda does not create a new legal entity or prejudice or affect the continuity of the Company. The corporate office of the Company will continue to be in Hong Kong.

Furthermore, the Change of Domicile will not involve the formation of a new holding company, the withdrawal of listing of the existing Shares, any issue of new Shares, any transfer of assets of the Company or any change in the existing shareholdings of the Company. Implementation of the Change of Domicile will not affect the listing status of the Shares.

To facilitate the Change of Domicile, it is proposed that the existing articles of association of the Company be amended to permit de-registration of the Company in the Cayman Islands and continuation of the Company in another jurisdiction, subject to the laws of such jurisdiction and approval by the Shareholders by way of a special resolution.

Pursuant to the Change of Domicile, a memorandum of continuance and a new set of bye-laws of the Company will be adopted to replace the existing memorandum and articles of association of the Company respectively in order to comply with the Bermuda company law (the "**Bermuda Constitutional Documents Adoption**"). Details of the new memorandum of continuance and bye-laws of the Company are set out in the appendix III to this circular.

Existing share certificates will be valid for trading, settlement and registration purposes and will remain effective as evidence of title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or issued, whichever number of share certificates involved is higher, payable by the Shareholder to the Registrar.

Conditions of the Change of Domicile

The Change of Domicile shall be conditional upon:

- (i) the passing of the necessary resolutions by the Shareholders at the EGM to approve, amongst other things, the Articles Amendment, the Change of Domicile and the Bermuda Constitutional Documents Adoption; and

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- (ii) compliance with the relevant legal procedures and requirements under the Cayman Islands laws, the Bermuda laws and the Listing Rules.

Reasons for the Change of Domicile

As advised by the Company's legal advisers as to the laws of the Cayman Islands and Bermuda, if the Company proceeds with any capital reduction in the Cayman Islands, the sanction by the Grand Court of the Cayman Islands will be required. Subject to availability of court dates, it may take between four to six months to complete a capital reduction in the Cayman Islands. The Board does not believe that such sanction can be obtained in a commercially expedient time frame. The Company has been advised by the Company's legal advisers as to the laws of Bermuda that a capital reduction may be effected under Bermuda laws without the approval of the Supreme Court of Bermuda after de-registration of the Company in the Cayman Islands and its continuation in Bermuda. The Board thus considers that the Change of Domicile would save the Company's time and costs if the Company may carry out any capital reduction in the future.

As at the Latest Practicable Date, the Board has no present intention to carry out any capital reduction.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE BONDS

As a result of the Open Offer (with the Bonus Issue), the conversion price of the Convertible Bonds may be adjusted in accordance with the respective terms and conditions of the Convertible Bonds and the Listing Rules or guidelines issued by the Stock Exchange from time to time. The Company will instruct its auditors or a financial adviser to certify the adjustments, if any, to the Convertible Bonds and will inform the CB Holder of the adjustments, if any, accordingly. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

IMPLICATION UNDER THE LISTING RULES

As at the Latest Practicable Date, Hong Han, being one of the Underwriters, is interested in 140,000,000 Shares, representing approximately 51.31% of the entire issued share capital of the Company. Hong Han is the controlling Shareholder and is therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transaction between Hong Han and the Company contemplated under the Underwriting Agreement constitutes a connected transaction under Chapter 14A of the Listing Rules. Pursuant to the Rule 14A.31(3)(c) of the Listing Rules, the allotment and issue of the Underwritten Offer Shares to Hong Han is exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, the payment of the underwriting commission to Hong Han constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the underwriting commission to be received by Hong Han pursuant to the Underwriting Agreement is approximately HK\$375,000 and the relevant percentage ratios as defined in the Listing Rule are less than 5% and the total underwriting commission payable to Hong Han is less than HK\$1 million, payment of underwriting commission by the Company to Hong Han is therefore exempted from all the reporting, announcement and Independent Shareholders' approval requirements under the Rule 14A.32 of the Listing Rules.

LETTER FROM THE BOARD

In accordance with Rule 7.24(5) of the Listing Rules, the Open Offer (with the Bonus Issue) must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting on the resolution to approve the Open Offer (with the Bonus Issue) and pursuant to the Rule 7.26A(2) of the Listing Rules, the Open Offer (with the Bonus Issue) will be subject to the approval of the Independent Shareholders because of the absence of excess application arrangement for the Untaken Shares. Therefore, Hong Han and its associates are required to abstain from voting on the resolution to approve the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares) at the EGM.

As at the Latest Practicable Date, (i) Hong Han and its associates are the controlling Shareholder as defined under the Listing Rules; and (ii) none of the Directors and the Company's chief executive and their respective associates is interested in any Shares.

To the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has an interest in the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption that is materially different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM to approve the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption and the transactions contemplated thereunder.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the Open Offer (with the Bonus Issue). Ample Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (with the Bonus Issue).

EGM

The notice convening the EGM is set out on pages 89 to 93 of this circular. The EGM will be convened at Unit 2304, 23/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong at 10:30 a.m. on Wednesday, 28 March 2012 for the purpose of, considering and, if thought fit, approving the Open Offer (with the Bonus Issue), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee and the letter from Ample Capital as set out on pages 29 to 30 and pages 31 to 48 respectively of this circular.

The Independent Board Committee, having taken into account the advice of Ample Capital, considers that the terms of the Open Offer (with the Bonus Issue) are fair and reasonable so far as the Independent Shareholders are concerned and the Open Offer (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares) at the EGM.

The Directors believe that the terms of the Open Offer (with the Bonus Issue) are fair and reasonable and the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Share), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption are in interests of the Group and the Shareholders as a whole, therefore, the Directors recommend the Shareholders or the Independent Shareholders (as the case may be) to vote in favour of the proposed resolutions approving the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Share), the Articles Amendment, the Increase in Authorised Share Capital, the Change of Domicile and the Bermuda Constitutional Documents Adoption at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
Greenfield Chemical Holdings Limited
Li Li
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Open Offer (with the Bonus Issue):



GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉輝化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 582)

5 March 2012

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HK\$0.75 PER OFFER SHARE WITH BONUS ISSUE
ON THE BASIS OF ELEVEN BONUS SHARES FOR
EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER**

We refer to the circular of the Company dated 5 March 2012 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as those defined in the Circular.

We have been appointed by the Company as the Independent Board Committee to consider the Open Offer (with the Bonus Issue) and the absence of excess application arrangement for the Untaken Shares and to advise the Independent Shareholders as to whether the terms of the Open Offer (with the Bonus Issue) and the absence of excess application arrangement for the Untaken Shares are in the interests of the Company and the Shareholders as a whole and are fair and reasonable insofar as the Independent Shareholders are concerned. Ample Capital has been appointed to advise the Independent Shareholders and the Independent Board Committee in this respect.

* for identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal reasons and factors considered by, and the advice of Ample Capital as set out in its letter of advice to the Independent Shareholders and the Independent Board Committee on pages 31 to 48 of the Circular, we are of the opinion that the Open Offer (with the Bonus Issue) and the absence of excess application arrangement for the Untaken Shares are in the interests of the Company and the Shareholders as a whole and the terms of the Open Offer (with the Bonus Issue) are fair and reasonable insofar as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares).

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Fok Ho Yin, Thomas

Mr. Ng Hoi Yue

Mr. Chiang Chi Kin, Stephen

Independent non-executive Directors

LETTER FROM AMPLE CAPITAL

The following is the full text of a letter from Ample Capital for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in respect of the Open Offer (with the Bonus Issue).



5 March 2012

*To the Independent Board Committee and the Independent Shareholders
of Greenfield Chemical Holdings Limited*

Dear Sirs and Madams,

**PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR
EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE
AT HK\$0.75 PER OFFER SHARE WITH BONUS ISSUE
ON THE BASIS OF ELEVEN BONUS SHARES FOR
EVERY ONE OFFER SHARE TAKEN UP UNDER THE OPEN OFFER**

INTRODUCTION

Ample Capital Limited has been appointed by the Company to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, pursuant to the requirements of the Listing Rules, in respect of the Open Offer (with the Bonus Issue), details of which are set out in the circular issued by the Company (the “Circular”) to the shareholders of the Company dated 5 March 2012.

This letter sets out our advice in respect of the terms of the Open Offer (with the Bonus Issue) for inclusion in the Circular. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning when used in this letter.

On 13 February 2012, the Company announced, among other things, that it was proposing to raise approximately HK\$102.32 million, before expenses, by way of an Open Offer of 136,430,000 Offer Shares at the Subscription Price of HK\$0.75 per Offer Share on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance. Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up under the Open Offer. Under the Listing Rules, as the Open Offer together with the Bonus Issue which as part of the Open Offer will increase the issued share capital of the Company by more than 50%, the Open Offer (with the Bonus Issue) must be made conditional on approval by Independent Shareholders at the EGM and any controlling Shareholders and their associates or where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution relating to the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares).

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In addition, Qualifying Shareholders will not be entitled to apply for any excess Offer Shares not taken up in excess of their respective entitlements under the Open Offer. Hong Han, a controlling Shareholder of the Company, is one of the Underwriters of the Open Offer. In the absence of excess application arrangement and that the Open Offer is partly underwritten by a controlling Shareholder, the Open Offer (with the Bonus Issue) will be subject to the approval of the Independent Shareholders under the Listing Rules.

The Independent Board Committee comprising three independent non-executive Directors, namely Messrs. Fok Ho Yin, Thomas, Ng Hoi Yue and Chiang Chi Kin, Stephen has been established to advise the Independent Shareholders in respect of the Open Offer (with the Bonus Issue) and to give recommendation on how to vote in respect of the resolution to approve the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares).

BASIS OF ADVICE

In formulating our opinions and recommendations, we have relied on the information supplied to us by the Company and the opinions expressed by, and the representations of, the Directors and the management of the Company, including those set out in the Circular. We have assumed that all the information and representations so supplied by the Directors and/or the management of the Company and all information, opinions and representations referred to or contained in the Circular, for which the Directors and the Company are solely and wholly responsible, were true, accurate, complete and not misleading at the time they were supplied, expressed or made, and remained so up to the date of the Circular. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, opinions and/or representations. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

While we have taken reasonable steps to satisfy the requirements under the Listing Rules, we have not carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor have we conducted an independent investigation into the business affairs or assets and liabilities of the Group or any of the other parties involved in the Open Offer.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

LETTER FROM AMPLE CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Open Offer (with Bonus Issue), we have taken into consideration the following principal factors and reasons:

A. Background Information

1. Business information

As stated in the letter from the Board contained in the Circular, the Group is principally engaged in (i) the manufacturing and trading of paints, petrochemical and related products (the “Painting Business”); and (ii) the design, manufacturing and sale of light-emitting diode and semi-conductor lighting related products (the “Lighting Business”).

We note that the acquisition of the Lighting Business was completed on 17 March 2011 and apart from the Painting Business, the Group was not involved in any other business during the two years ended 31 December 2010 and up to 17 March 2011.

It is stated in the letter from the Board contained in the Circular that the Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement and up to the Latest Practicable Date.

2. Financial information

We have summarised below for ease of reference financial information of the Group as extracted from annual report 2010, interim report 2010 and interim report 2011 of the Group for the two financial years ended 31 December 2010, six months ended 30 June 2010 and six months ended 30 June 2011:

Table 1
Summary of financial information of the Group

	Year Ended		Six Months Ended	
	31.12.2009	31.12.2010	30.06.2010	30.06.2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>269,929</u>	<u>310,524</u>	<u>142,299</u>	<u>244,734</u>
Profit attributable to owners of the Company	<u>37,810</u>	<u>24,950</u>	<u>26,371</u>	<u>9,792</u>
Total Assets	<u>623,636</u>	<u>827,546</u>	<u>682,399</u>	<u>1,147,824</u>
Total Liabilities	<u>41,776</u>	<u>187,802</u>	<u>51,744</u>	<u>410,715</u>
Including:				
Borrowings	0	135,164	0	202,469
Convertible Bonds (with embedded derivatives)	0	0	0	66,799
Cash & cash equivalents	<u>165,498</u>	<u>449,975</u>	<u>164,431</u>	<u>106,725</u>

Source: Annual report 2010, interim report 2010 and interim report 2011 of the Company

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From the above table, it could be seen that the profit attributable to owners of the Company dropped approximately 34.01% to HK\$24.95 million for the year ended 31 December 2010 as compared with HK\$37.81 million for the previous year. Despite the contribution from the Lighting Business upon completion of acquisition on 17 March 2011, the profit attributable to owners of the Company decreased approximately 62.87% to HK\$ 9.79 million for the six months ended 30 June 2011 as compared with HK\$26.37 million for the same period in 2010. It is noted from the interim report 2011 of the Company that during the six months ended 30 June 2011, the segment results for the Painting Business and the Lighting Business was HK\$14.48 million and HK\$21.21 million respectively whereas the segment results for the Painting Business, being the only business of the Group, for the same period in 2010 was HK\$15.76 million. The segment results of the Painting Business decreased approximately 8.17% for the six months ended 30 June 2011 as compared with the same period in 2010. As set out in the interim report 2011 of the Company, the contribution from the Painting Business was decreasing as a result of the increased manufacturing costs brought about by inflation, more stringent environmental protection and product safety laws and regulations in the PRC, increase in price of crude oil, other key raw materials and labour costs and increased competition worldwide. The decrease in the profit attributable to owners of the Company to HK\$9.79 million for the six months ended 30 June 2011 was also due to the significant reduction of share of profits of associates and the increase in borrowing costs.

We note that the total liabilities of the Group increased from HK\$41.78 million as at 31 December 2009 to HK\$187.80 million as at 31 December 2010 and further shot up to HK\$410.72 million as at 30 June 2011. The increase in 2010 was mainly due to the securing of a term-loan of HK\$150 million (the "Term Loan") on 23 December 2010 whereas the sharp increase during the six months ended 30 June 2011 was a result of the consolidation of the liabilities of the Lighting Business as subsidiaries coupled with the issuance of the Convertible Bonds with principal amount of HK\$65 million to satisfy in part the consideration upon completion of the acquisition of the Lighting Business in March 2011.

In addition, we notice that the cash and cash equivalents increased from HK\$165.50 million as at 31 December 2009 to HK\$449.98 million as at 31 December 2010 but lowered to HK\$106.73 million as at 30 June 2011. The increase for 2010 was mainly attributable to the repayment of a loan of approximately HK\$159.06 million from New Gold International Ltd., an independent third party, during the year and the drawdown of the Term Loan in December 2010. The decrease during the six months ended 30 June 2011 was primarily due to a cash outflow of HK\$335 million to satisfy in part the consideration for the acquisition of the Lighting Business in March 2011.

Furthermore, we note that, under the Term Loan agreement, the principal of HK\$150,000,000 together with any outstanding interest will be repayable on 30 June 2012 but the lender of the Term Loan could demand early repayment of the principal amount and accrued interest in full or in part thereof, at any time on or after 1 March 2012. The Term Loan bears fixed interest rate at 10% per annum and the outstanding interest to be payable on 30 June 2012 will amount to approximately HK\$7.62 million.

Turning to the information as set out in the section headed "Indebtedness Statement" in Appendix I of the Circular, we observe that apart from the outstanding Convertible Bonds, the Group had outstanding borrowings (including both secured and unsecured borrowings) of

LETTER FROM AMPLE CAPITAL

approximately HK\$212.61 million as at 31 January 2012. It seems the gearing position of the Group is deteriorating since 30 June 2011. HK\$206.6 million will fall due within one year from 31 January 2012 whereas the balance will fall due between 1 February 2013 and 31 January 2014.

We understand that the Company announced on 19 January 2012 (the “Disposal Announcement”) the proposed disposal of the Painting Business to an Independent Third Party (the “Disposal”), which is subject to the approval of the Shareholders. According to the Disposal Announcement, the Painting Business group will cease to be subsidiaries of the Company and will not be consolidated into the Company’s financial statements upon completion of the Disposal. According to the Disposal Announcement, the unaudited estimated loss from the Disposal is approximately HK\$95.56 million. This loss will be reflected as a decrease in the net assets of the Group after Disposal.

The cash proceed of HK\$154 million, before expenses, will have a positive effect on the cash flow of the Group (before exclusion of the cash of the Painting Business group).

We notice from the announcement of the Company dated 29 February 2012 that the despatch of the circular in respect of the Disposal has been postponed to no later than 16 March 2012.

B. The Open Offer (with Bonus Issue)

1. Basis of the Open Offer

The Company proposes to raise approximately HK\$102.32 million, before expenses, by way of an Open Offer of 136,430,000 Offer Shares at the Subscription Price of HK\$0.75 per Offer Share on the basis of one (1) Offer Share for every two (2) Shares held on the Record Date and payable in full on acceptance.

Subject to the satisfaction of the conditions of the Open Offer, the Bonus Shares will be issued to the first registered holders of the Offer Shares on the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up under the Open Offer. As such, the Bonus Shares will only be issued to Qualified Shareholders who take up their Offer Shares and will effectively reduce the price per new Share to be issued to them upon completion of the Open Offer and Bonus Issue. Based on the issue of eleven (11) Bonus Shares for every one (1) Offer Share taken up, the hypothetical price of the Offer Share after taking into account the Bonus Issue will be reduced to HK\$0.0625 per Offer Share (the “Adjusted Offer Price”).

We note that the basis of eleven (11) Bonus Shares for every one (1) Offer Share taken up for the Bonus Issue was determined after arm’s length negotiations between the Company and the Underwriters. The Directors have taken into consideration the historical trading performance of the Shares which they believe may be difficult to attract Qualifying Shareholders to further invest in the Company through the Open Offer unless relatively favourable terms of the Open Offer being set. The Bonus Issue will effectively reduce the price per new Share to be issued under the Open Offer (with the Bonus Issue) providing incentives to the Qualifying Shareholders to subscribe for the Offer Shares.

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Whilst we understand that not all existing Shareholders will be entitled to the Bonus Issue unless they take up the Offer Shares, all Qualifying Shareholders are given an equal opportunity to participate in the Open Offer and thus be issued the Bonus Shares. Given the thin trading volume recorded and the downward trend of the price of the Shares during the period from 11 February 2011 to 10 February 2012 (being the date of the Underwriting Agreement) further details of which are set out in the sub-section headed "Subscription Price" of this letter, we concur with the Directors that the Bonus Issue may make the Open Offer more attractive to encourage Qualifying Shareholders to take up the Offer Shares. As the Bonus Issue will have potential dilution impact on the shareholding interests of the Shareholders, we set out our discussions on this issue in section E headed "Potential dilution effect of the Open Offer on shareholding interests" of this letter.

As set out in Table 2 of the sub-section headed "Subscription Price" of this section, we observe that at least three other listed companies had involved bonus issue of warrants in their rights issue/open offer exercise during the Relevant Period (as defined below). In the course of our research, we notice that Morning Star Resources Ltd. (Code: 542) has announced on 19 November 2010 the bonus issue of shares for offer shares taken up. Hence it is not uncommon that bonus issues would be used as a measure to enhance the attractiveness of rights issue/open offer.

In view of the above, we consider that the Bonus Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, we notice that the existing articles of association of the Company only permits, *inter alia*, capitalization of reserves of the Company to pay up in full unissued Shares to be allotted and distributed credited as fully paid up to and amongst members of the Company in the same proportion. As the Bonus Shares will only be issued to holders of the Offer Shares but not all members of the Company in general, the Directors propose that the existing articles of association of the Company be amended to permit capitalization of reserves of the Company to pay up in full Shares to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders.

2. *Reasons and use of proceeds*

It is stated in the letter from the Board contained in the Circular that the estimated net proceeds of the Open Offer (with the Bonus Issue) will be approximately HK\$99.58 million and the Company intends to apply such net proceeds as to:

- (i) not more than 70% for reduction of liabilities of the Group (including the early redemption of the outstanding Convertible Bonds); and
- (ii) not less than 30% for the general working capital of the Group (for illustrative purpose, the general working capital of the Group for the year 2011 is approximately HK\$30.07 million).

The Company has outstanding Convertible Bonds with principal amount of HK\$65 million bearing interest at 3% per annum and will mature on 17 March 2014. The Convertible Bonds can be converted into 30,952,380 Shares at a conversion price of HK\$2.1 per Share.

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As set out in Table 1 of the sub-section headed “Financial Information” of this letter, it is noted that, as at 30 June 2011, the Group had borrowings of HK\$202.47 million and Convertible Bonds (with embedded derivatives) of HK\$66.80 million whereas the cash and cash equivalents was only HK\$106.73 million. All borrowings (including the Term Loan under which a repayment on demand clause will become effective on 1 March 2012) are current liabilities and may fall due within one year. Given such maturity profile, the level of cash and cash equivalents seemed to be low. It should also be noted that the outstanding borrowings had increased to approximately HK\$212.61 million as at 31 January 2012.

Although the Directors have stated in the letter from the Board contained in the Circular that the cash proceeds of HK\$154 million, before expenses, from the disposal of the Painting Business will be used to repay the Term Loan, we understand that the Disposal is subject to the satisfaction of certain conditions as described under the section headed “Conditions Precedent” of the announcement dated 19 January 2012 in respect of the Disposal, including, but not limited to, the conduction of due diligence reviews that are satisfactory to the purchaser of the Painting Business and that a satisfactory PRC legal opinion be issued. The long-stop date for the Disposal is 30 April 2012 which is after the repayment on demand clause of the Term Loan becomes effective. It is uncertain when the Disposal will be completed or be completed at all. In case the demand for early repayment is made prior to the completion of the Disposal, we notice that the Directors intend to use the net proceeds from the Open Offer to repay, in part, the Term Loan.

Accordingly, we consider the proceeds from the Open Offer will, not only, (i) reduce the future finance cost upon early redemption of the Convertible Bonds with the saving of interest expenses payable for the Convertible Bonds; (ii) improve the gearing of the Group in light of a reduction in the liability of the Group after redemption of the Convertible Bonds; and (iii) strengthen the overall financial position of the Group and providing the Group with the financial flexibility necessary for future development and investment purposes, but also place the Group in a better position with improved cash flow to stand for any unpredictable outcome of the Disposal.

Given the fact that (i) the Board expects that it is unlikely for the CB Holder to convert the outstanding Convertible Bonds into Shares before or upon its maturity in light of the difference between the conversion price of HK\$2.1 and the prevailing market price of around HK\$0.51; (ii) the repayment on demand clause of the Term Loan has become effective on 1 March 2012; and (iii) the Company has announced the delay of the despatch of the circular relating to the Disposal, we consider under such need to raise funds, the significant dilution effect as a result of the Bonus Issue to act as incentives to Qualifying Shareholders to take up their entitlement under the Open Offer is acceptable.

Thus, we concur with the Directors that the Open Offer (with Bonus Issue) is in the interests of the Company and the Shareholders as a whole.

3. Subscription Price

The Subscription Price of HK\$0.75 per Offer Share represents a premium of approximately 47.06% over the closing price of HK\$0.51 per Share as quoted on the Stock Exchange on the Last Trading Day (i.e. 10 February 2012 being the date of the Underwriting Agreement). As eleven (11) Bonus Shares will be issued for every one (1) Offer Share taken up, we do not consider the

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Subscription Price of HK0.75 per Offer Share is an appropriate point of reference and the Adjusted Offer Price of HK\$0.0625 per Offer Share should be used in assessing the fairness of the price of the Open Offer.

The Adjusted Offer Price of HK\$0.0625 per Offer Share represents a discount of approximately 87.75% to the closing price of HK\$0.51 per Share on the Last Trading Day.

Further details of the premium/discount of the Subscription Price/Adjusted Offer Price as compared with prices under various assumptions are set out in the sub-section headed “Subscription Price” of the letter from the Board contained in the Circular.

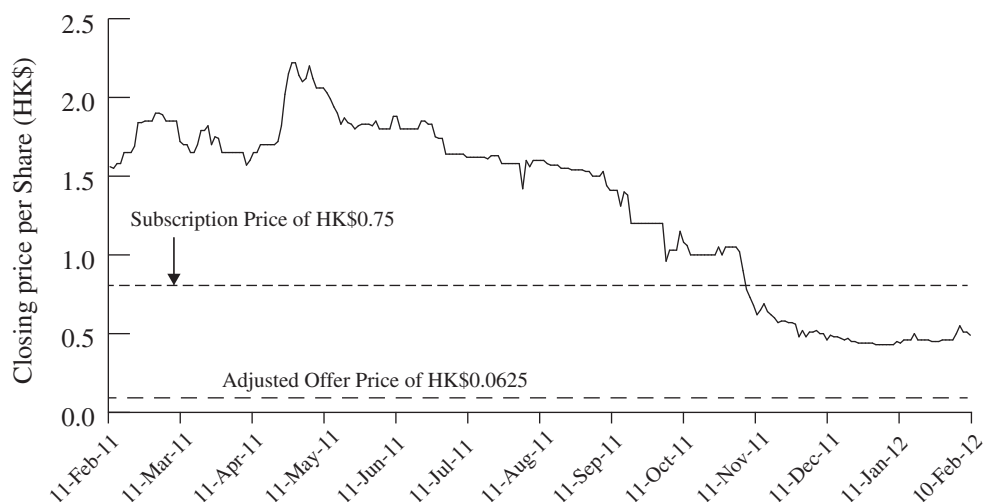
As stated in the letter from the Board, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Underwriters with reference to the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day.

Before making any analysis, we would look into the trading performance of the Shares during the period from 11 February 2011 to 10 February 2012 (being the date of the Underwriting Agreement (the “Review Period”)).

Historical Share price performance

We set out in Chart A below the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

Chart A
Closing price per Share on the Stock Exchange



Source: <http://www.hkex.com.hk>

During the Review Period, the highest closing price and lowest closing price of the Share was HK\$2.22 recorded on both 29 April 2011 and 3 May 2011 and HK\$0.43 recorded during 3 January to 10 January 2012 (both dates inclusive) respectively.

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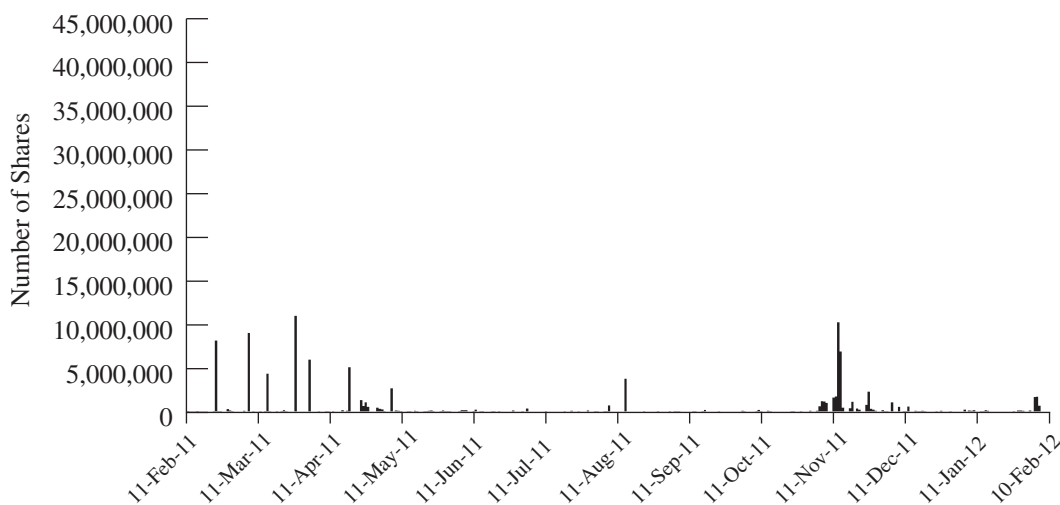
We note that the Shares were traded at a closing price above the Adjusted Offer Price over the whole Review Period. The Adjusted Offer Price represents a discount of approximately 85.47% to the lowest closing price of HK0.43.

In light of the downward trend demonstrated by the historical movement of the Share price, the thin trading volume during the Review Period (see sub-section below) and that it is a common practice for listed issuers to offer discounts to subscription prices in order to enhance the attractiveness of an open offer exercise, we consider that the setting of the Adjusted Offer Price at a lower level is acceptable.

Historical trading volume

We set out in Chart B below the daily trading volume of the Shares on the Stock Exchange during the Review Period.

Chart B
Trading volume of Shares on the Stock Exchange



Source: <http://www.hkex.com.hk>

In the course of our analysis, we note that there was no trading of Shares for 92 trading days out of a total of 245 trading days covered under the Review Period and only one board lot of 5,000 Shares was traded daily for 13 trading days. The average daily turnover was approximately 401,776 Shares, representing approximately 0.15% of the total number of Shares in issue. We therefore consider the liquidity of the Shares was thin during the Review Period.

Comparison with other open offers/rights issues

In order to further assess the reasonableness of the Adjusted Offer Price, we look into recent open offers and rights issues conducted by other listed companies in Hong Kong. We are of the view that open offers and rights issues are similar in nature as both methods offer the shareholders a pro rata entitlement to subscribe for new shares. The major difference

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between an open offer and a rights issue is that the subscription rights are available for trading under a rights issue while there is no such arrangement under an open offer. Thus, we have included rights issues into our analysis as we consider a broader comparison can provide a more general reference for the Adjusted Offer Price.

We select the comparables based on the following criteria: (i) companies listed on the main board of the Stock Exchange; (ii) raised funds by way of open offer or rights issues of ordinary shares; (iii) announcement dated between 11 August 2011 to 10 February 2012 (i.e. 6 months from date of the Underwriting Agreement) (“the Relevant Period”) to reflect the recent market condition and sentiment; and (iv) exclude open offers or rights issues that form part of a restructuring programme for the resumption of trading of companies that were under pro-longed suspension of trading or in provisional liquidation. During the 6 months prior to 11 August 2011, Hang Seng Index was trading at an average of approximately 22,879 with the highest at 24,396 and lowest at 19,330 whereas during the Relevant Period, Hang Seng Index was trading at an average of approximately 19,088 with the highest at 21,018 and lowest at 16,250. As such, the market sentiment for the two periods may not be similar. Hence, we believe the restriction to identify comparable companies within the Relevant Period is appropriate as the comparables are determined under similar market conditions and sentiments as the Open Offer and considered to be fair and representative samples. We take note that the comparables based on the above criteria would include companies with rights issues or excess application arrangement. However, we are of the view that the availability of rights issues or excess application has no direct effect on level of discount or extent of potential dilution in general, and thus such comparables are also fair and representative samples and shall not be excluded.

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Based on the aforesaid criteria, we have, to the best of our knowledge, identified 22 open offer/rights issue (the “Comparables”) during the Relevant Period and we have summarised in Table 2 below for ease of reference the relevant information.

Table 2
Comparable open offers/rights issues

Date of announcement	Company (stock code)	Open offer (O)/rights issue (R)	Basis of entitlement	Premium/ (Discount) of the subscription price to the closing price per share on the respective last trading day <i>approximate %</i>	Underwriting commission <i>%</i>	Application for excess rights/ offer shares	Bonus issue of shares/ warrants	Potential maximum dilution of shareholdings if assured entitlement not taken up <i>in full approximate %</i>
11/8/11	Heritage International Holdings Ltd (412) (Note 1)	R	22 for 1	(86.5)	3.00	Yes	Yes	95.7
17/8/11	Quam Ltd (952)	R	1 for 4	(2.0)	2.00	Yes	No	20.0
5/9/11	Pioneer Global Group Ltd (224)	O	1 for 2	(2.7)	1.00	Yes	No	33.3
11/10/11	Unity Investments Holdings Ltd (913)	R	2 for 1	(45.9)	3.00	Yes	No	66.7
18/10/11	New World China Land Ltd (917)	R	1 for 2	(33.5)	2.50	Yes	No	33.3
18/10/11	New World Development Company Ltd (17)	R	1 for 2	(36.9)	2.50	Yes	No	33.3
21/10/11	Sino Golf Holdings Ltd (361)	R	1 for 2	(4.9)	Nil	Yes	No	33.3
25/10/11	Success Universe Group Ltd (487)	R	2 for 3	(24.0)	2.50	Yes	No	40.0
27/10/11	Qin Jia Yuan Media Services Company Ltd (2366)	R	4 for 1	(85.7)	2.50	Yes	No	80.0
3/11/11	Dragonite International Ltd (329) (Note 2)	R	2 for 1	(68.8)	3.00	Yes	No	66.7
7/11/11	Radford Capital Investment Ltd (901) (Note 3)	R	4 for 1	(67.4)	3.00	Yes	Yes	80.0
8/11/11	Lai Sun Development Company Ltd (488)	R	5 for 12	(43.0)	3.00	Yes	No	29.4
9/11/11	Sino Gas Group Ltd (260)	O	1 for 2	(14.9)	1.70	Yes	No	33.3
22/11/11	Hong Long Holdings Ltd (1383)	O	1 for 2	(75.9)	1.00	No	No	33.3
29/11/11	PICC Property and Casualty Company Ltd (2328)	R	1 for 10	(47.1)	N/A*	Yes	No	9.1
15/12/11	Yue Da Mining Holdings Ltd (629)	O	1 for 3	(30.6)	2.00	Yes	No	25.0
20/12/11	Beijing Yu Sheng Tang Pharmaceutical Group Ltd (1141) (Note 4)	R	5 for 1	(84.3)	2.50	Yes	Yes	83.3
30/12/11	China Communications Services Corporation Ltd (552)	R	2 for 10	(8.9)	N/A*	Yes	No	16.7
18/1/12	Ngai Lik Industrial Holdings Ltd (332)	O	2 for 7	(8.1)	Nil	Yes	No	22.2
19/1/12	Shun Tak Holdings Ltd (242)	R	3 for 8	(35.7)	2.75	Yes	No	27.3
19/1/12	Freeman Financial Corporation Ltd (279)	R	2 for 1	(35.5)	3.00	Yes	No	66.7
30/1/12	Heng Tai Consumables Group Ltd (197)	O	1 for 2	(54.0)	2.50	No	No	33.3
			Minimum discount	(2.0)			Minimum	9.1
			Maximum discount	(86.5)			Maximum	95.7
			Mean	(40.7)			Mean	43.7
	The Company — as proposed	O	1 for 2	47.1	2.50	No	Yes	85.7
	— after adjustment#	O	12 for 2	(87.7)	2.50	No	Yes	85.7

Source: website of the Stock Exchange — www.hkex.com.hk

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Note:

- * Information not available as no underwriting commission, whether in absolute amount or in percentage term, was mentioned in the announcement of the respective companies.
- # The Adjusted Offer Price (after taking into account the effect of the Bonus Issue) is used in computing the discount.
 1. One bonus warrant for every five rights shares taken up.
 2. Two rights shares for every one consolidated share (five shares consolidated into one) and the closing price has been adjusted for the consolidation of shares in computing the discount.
 3. One bonus warrant for every four rights shares taken up and the underwriting fee is HK\$750,000 plus 3% of the aggregate subscription price of the shares underwritten.
 4. Five rights shares for every one consolidated share (ten shares consolidated into one) with one bonus warrant for every five rights shares taken up and the closing price has been adjusted for the consolidation of shares in computing the discount.

From Table 2 above, we note that all the Comparables had set the offer prices at discounts to their respective closing price per share on the last trading day prior to the release of the relevant announcement ranging from approximately 2.0% to 86.5% with a mean of approximately 40.7%. The discount of approximately 87.7% as represented by the Adjusted Offer Price of HK\$0.0625 to the closing price of HK\$0.51 per Share on the Last Trading Day falls outside the range but is just slightly higher than the maximum discount of approximately 86.5% of the Comparables.

Notwithstanding that the discount of approximately 87.7% of the Open Offer falls outside the range of the Comparables, we are of the view that the Subscription Price is fair and reasonable after taken into consideration that (i) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriters; (ii) it is a common market practice to offer discounts to encourage subscription by the shareholders; (iii) the downward trend of the market price of the Share and the thin liquidity record during the Review Period; and (iv) the interests of the Qualifying Shareholders will not be prejudiced by the relatively low Subscription Price as long as they are offered an equal opportunity to participate in the Open Offer.

4. No excess application arrangement

We understand that there is no arrangement for application of the Offer Shares by the Qualifying Shareholders in excess of their respective assured entitlements. The Directors consider that it is not justified in making additional effort and incurring additional costs to administrate the excess application procedures. All Offer Shares not taken up by the Qualifying Shareholders and the Offer Shares provisionally allotted to the Non-Qualifying Shareholders are underwritten by the Underwriters. Fractional Offer Shares (if any) will be added together and taken by the Underwriters. Referring to Table 2, we notice that at least two of the Comparables did not have excess application arrangement and thus, there are precedents to do away with such arrangement in the past.

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From the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlement, it may not be desirable to have no excess application arrangement. Given the fact that the Adjusted Offer Price has been set at deep discounts to the closing price of the Shares on the Last Trading Day to enhance the attractiveness of the Open Offer, it is envisaged that the Untaken Shares, which may be available for excess application if such arrangement is implemented, would be kept at a low level (if not nil) should all Qualifying Shareholders respond favourably to the Bonus Issue by taking up their respective assured entitlements under the Open Offer in full and hence, the potential benefit of the excess application arrangement to those Qualifying Shareholders that want to apply for additional Offer Shares be reduced to a minimum as there will then be a very limited number of Untaken Shares available for excess application. In the course of our research, we note that the daily trading volume of the Shares shot up to approximately 40.82 million and 21.18 million Shares on 14 February 2012 (being the trading day immediately after the announcement of the Open Offer) and 15 February 2012 respectively with the daily trading volume in excess of one million Shares since then and up to and including the Latest Practicable Date (with the exception of the daily trading volume of 950,000 Shares on 1 March 2012). These figures may be interpreted as a reflection of the favourable response of the market to the Open Offer.

In addition, the Open Offer allows a fair chance for each and every Qualifying Shareholder to exercise his rights to subscribe for the Offer Shares and the absence of the excess application arrangement would lower the administrative costs of the Open Offer.

Taking into consideration the above facts, we consider that the absence of the excess application arrangement under the Open Offer may not give rise to less favourable situation to the Independent Shareholders than the Underwriters and on balance, is acceptable.

C. Underwriting Arrangements

We have reviewed the Underwriting Agreement and noted the following:

1. Controlling Shareholders as Underwriter and precedence obligation

Hong Han, a controlling Shareholder of the Company, has undertaken to accept or procure the acceptance of its entitlement of 70,000,000 Offer Shares. Apart from this, Hong Han, under the Underwriting Agreement, is underwriting 20,000,000 Offer Shares out of the 66,430,000 Underwritten Offer Shares, whilst the balance is underwritten by Kingston Securities. The Underwriters are entitled to a commission of 2.5% on the respective amount they underwrite. The payment of the underwriting commission to Hong Han, a connected person of the Group, in the amount of approximately HK\$375,000 is an exempt connected transaction under the Listing Rules.

Apart from this, we note that the obligations of Hong Han under the Underwriting Agreement shall take precedence over that of Kingston Securities, so that Kingston Securities shall only be required to perform its obligations under the Underwriting Agreement after Hong Han has subscribed or procured subscribers to subscribe for any of the Underwritten Offer Shares that has not been taken up and the entitlements to Non-Qualifying Shareholders up to Hong Han's commitment under the Underwriting Agreement. It is also provided that the allocation of underwriting commitment between the Underwriters can be modified by mutual agreement between the Underwriters and the Company be notified in writing of any such modification.

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We are also informed that the precedence obligation arrangement is an arm's length commercial decision between the Underwriters. As it is not uncommon to have precedence obligation arrangement for Open Offer and as long as Hong Han has undertaken to use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it be Independent Third Parties, we consider such arrangement to be fair and reasonable.

2. *Underwriting commission*

As the 2.5% underwriting commission for the Open Offer falls within the range of the underwriting commission from 0.0% to 3.0% of the Comparables as set out in Table 2 of the section headed "The Open Offer (with Bonus Issue)" of this letter, we consider it is fair and reasonable as far as Independent Shareholders are concerned.

3. *Other terms*

Details of other terms of the Open Offer are set out in the letter from the Board contained in the Circular including:

- (a) Qualifying Shareholders
- (b) Rights of Overseas Shareholders
- (c) Status of the Offer Shares and the Bonus Shares
- (d) Conditions of the Open Offer (with the Bonus Issue)
- (e) Fractions of Offer Shares (if any)
- (f) The Underwriting Agreement

We have reviewed the other terms of the Open Offer together with the terms of the Underwriting Agreement. Save for the terms that have been discussed and analysed in this letter, there are no extraordinary items being found. We consider the terms of the Open Offer together with the terms of the Underwriting Agreement are on normal commercial basis and are fair and reasonable.

D. Risks associated with the Open Offer (with the Bonus Issue)

Shareholders should note that, as stated in the letter from the Board, the Open Offer (with the Bonus Issue) is subject to the satisfaction of certain conditions as described under the section headed "Conditions of The Open offer (with the Bonus Issue)". In particular, the Open Offer (with the Bonus Issue) is conditional upon the approval of the Independent Shareholders at the EGM, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" of the letter from the Board). Accordingly, the Open Offer (with Bonus Issue) may or may not proceed.

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Shareholders and potential investors of the Company should note that, based on the expected timetable, the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 30 March 2012 and that dealing in the Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled. Any Shareholder or other person dealing in the Shares until the Open Offer (with the Bonus Issue) becomes unconditional and the force majeure under the Underwriting Agreement expires (which is expected to be at 4:00 p.m. on Wednesday, 2 May 2012) will accordingly bear the risk that the Open Offer (with the Bonus Issue) may not become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

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

Details of the possible changes in shareholding structure of the Company upon completion of the Open Offer (with the Bonus Issue) are set out in the section headed “Changes in shareholding structure of the Company arising from the Open Offer (with the Bonus Issue)” in the letter from the Board.

As the Open Offer is offered to all Qualifying Shareholders on the same basis, the Qualifying Shareholders will be able to maintain their proportional interest in the Company if they take up their allotments under the Open Offer in full. Any Qualifying Shareholders who choose not to take up in full their assured entitlements under the Open Offer will have their shareholdings in the Company diluted by up to a maximum of approximately 85.71%. In all cases of open offers, the dilution on the shareholdings of those qualifying shareholders who do not take up in full their assured entitlements under the open offer is inevitable. In fact, the dilution magnitude of any open offers depends mainly on the extent of the basis of entitlement under such exercises since the higher offering ratio of new shares to existing shares is, the greater dilution on the shareholding would be.

According to Table 2 under sub-section headed “Subscription Price” of this letter, we observe that dilution is inevitable for all Comparables with the potential maximum dilution of shareholdings if assured entitlements not taken up in full ranging from approximately 9.1% to 95.7% with a mean of approximately 43.7%. The potential maximum dilution under the Open Offer of 85.71% falls within the range of the Comparables. We notice that the potential maximum dilution of shareholdings if assured entitlements not taken up in full for Morning Star Resources Ltd as mentioned in the sub-section headed “Basis of the Open Offer” of this letter is approximately 87.5% which is higher than the 85.71% under the Open Offer.

Having taken into account that (i) the inherent dilutive nature of open offer in general and the potential maximum dilution under the Open Offer of 85.7% falls within the range of the Comparables; (ii) all Qualifying Shareholders have the same opportunity to maintain their proportionate interests in the Company at a lower price as compared to the historical and prevailing market price of the Shares; (iii) the positive impact on the financial position of the Group as a result of the Open Offer; (iv) the proceeds from the Open Offer is intended to be applied for general working capital and repayment of liabilities of the Group; and (v) the Directors considered that the Open Offer is more preferable than other financing alternatives as discussed below, we consider the potential dilution effect on the shareholding, which may only happen to those Qualifying Shareholders who decide not to accept the Open Offer, is justified. It is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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F. Alternative financing

It is stated in the letter from the Board contained in the Circular, that the Company has not conducted any fund raising activities in the past twelve months before the date of the Announcement and up to the Latest Practicable Date.

The Directors advised that they have considered alternative means other than the Open Offer to raise funds. However, the Directors are of the view that the Open Offer (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole as it would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the growth of the Company in proportion to their shareholdings.

Debt financing is not suitable as Directors consider that it is not appropriate to further increase the borrowing level of the Group. We notice that the total liabilities and cash and cash equivalents of the Group as at 30 June 2011 was approximately HK\$410.72 million and HK\$106.73 million respectively. We consider that debt financing not only would increase the gearing of the Group but also would create additional finance cost (e.g. interest expenses).

Other equity financing alternatives are considered not to be desirable alternatives. Share placement will not provide Shareholders an equal opportunity to participate in the enlargement of capital base and to maintain their proportionate interests whereas rights issues will involve additional expenses and administrative work to handle the trading of nil-paid entitlements when compared with open offer.

In view of the above, we concur with the Directors that the Open Offer (with Bonus Issue) is the preferable method to raise funds for the Group.

G. Financial effects

1. Liquidity

Upon completion of the Open Offer (with the Bonus Issue), the Company would raise net proceeds of approximately HK\$99.58 million. The cash and bank balances of the Group is expected to increase and thus improving the liquidity of the Group.

2. Net tangible assets

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company will be increased from approximately HK\$192.42 million to approximately HK\$291.99 million upon completion of the Open Offer (with the Bonus Issue). The increase is attributable to the net proceeds of the Open Offer (with the Bonus Issue).

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3. *Gearing*

As set out in Table 1, the total assets and total liabilities of the Group as at 30 June 2011 were approximately HK\$1,147.82 million and approximately HK\$410.72 million respectively. Upon completion of the Open Offer (with the Bonus Issue), the total assets of the Group are expected to increase by the net proceeds of the Open Offer (with the Bonus Issue) and thus further improve the gearing of the Group.

In light of the above, the Open Offer (with the Bonus Issue) will have a positive effect on the Group's overall financial position and we are of the view that the Open Offer (with the Bonus Issue) is in the interests of the Company and the Shareholders as a whole.

ADVICE

To summarise, in arriving at our advice, we have taken into consideration all the reasons and factors discussed above, in particular the following:

- the net proceeds from the Open Offer (with Bonus Issue) will provide funds for repayment of liabilities and will improve the working capital position of the Group;
- all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer (with Bonus Issue) to maintain their respective shareholdings in the Company;
- the terms of the Underwriting Agreement are fair and reasonable;
- the positive financial effects of the Open Offer (with the Bonus Issue) on the net assets, liquidity and gearing of the Group;
- the Subscription Price has been arrived at after arm's length negotiations between the Underwriters and the Company and the discount as represented by the Adjusted Offer Price is slightly higher than the maximum discount of the Comparables;
- the Open Offer (with Bonus Issue) is the preferable method to raise funds for the Group;
- the Open Offer (with Bonus Issue) would enlarge the capital base of the Company;
- the absence of excess application arrangement is, on balance, acceptable; and
- the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to take up in full their entitlements under the Open Offer (with Bonus Issue) and the potential maximum dilution under the Open Offer falls within the range of the Comparables.

Having considered the above principal factors and reasons, we consider that the terms of the Open Offer (with the Bonus Issue) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders of the Company are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Shareholders, and also the

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Independent Board Committee to recommend to the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Open Offer (with the Bonus Issue) (including the absence of excess application arrangement for the Untaken Shares).

We would like to draw the attention of the Independent Shareholders to consider also voting in favour of the special resolution to approve the amendment of the articles of association to permit capitalization of reserves of the Company to pay up in full Shares to be issued to all or some of the members of the Company in the same proportion or in such other proportion as approved by the Shareholders as the Bonus Issue could not become effective without such amendment.

For and on behalf of
Ample Capital Limited
H. W. Tang **Fiona M.Y. Lau**
President *Senior Vice President*

A. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information of the Group for the year ended 31 December 2008, the 2009, 2010 and for the six months ended 30 June 2011 are disclosed in the annual report 2008 (pages 19–66), annual report 2009 (pages 18–64) and annual report 2010 (pages 19–64) annual reports respectively and interim report 2011 (pages 1–18) of the Company, which are published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.gch.hk).

B. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2012, the Group had secured borrowings of approximately HK\$207,810,000, unsecured borrowings of HK\$4,800,000 and convertible bonds with principal amount of HK\$65,000,000.

Pledged assets

As at the close of business on 31 January 2012, the Group pledged its property, plant and equipment, prepaid lease payments and intangible assets of HK\$121,580,663, HK\$16,761,670 and HK\$40,780,513 respectively to secure the general banking facilities and bills payables.

In addition, as at the close of business on 31 January 2012, the Group pledged its 51% equity interests in Rookwood Investments Limited (“**Rookwood**”), a non-wholly owned subsidiary of the Group, and an undated deed of assignment duly executed by the Company and Rookwood pursuant to which the Company agrees to assign a loan to Rookwood of HK\$31,476,308 in case of default to a financial institution to secure the other borrowing with the principal amount of HK\$150,000,000.

Contingent liabilities

As at the close of business on 31 January 2012, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding indebtedness in respect of any mortgages, charges or debentures, loan capital, bank loans and overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2012.

Foreign currency amounts have been translated at the approximate exchange rates prevailing as at the close of business on 31 January 2012.

C. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that after taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds, the available credit facilities and the estimated net proceeds from

the Open Offer (with the Bonus Issue), the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular, in the absence of any unforeseen circumstances.

D. MATERIAL ADVERSE CHANGE

Save for the profit warning announced by the Company on 15 August 2011 regarding the reduction in profits of the Group for the six months ended 30 June 2011 as compared to that of the Group for the corresponding period in 2010, as at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effect of a proposed open offer on the basis of one offer share for every two existing shares at HK\$0.75 per offer share with bonus issue on the basis of eleven bonus shares for every one offer share taken up under the open offer (the “**Open Offer (with the Bonus Issue)**”) on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Open Offer (with Bonus Issue) had been completed on 30 June 2011.

The Unaudited Pro Forma Financial Information has been prepared for illustration purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group attributable to owners of the Company as at the date to which it is made up or at any future date.

Unaudited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2011 <i>(Note i)</i> HK\$'000	Deduct: Unaudited total balance attributable to goodwill as at 30 June 2011 <i>(Note ii)</i> HK\$'000	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2011 HK\$'000	Estimated net proceeds from the Open Offer (with Bonus Issue) <i>(Note iii)</i> HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company upon completion of the Open Offer (with Bonus Issue) HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share immediately after completion of the Open Offer (with Bonus Issue) <i>(Note iv)</i> HK\$	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share as at 30 June 2011 <i>(Note v)</i> HK\$
Based on 136,430,000 Offer Shares at subscription price of HK\$0.75 per Offer Share and 1,500,730,000 Bonus Shares <i>(Note iv)</i>						
449,610	(257,195)	192,415	99,577	291,992	0.153	0.705

Based on 136,430,000 Offer Shares at subscription price of HK\$0.75 per Offer Share and 1,500,730,000 Bonus Shares *(Note iv)*

Notes:

- (i) The unaudited consolidated net assets of the Group as at 30 June 2011 is approximately HK\$449,610,000 as extracted from the published interim report of the Company for the six months ended 30 June 2011 (the “**Interim Report**”).
- (ii) The amount represents goodwill of approximately HK\$257,195,000 as stated in the condensed consolidated statement of financial position at 30 June 2011 as included in the Interim Report.
- (iii) The estimated net proceeds from the Open Offer (with Bonus Issue) of approximately HK\$99,577,000 are calculated based on 136,430,000 Offer Shares to be issued at the subscription price of HK\$0.75 per Offer Share, after deduction of estimated related expenses, including underwriting commission, legal and professional fees and other related expenses of approximately HK\$2,745,500.
- (iv) The calculation of the unaudited pro forma consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share immediately after completion of the Open Offer (with Bonus Issue) is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon

completion of the Open Offer (with Bonus Issue) of approximately HK\$291,992,000 and on the basis of 1,910,020,000 shares issued and issuable, comprising 272,860,000 existing shares in issue as at 30 June 2011 and 136,430,000 new shares to be issued pursuant to the Open Offer and 1,500,730,000 new shares to be issued pursuant to the Bonus Issue.

- (v) The calculation of the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share is based on unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company of approximately HK\$192,415,000 and 272,860,000 Shares in issue as at 30 June 2011.
- (vi) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2011.

**ZENITH CPA LIMITED**

诚丰会计师事务所有限公司
Unit 318, 3/F., Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

香港湾仔港湾道6-8号
瑞安中心3楼318室

5 March 2012

The Board of Directors
Greenfield Chemical Holdings Limited
Unit 2304, 23/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
HONG KONG

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Greenfield Chemical Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) (the “**Unaudited Pro Forma Financial Information**”), which has been prepared by the directors of the Company for illustration purposes only, to provide information about how the proposed open offer on the basis of one offer share for every two existing shares at HK\$0.75 per offer share with bonus issue on the basis of eleven bonus shares for every one offer share taken up under the open offer (the “**Open Offer (with the Bonus Issue)**”) might have affected the financial information presented, for inclusion in Appendix II of the circular dated 5 March 2012 (the “**Circular**”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 34 to 35 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted

primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

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

Yours faithfully,

Zenith CPA Limited

Certified Public Accountants

Cheng Po Yuen

Practising Certificate Number: P04887

Hong Kong

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

Set out below is a summary of certain provisions of the memorandum of continuance (the “**Memorandum of Continuance**”) and bye-laws (the “**Bye-laws**”) of the Company to be adopted upon continuation of the Company in Bermuda and of certain aspects of Bermuda company law.

1. MEMORANDUM OF CONTINUANCE

The Memorandum of Continuance states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Continuance also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Continuance empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “**board**”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were conditionally adopted on 28 March 2012 which shall become effective upon its approval and registration by the Registrar of Companies in Bermuda. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Continuance, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot,

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, 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 whatsoever, 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 members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall 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 taken into consideration, 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.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement 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 or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement 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, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board

may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) **Borrowing powers**

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Continuance, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Continuance;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution — majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member 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 remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited 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 members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not

less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the By-Laws) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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).

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The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Continuance (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular

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dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

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Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF CONTINUANCE AND BYE-LAWS

The Memorandum of Continuance may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Continuance or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten (10) clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. (95%) in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by

an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

APPENDIX III SUMMARY OF BERMUDA CONSTITUTIONAL DOCUMENTS

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IV. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer (with the Bonus Issue) are as follows:

(i) As at the Latest Practicable Date

<i>Authorised</i>	<i>HK\$</i>
<u>1,000,000,000</u> Shares as at the Latest Practicable Date	<u>100,000,000</u>

(ii) Assuming the Increase in Authorised Share Capital becoming effective:

<i>Authorised</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>500,000,000</u>

(iii) Assuming no new Share being issued/no Share being repurchased by the Company and no conversion of the Convertible Bonds on or before the Record Date:

<i>Issued and to be issued:</i>	<i>HK\$</i>
272,860,000 Shares in issue as at the Latest Practicable Date	27,286,000
136,430,000 Offer Shares to be issued	13,643,000
<u>1,500,730,000</u> Bonus Shares to be issued	<u>150,073,000</u>
<u>1,910,020,000</u>	<u>191,002,000</u>

All of the Offer Shares and the Bonus Shares to be issued will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares and the Bonus Shares. All the Offer Shares and the Bonus Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares and the Bonus Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the Convertible Bonds, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares and the Bonus Shares.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, of each person, other than a Director or chief executive of the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital:

Long/short position in the Shares and underlying Shares of the Company:

Name	Capacity	Number of Shares held	Long or Short Position	Percentage of issued share capital of the Company
Hong Han	Beneficial owner	140,000,000	Long	51.31%
Mr. Wan	Held by controlled corporation (<i>Note 1</i>)	140,000,000	Long	51.31%

Name	Capacity	Number of Shares held	Long or Short Position	Percentage of issued share capital of the Company
Simsen International	Held by controlled corporation (<i>Note 1</i>)	140,000,000	Long	51.31%
Ms. Liu	Held by controlled corporation (<i>Note 1</i>)	140,000,000	Short	51.31%
China Century Worldwide Limited	Beneficial owner (<i>Note 2</i>)	30,952,381	Long	11.34%
Mr. Ji Xiao Bo (“ Mr. Ji ”)	Held by controlled corporation (<i>Note 2</i>)	30,952,381	Long	11.34%

Notes:

1. Hong Han is wholly and beneficially owned by each of Mr. Wan and Ms. Liu as to 50%. Ms. Liu has pledged her entire interest in the shares in Hong Han to Simsen Capital Finance Limited, a wholly-owned subsidiary of Simsen International, to secure a loan granted to Ms. Liu. Therefore, Mr. Wan and Simsen International are deemed to be interested in the Shares held by Hong Han and Ms. Liu is deemed to hold a short position in the Shares.
2. The CB Holder, China Century Worldwide Limited, is interested in 30,952,381 underlying Shares in connection with the Convertible Bonds. The CB Holder is beneficially owned by Mr. Ji.

5. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2010 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates was interested in any business apart from the Group’s business which competes or is likely to compete, either directly or indirectly, with the Group’s businesses pursuant to Rule 8.10 of the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with any member of the Group which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this circular:

Name	Qualification
Ample Capital Limited	A licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Zenith CPA Limited	Certified Public Accountants

Each of Ample Capital Limited and Zenith CPA Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters, references to its name and/or its advice in the form and context in which they respectively appear.

10. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, both Ample Capital Limited and Zenith CPA Limited:

- (a) were not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal office of the Company is situated at Unit 2304, 23/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (c) The company secretary of the Company is Ms. Leung Pui Ying (“**Ms. Leung**”). Ms. Leung was appointed as the company secretary of the Company on 26 August 2011. She is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

12. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the Latest Practicable Date which are not being in the ordinary course of business of the Company are or may be material:

- (a) the Underwriting Agreement;
- (b) the sale and purchase agreement dated 19 January 2012 entered into by the Company as vendor with Mezzo International Limited as purchaser, and Mr. Lee Seng Hui as guarantor, pursuant to which the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the 5,100 shares in Rookwood Investments Limited and the sale loan in the amount of HK\$31,476,308 at a total consideration of HK\$154,000,000;
- (c) the sale and purchase agreement dated 21 September 2010 made between the CB Holder as vendor and the Company relating to the sale and purchase of the entire issued share capital of Ace Winner Holdings Limited at a total consideration of HK\$400,000,000;
- (d) the loan agreement dated 23 December 2010 made between SHK Finance Limited and the Company relating to a term loan of HK\$150 million to the Company;
- (e) the sale and purchase agreement dated 22 September 2010 entered into between the Company, Mezzo International Limited and Mr. Lee Seng Hui regarding the disposal of 51% interests in Rookwood Investments Limited and the related shareholders’ loans at a consideration of HK\$150 million, and the deed of termination dated 21 December 2010; and
- (f) the land use rights transfer agreement dated 18 February 2010 entered into between Zengcheng City Fuheyuan Farm Limited and Guangzhou Springfield Chemical Company Limited, an indirect non wholly-owned subsidiary of the Company, in relation to the purchase of a property at Pingzhong Road, Dajing, Sanjing Village, Zhongxin Town, Zengcheng City, Guangdong Province, the PRC at an aggregate consideration of RMB18,000,000.

13. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE OPEN OFFER (WITH THE BONUS ISSUE)

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Authorised representatives	Mr. Li Li and Mr. Zhang Yang Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Company secretary	Ms. Leung Pui Ying Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Legal advisers	<i>As to Hong Kong Law</i> Angela Ho & Associates 1109, Tower 1, Lippo Centre, 89 Queensway, Hong Kong <i>As to the Cayman Islands Law</i> Conyers Dill & Pearman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>As to Bermuda Law</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place, Central Hong Kong

Auditors and reporting accountants	Zenith CPA Limited Unit 318, 3/F, Shui On Centre 6–8 Harbour Road, Wanchai Hong Kong
Independent Financial Adviser	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Central, Hong Kong
Underwriters	Hong Han Limited P.O. box 957 Offshore Incorporations Center Road Town Tortola British Virgin Islands Kingston Securities Limited Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Principal share registrar and transfer office in Cayman Islands	Butterfield Fund Services (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 705, George Town Grand Cayman Cayman Island
Branch share registrar and transfer office in Hong Kong	Tricor Standard Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal banker(s)	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4–4A Des Voeux Road Central, Hong Kong

14. EXPENSES

The expenses in connection with the Open Offer (with the Bonus Issue), including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.7 million, which are payable by the Company.

15. PARTICULARS OF THE DIRECTORS**(a) Name and address of the Directors**

Name	Address
<i>Executive Directors</i>	
Mr. Hu Jun	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Ms. Zhang Ying	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Mr. Li Li	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Mr. Zhang Yang	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Mr. Jiang Zhiqian	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong

Name	Address
<i>Independent non-executive Directors</i>	
Mr. Fok Ho Yin, Thomas	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Mr. Ng Hoi Yue	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong
Mr. Chiang Chi Kin, Stephen	Unit 2304, 23/F West Tower, Shun Tak Centre 168–200 Connaught Road Central Sheung Wan Hong Kong

(b) Profiles of the Directors

Executive Directors

MR. HU JUN, aged 51, graduated from Southwest Jiaotong University in 1985. He engaged in technical work in an enterprise subordinated to the Ministry of Railways of the PRC after his graduation. He engaged in the business field in 1990 and worked as the deputy general manager of Beijing Huayue Electric Equipment Co., Ltd. (北京華躍電器設備公司*), the administrative director of Beijing Huadu Cultural Entertainment Limited (北京花都文化娛樂有限公司*) and the deputy general manager of Beijing Dongfang Wanbang Investment Consulting Co., Ltd. (北京東方萬邦投資顧問有限公司*). He now works as the general manager of Beijing Huicheng Real Estate Developing Co., Ltd. (北京慧誠房地產開發有限公司*). He has joined the Group since 21 January 2010. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MS. ZHANG YING, aged 43, with a Bachelor's Degree in Financial Accounting. She worked as the finance supervisor of Beijing Tianan Industry and Commerce Company (北京天安實業總公司*) during the period from 1989 to 1996. She works as the financial controller of Beijing Dongfang Wanbang Technology Development Limited (北京東方萬邦科技發展有限公司*) since 1996 and Beijing Hanbang Guoxin International Group Co., Ltd (北京漢邦國信國際集團有限公司*) since 2002. She has extensive experience in corporate finance, financial management, accounting and auditing field. She works as the legal representative of Beijing Huicheng Real Estate Developing Co., Ltd (北京慧誠房地產開發有限公司*) since

2004. She has joined the Group since 21 January 2010. Save as disclosed above, she does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MR. LI LI, aged 33, an undergraduate major in Computer Education and engaged in education discipline in Beijing Practical Arts Vocational School after graduation in 2000. He engaged in the business field in 2002 and worked as the manager of the resources department of Beijing Hongwei Industry & Trading Group (北京市宏偉工貿集團*) and deputy general manager of Beijing Yonglian United Technology & Trading Company Limited (北京永聯聯合科貿有限責任公司*). He has joined the Group since 21 January 2010. He is also a director of three subsidiaries of the Company. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MR. ZHANG YANG, aged 29, Bachelor of Financial and Applied Economics at Massey University. He worked as Analyst Assistant of Money World Financial Limited in 2002 and regional manager of Domino's Pizza from 2007 to 2008. He has joined the Group since 21 January 2010. He is also a director of two subsidiaries of the Company. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MR. JIANG ZHIQIAN, aged 38, is the chairman of a retail store company in the PRC and has over 7 years' experience in the retail industry. He also has over 5 years' experience in investing in natural resources related business. He has joined the Group since 30 November 2010. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

Independent non-executive Directors

MR. FOK HO YIN, THOMAS, aged 40, had worked in the Listing Division of the Stock Exchange and has over 15 years of experience in the field of corporate finance and, in particular, in equity financing and financial restructuring. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. He is also a Chartered Financial Analyst. He is currently an executive director and chief financial officer of Jian ePayment Systems Limited (shares of which are listed on the growth enterprise market of the Stock Exchange, stock code: 8165) and an independent non-executive director of Rising Development Holdings Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 1004). He has joined the Group since 11 June 2010. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MR. NG HOI YUE, aged 47, is an associate member of The Institute of Chartered Accountants in England and Wales and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has been practicing as a certified public accountant in Hong Kong since 1989. He is an independent non-executive director of See Corporation Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 491) at present and served as an independent non-executive director of Henry Group Holdings Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 859) until 19 February 2010 when his resignation took effect. He has joined the Group since 26 November 2010. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

MR. CHIANG CHI KIN, STEPHEN, aged 43, graduated from the University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. He has over 13 years of experience in corporate and commercial law. He has been the deputy general manager and company secretary of Rising Development Holdings Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 1004) since September 2007. He is also the director of all its subsidiaries. Besides, he had been the deputy general manager and company secretary of China Power New Energy Development Company Limited (shares of which are listed on the main board of the Stock Exchange, stock code: 735) from October 2004 and 1 September 2005 respectively to 26 March 2010. He has joined the Group since 22 August 2011. Save as disclosed above, he does not have any relationships with any other directors or senior management and has not held any position or directorships in any other listed public companies during last three years preceding the date of this circular.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 2304, 23/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the EGM:

- (a) the existing articles of association of the Company;
- (b) the proposed memorandum of continuance and new bye-laws of the Company;
- (c) the annual reports of the Company for the financial years ended 31 December 2008, 2009 and 2010;
- (d) the interim report of the Company for the six months ended 30 June 2011;
- (e) the written consents referred to in the paragraph headed “Experts and Consents” to this appendix;
- (f) the material contacts referred to in the paragraph headed “Material Contracts” to this appendix;

- (g) the letter of advice from Conyers Dill & Pearman summarizing certain aspects of Bermuda Company Law, together with a copy of the Companies Act;
- (h) the unaudited pro-forma financial information of the Group as set out in Appendix II to this circular;
- (i) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2010, being the date of the latest published audited accounts of the Company; and
- (j) this circular.

* *for identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING



GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉輝化工控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 582)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Greenfield Chemical Holdings Limited (the “**Company**”) will be held at Unit 2304, 23/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong at 10:30 a.m. on Wednesday, 28 March 2012 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

SPECIAL RESOLUTIONS

1. “**THAT** the articles of association of the Company be and are hereby amended by the deletion of the following original Article 142 in its entirety:

“142. The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company’s reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members in proportion aforesaid or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealized profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.”

and substituting therefor the following new Article 142:

“142. The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company’s reserve

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion **or such other proportion as approved by ordinary resolution** on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members or some members as approved by ordinary resolution respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members or some members as approved by ordinary resolution in proportion aforesaid or such other proportion as approved by ordinary resolution or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.”

2. **“THAT** the articles of association of the Company be and are hereby amended by the addition of the following as Article 182:

“TRANSFER BY WAY OF CONTINUATION

182. The Company may, by special resolution, resolve to de-register the Company from the Cayman Islands and to transfer and continue the Company as a body corporate to, and under the laws of, a country or jurisdiction outside the Cayman Islands which permits or does not prohibit the transfer of the Company pursuant to the law.”

3. **“THAT** subject to the special resolution numbered 2 being approved:
 - (a) effective upon the amendment of the articles of association of the Company and pursuant to the new article 182 of the articles of association of the Company, the change of the domicile of the Company (the **“Change of Domicile”**) from the Cayman Islands to Bermuda by way of continuation of the Company as an exempted company under the laws of Bermuda and de-registration as a company under the laws of the Cayman Islands, subject to obtaining all necessary governmental and regulatory consents and approval, be and is hereby approved and that the directors of the Company (the **“Directors”**) be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the aforesaid Change of Domicile;
 - (b) the draft memorandum of continuance in the form made available for inspection by all shareholders (the **“Shareholders”**) of the Company prior to the Meeting, a copy of which has been produced to the meeting marked “A” and initialed by the chairman (the **“Chairman”**) of the Meeting for the purpose of identification, be and is hereby

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adopted in substitution for the memorandum of association of the Company, effective from the date that that memorandum of continuance is approved and registered by the Registrar of Companies in Bermuda;

- (c) conditional upon the continuance of the Company as an exempted company under the laws of Bermuda, the draft bye-laws in the form made available for inspection by all Shareholders prior to the Meeting, a copy of which has been produced to the meeting marked “B” and initialed by the Chairman for the purpose of identification, be and is hereby adopted in substitution for the articles of association of the Company, effective from the date that the memorandum of continuance is registered by the Registrar of Companies in Bermuda; and
- (d) the Directors be and are hereby authorised to undertake all such further actions or matters as may be required to implement the change of domicile of the Company from the Cayman Islands to Bermuda as described in the circular (the “**Circular**”) of the Company dated 5 March, 2012, a copy of which has been produced to the meeting marked “C” and initialed by the Chairman for the purpose of identification.”

ORDINARY RESOLUTIONS

4. “**THAT**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$100,000,000 divided into 1,000,000,000 shares of a nominal or par value of HK\$0.10 each in the share capital of the Company (the “**Shares**”) to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each by the creation of an additional 4,000,000,000 Shares (the “**Increase in Authorised Share Capital**”); and
- (b) any one of the Directors be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him to be incidental to or in connection with the matters contemplated in and for giving effect to the Increase in Authorised Share Capital.”

5. “**THAT** subject to the fulfillment or waiver of the conditions set out in the underwriting agreement (the “**Underwriting Agreement**”) dated 10 February 2012 in respect of the proposed open offer (with the bonus issue) by the Company and entered into between the Company and Hong Han Limited and Kingston Securities Limited (the “**Underwriters**”) (a copy of the Underwriting Agreement has been produced to the meeting marked “D” and initialed by the Chairman for the purpose of identification) and subject to the passing of resolutions Numbered 1 to 4:

- (a) the entering into the Underwriting Agreement by the Company be and is hereby approved, confirmed and ratified and the performance of the transactions contemplated thereunder by the Company be and is hereby approved;

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- (b) the issue by way of open offer (the “**Open Offer**”) of 136,430,000 new Shares of HK\$0.75 each (“**Offer Shares**”) to the Shareholders whose names appear on the register of members of the Company as at the close of business on 11 April 2012 (the “**Record Date**”), in the proportion of one (1) Offer Share for every two (2) existing Shares then held (with bonus Shares (the “**Bonus Shares**”) in the proportion of eleven (11) Bonus Shares for every one Offer Share taken up under the Open Offer (the “**Bonus Issue**”)) and otherwise pursuant to and in accordance with the terms and conditions set out in the Circular, a copy of which has been produced at the EGM and marked “E” and initialed by the Chairman for identification purpose) be and is hereby approved;
- (c) the absence of arrangements for application for the untaken Offer Shares by the Qualifying Shareholders (as defined in the Circular) in excess of their entitlements under the Open Offer as referred to in Rule 7.26A(2) of the Rules Governing the Listing of Securities on the Stock Exchange be and is hereby approved, confirmed and ratified;
- (d) the Directors be and are hereby authorised to allot and issue the Offer Shares and the Bonus Shares pursuant to or in connection with the Open Offer (with the Bonus Issue) notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to overseas Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (e) the Directors be and are hereby authorised to do all acts and things in connection with the allotment and issue of the Offer Shares and the Bonus Shares, the implementation of the Open Offer (with the Bonus Issue) and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and in the interests of the Company.”

By Order of the Board
Greenfield Chemical Holdings Limited
Li Li
Executive Director

Hong Kong, 5 March 2012

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

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

Head Office and principal place of business:

Unit 2304, 23/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding of the above meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.