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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in China Financial Leasing Group Limited (the “Company”), you should at once hand this circular together with the form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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## **CHINA FINANCIAL LEASING GROUP LIMITED**

**中國金融租賃集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2312)**

### **PROPOSED CAPITAL REDUCTION AND SUB-DIVISION AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an extraordinary general meeting of the Company to be held at Conference Room 1, 22/F., United Centre, 95 Queensway, Hong Kong on Wednesday, 8 August 2012 at 10:00 a.m. is set out on pages 29 to 31 of this circular. Whether or not you intend to attend and vote at the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

16 July 2012

\* *for identification purpose only*

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## DEFINITIONS

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

|                     |                                                                                                                                                                          |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Announcement”      | the announcement of the Company dated 28 June 2012 relating to, among other things, the proposed Capital Reduction and Sub-division                                      |
| “Articles”          | the existing articles of association of the Company, as amended from time to time                                                                                        |
| “Board”             | the board of Directors                                                                                                                                                   |
| “Business Day(s)”   | any day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours    |
| “Capital Reduction” | the proposed reduction of the par value of each issued Share from HK\$0.20 to HK\$0.02 by cancelling the paid up capital to the extent of HK\$0.18 on each issued Share  |
| “CCASS”             | the Central Clearing and Settlement System established and operated by HKSCC                                                                                             |
| “Company”           | China Financial Leasing Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange         |
| “Court”             | the Grand Court of the Cayman Islands                                                                                                                                    |
| “Directors”         | the director(s) of the Company                                                                                                                                           |
| “EGM”               | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Capital Reduction and the Sub-division |
| “Group”             | the Company and its subsidiaries                                                                                                                                         |
| “HK\$”              | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                      |
| “HKSCC”             | Hong Kong Securities Clearing Company Limited                                                                                                                            |
| “Hong Kong”         | the Hong Kong Special Administrative Region of the PRC                                                                                                                   |

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## DEFINITIONS

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|                           |                                                                                                                                                                                                                                       |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Latest Practicable Date” | 12 July 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein                                                                                          |
| “Listing Committee”       | Listing Committee of the Stock Exchange                                                                                                                                                                                               |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                                   |
| “Net Asset Value”         | the net asset value of the Company calculated in accordance with the provisions of the Articles                                                                                                                                       |
| “New Share(s)”            | ordinary share(s) with a par value of HK\$0.02 each in the share capital of the Company after the Capital Reduction and the Sub-division becoming effective                                                                           |
| “PRC”                     | the People’s Republic of China                                                                                                                                                                                                        |
| “Region”                  | the Asian Pacific region, mainly Greater China, member countries of Association of Southeast Asian Nations (including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam) and Japan |
| “RMB”                     | Renminbi, the lawful currency of the PRC                                                                                                                                                                                              |
| “SFC”                     | Securities and Futures Commission                                                                                                                                                                                                     |
| “SFO”                     | Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)                                                                                                                                                                        |
| “Shareholder(s)”          | the holder(s) of the shares of the Company                                                                                                                                                                                            |
| “Share(s)”                | existing ordinary share(s) with a par value of HK\$0.20 each in the share capital of the Company as at the Latest Practicable Date                                                                                                    |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                               |
| “Sub-division”            | the sub-division of each authorised but unissued Share into 10 New Shares                                                                                                                                                             |

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the implementation of the Capital Reduction and the Sub-division. The timetable is subject to the results of the EGM and the approval from the Court.

Despatch of circular and notice of the EGM . . . . . Monday, 16 July 2012

Latest time for lodging forms of proxy for the EGM . . . . . 10:00 a.m. on Monday,  
6 August 2012

Date of EGM . . . . . 10:00 a.m. on Wednesday,  
8 August 2012

Announcement of results of EGM . . . . . Wednesday, 8 August 2012

*The following events are conditional on the results of the EGM and the approval from the Court. The dates are therefore tentative.*

Expected effective date for the Capital Reduction  
and the Sub-division . . . . . Tuesday, 11 December 2012

First day for free exchange of existing share certificates  
for new share certificates for New Shares . . . . . Tuesday, 11 December 2012

Commencement of dealings in New Shares  
on the Stock Exchange . . . . . Tuesday, 11 December 2012

Last day for free exchange of existing share certificates  
for new share certificates ends for New Shares . . . . . Friday, 11 January 2013

All the time and dates above refer to Hong Kong local time and dates. The Company will notify the Shareholders of any changes to the expected timetable by way of announcement(s) as and when appropriate.

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## LETTER FROM THE BOARD

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### CHINA FINANCIAL LEASING GROUP LIMITED

### 中國金融租賃集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2312)**

*Executive Directors:*

Mr. CHOY Kwok Hung, Patrick (*Chairman*)

Mr. CHAN Chi Hung (*Managing Director*)

*Non-executive Director:*

Mr. YANG Nai Jiang (*Deputy Chairman*)

*Independent Non-executive Directors:*

Mr. CHAN Kam Man

Mr. YUE Man Yiu, Matthew

Mr. CHUNG Koon Yan

Mr. CHUNG Shu Kun, Christopher

Ms. KWOK Yuen Lam, Sophia

Ms. MAK Man Yi, Jackie

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal Place of Business*

*in Hong Kong:*

Room 4209, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

16 July 2012

*To the Shareholders*

Dear Sir or Madam,

### PROPOSED CAPITAL REDUCTION AND SUB-DIVISION

#### INTRODUCTION

Reference is made to the Announcement relating to the proposed Capital Reduction and Sub-division.

The purpose of this circular is to provide you with, among other things, further information on the proposed Capital Reduction and Sub-division, and a notice of the EGM.

\* *for identification purpose only*

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## LETTER FROM THE BOARD

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### PROPOSED CAPITAL REDUCTION AND SUB-DIVISION

The Board proposes to effect the Capital Reduction pursuant to which the par value of each of the issued Shares will be reduced from HK\$0.20 to HK\$0.02 each by cancelling the paid-up capital to the extent of HK\$0.18 per issued Share. Part of the credit arising from such reduction will be applied towards cancelling the accumulated loss of the Company, while the balance (if any) will be transferred to the distributable reserve account of the Company which may be utilized by the Directors as a distributable reserve in accordance with the Articles and all applicable laws.

The following table shows the amounts of issued share capital of the Company, distributable reserve account and accumulated loss of the Company immediately before and after the Capital Reduction:

|                                                   | Before Capital<br>Reduction        | After Capital<br>Reduction |
|---------------------------------------------------|------------------------------------|----------------------------|
| Issued share capital of the Company               | HK\$88,695,976.40                  | HK\$8,869,597.64           |
| Distributable reserve account                     | –                                  | HK\$25,421,416.34          |
| Accumulated loss as at 31 May 2012<br>(unaudited) | Approximately<br>HK\$54,404,962.42 | –                          |

Immediately following the Capital Reduction becoming effective, each authorised but unissued Share will also be sub-divided into 10 New Shares with a par value of HK\$0.02 each. On the basis of the existing issued share capital of the Company and assuming no further issue of new Shares or no further Shares will be repurchased by the Company from the Latest Practicable Date up to the date on which the Capital Reduction and the Sub-division become effective, the authorised share capital of the Company will be HK\$300,000,000 divided into 15,000,000,000 New Shares with a par value of HK\$0.02 each, of which 443,479,882 New Shares will be in issue.

All New Shares will rank *pari passu* in all respects with each other.

### CONDITIONS OF THE CAPITAL REDUCTION AND THE SUB-DIVISION

The Capital Reduction and the Sub-division are conditional on:

- (i) the passing by the Shareholders of a special resolution to approve the Capital Reduction and the Sub-division at the EGM;
- (ii) approval of the Capital Reduction to the extent required by the Court;

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## LETTER FROM THE BOARD

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- (iii) the registration of the Court order confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Law of the Cayman Islands with respect to the Capital Reduction with the Registrar of Companies in the Cayman Islands;
- (iv) compliance with any conditions imposed by the Court; and
- (v) the Listing Committee granting the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reduction and the Sub-division becoming effective.

Upon the above conditions being fulfilled, the Capital Reduction and the Sub-division shall become effective.

### APPLICATION FOR LISTING OF THE NEW SHARES

Application has been made by the Company to the Listing Committee for granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

No part of the share capital of the Company is listed or dealt in on any other stock exchanges and no such listing or permission to deal is being or is proposed to be sought.

Subject to granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New 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 New Shares on the Stock Exchange or, under contingent situation, 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.

### REASONS FOR THE CAPITAL REDUCTION AND THE SUB-DIVISION

As at 31 May 2012, the Company had accumulated loss of approximately HK\$54,404,962.42. It is expected that the accumulated loss of the Company will be eliminated after the Capital Reduction. The Capital Reduction and the Sub-division will give greater flexibility to the Company in future fund raising, which may or may not occur, to accommodate future expansion and growth of the Company and the elimination of the Company's accumulated loss will therefore facilitate any dividend payment by the Company as and when appropriate in the future. The Sub-division is necessary to sub-divide the par value of each of the authorised but unissued Share from HK\$0.20 to HK\$0.02 so that the par value of all issued and unissued New Shares will be HK\$0.02 each.

The Company had no present intention to raise funds by issue of equity or equity derivatives as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) are of the view that the Capital Reduction and the Sub-division will not have a material financial effect on the financial position of the Group. The Board believes that on the date when the Capital Reduction and the Sub-division are to be effected, there will be no reasonable grounds for believing that the Company is, or after the Capital Reduction and the Sub-division would be, unable to pay its liabilities as they become due. Other than the expenses to be incurred in relation to the Capital Reduction and the Sub-division, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders.

Therefore the Directors consider that the Capital Reduction and the Sub-division are in the interests of the Company and the Shareholders as a whole.

### FREE EXCHANGE OF SHARE CERTIFICATES

Subject to the Capital Reduction becoming effective, Shareholders may, during the period from Tuesday, 11 December 2012 to Friday, 11 January 2013, submit share certificates for the Shares (in yellow colour) to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, in exchange, at the expense of the Company, for new share certificates for New Shares (in blue colour). Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate issued or cancelled, whichever is higher. Nevertheless, share certificates for the Shares will not be acceptable for trading purposes but will continue to be good evidence of legal title and may be exchanged for new share certificates for New Shares at any time. It is expected that new share certificates for New Shares will be available for collection within 10 Business Days from the date of submission of the share certificates for the Shares to the Company's share registrar in Hong Kong, Tricor Tengis Limited, for exchange.

### EFFECT ON THE SHARE CAPITAL OF THE COMPANY

The following table shows the effects on the share capital of the Company under the Capital Reduction and the Sub-division on the basis of the existing issued share capital of the Company and assuming no further issue of new Shares or no further Shares will be repurchased by the Company from the Latest Practicable Date up to the date on which the Capital Reduction and the Sub-division become effective:

***Authorised share capital:***

|                |                                                                                                                  |                 |
|----------------|------------------------------------------------------------------------------------------------------------------|-----------------|
| 1,500,000,000  | Shares with a par value of HK\$0.20 each as at the Latest Practicable Date                                       | HK\$300,000,000 |
| 15,000,000,000 | New Shares with a par value of HK\$0.02 each after the Capital Reduction and the Sub-division becoming effective | HK\$300,000,000 |

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## LETTER FROM THE BOARD

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*Issued share capital (paid up or credited as fully paid):*

|             |                                                                                                                  |                   |
|-------------|------------------------------------------------------------------------------------------------------------------|-------------------|
| 443,479,882 | Shares with a par value of HK\$0.20 each as at the Latest Practicable Date                                       | HK\$88,695,976.40 |
| 443,479,882 | New Shares with a par value of HK\$0.02 each after the Capital Reduction and the Sub-division becoming effective | HK\$8,869,597.64  |

### GENERAL

The Capital Reduction and the Sub-division are conditional upon, among other things, the approval by the Shareholders at the EGM by way of poll.

### WARNING

**Shareholders and potential investors should be aware and take note that the Capital Reduction and the Sub-division is conditional upon satisfaction of the conditions precedent set out in the paragraph headed “Conditions of the Capital Reduction and the Sub-division” above, and therefore may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### EGM

The Capital Reduction and the Sub-division are conditional upon, among other things, the approval by the Shareholders by way of special resolution on a vote taken by way of poll at the EGM. None of the Shareholders or their associates (as defined in the Listing Rules) would have any interest in the Capital Reduction and the Sub-division which is different from that of other Shareholders. Accordingly, no Shareholder is required to abstain from voting at the EGM.

A notice convening the EGM to be held at Conference Room 1, 22/F., United Centre, 95 Queensway, Hong Kong on Wednesday, 8 August 2012 at 10:00 a.m. is set out on pages 29 to 31 of this circular.

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## LETTER FROM THE BOARD

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A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### RECOMMENDATION

The Directors consider that the proposed Capital Reduction and Sub-division are in the interests of the Group and the Shareholders as a whole and so they recommend all the Shareholders should vote in favour of the resolution for approving the Capital Reduction and the Sub-division to be proposed at the EGM.

### RESPONSIBILITY STATEMENT

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

Yours faithfully,  
By Order of the Board  
**China Financial Leasing Group Limited**  
**Choy Kwok Hung, Patrick**  
*Chairman*

This appendix includes particulars given in compliance with the Listing Rules for the purpose of giving information to the public with regard to the Company.

**DIRECTORS INFORMATION****Name****Business Address***Executive Directors*

Choy Kwok Hung, Patrick

Room 4209  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

Chan Chi Hung

Room 4209  
Office Tower, Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

*Non-executive Director*

Yang Nai Jiang

Factory D2/E2/E4/E6  
Sanyang New Industrial Area 2  
Nanhuan Road, Shajing Jie Dao  
Baoan District  
Shenzhen City, China

*Independent Non-executive Directors*

Chan Kam Man

Unit 803, 8/F  
Shanghai Industrial Investment Building  
48-62 Hennessy Road  
Wan Chai  
Hong Kong

Yue Man Yiu, Matthew

20A World Trust Tower  
50 Stanley Street  
Central, Hong Kong

Chung Koon Yan

Unit A, 5/F  
CKK Commercial Centre  
289-295 Hennessy Road  
Wanchai  
Hong Kong

Chung Shu Kun, Christopher

No. 24, G/F., Yue On House  
Yue Wan Estate  
Chai Wan, Hong Kong

Kwok Yuen Lam, Sophia

6th Floor, Fortune Centre  
Nos.44-48 Yun Ping Road  
Causeway Bay  
Hong Kong

Mak Man Yi, Jackie

407, Poly Center  
15 Yip Fung Street  
On Lok Tsuen  
Fanling, New Territories  
Hong Kong

### **Executive Directors**

**Mr. Choy Kwok Hung, Patrick**, aged 69, was appointed as the Chairman and a non-executive Director of the Company on 14 June 2007, and he has been re-designated as an executive Director of the Company with effect from 18 December 2008. He is also a member of the Nomination Committee of the Company (the “Nomination Committee”). He is responsible for strategic development of the Group. He is the founder and chairman of Global Strategy Group Limited. Mr. Choy is an independent non-executive director of Solomon Systech (International) Limited, a company listed on the Stock Exchange. He is a member of the National Committee of the Chinese People’s Political Consultative Conference. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Choy and no specific term of length of service. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Choy is entitled to a director’s fee of HK\$360,000 per annum, which is determined by the Board with reference to the recommendation of the Remuneration Committee of the Company (the “Remuneration Committee”) and the prevailing market conditions.

Mr. Choy is the father of Mr. Choy Git Yan, Timothy, the General Manager of the Company. Save as aforesaid, Mr. Choy does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

**Mr. Chan Chi Hung**, aged 39, was appointed as an executive Director of the Company on 26 April 2007 and was appointed as the Managing Director of the Company on 12 April 2010. He is the sole director of each of the subsidiaries of the Company. He is also a member of the Remuneration Committee. He is responsible for setting out the business development strategy of and identifying

investment opportunities for the Group. Mr. Chan was the managing director of a leading foreign-owned leasing company in China. His expertise includes structuring of leveraged leasing and cross-broader leasing for overseas listed State-owned Enterprises. Before his active participation in the financial leasing industry, Mr. Chan was previously the investment manager of Springfield Financial in charge of its private equity, fund-of-funds and fixed income investments portfolio. Prior to that, he was with J.P. Morgan Chase. Mr. Chan is currently a non-executive director of Build King Holdings Limited, a company listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chan and no specific term of length of service. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Chan is entitled to a director's fee of HK\$300,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chan does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

#### **Non-executive Director**

**Mr. Yang Nai Jiang**, aged 47, was appointed as the Deputy Chairman and a non-executive Director of the Company on 31 August 2011. He has over 16 years' experience in ironware industry. He is the founder and an executive director of 金正江大五金塑膠製品有限公司 (Jinzheng Jiangda Ironware and Plastic Products Company Limited). He did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Yang and the term of appointment of Mr. Yang as the Deputy Chairman and a non-executive Director is three years commencing from 31 August 2011. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. He is entitled to a director's fee of HK\$360,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Yang does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

**Independent Non-executive Directors**

**Mr. Chan Kam Man**, aged 49, was appointed as an independent non-executive Director of the Company on 30 May 2012. He is also the chairman of the Audit Committee of the Company (the “Audit Committee”). He obtained the Honours Diploma in Accountancy from Lingnan College and the degree of Master of Business Administration from the University of South Australia. He is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan has over 26 years of experience in accounting and finance. Mr. Chan is currently the managing director of CL Partners CPA Limited, a director of Eastern Empire Investments Limited and Venture Strategic Advisory Limited and an independent non-executive director of Henry Group Holdings Limited, a company listed on Main Board of the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

Mr. Chan has entered into on 30 May 2012 an appointment letter with the Company with no specific term for appointment. He is subject to retirement at the Company’s next annual general meeting after his appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Chan is entitled to a director’s fee of HK\$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chan does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

**Mr. Yue Man Yiu, Matthew**, aged 50, was appointed as an independent non-executive Director of the Company on 4 June 2002. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He graduated from the Chinese University of Hong Kong with a Bachelor’s Degree of Business Administration in 1984. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in the financial control, project analysis and management functions. He is presently the director of a consultancy & investment company and chief financial officer of a company which engages in retail & wholesale sales business. Mr. Yue is currently an independent non-executive director of Asia Cassava Resources Holdings Limited, China Suntien Green Energy Corporation Limited and Royale Furniture Holdings Limited, companies listed on the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Yue and no specific term of length of service. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Yue is entitled to a director's fee of HK\$180,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Yue does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

**Mr. Chung Koon Yan**, aged 48, was appointed as an independent non-executive Director of the Company on 30 September 2004. He is also a member of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee. Mr. Chung is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and a member of The Institute of Chartered Accountants in England and Wales. He graduated from The Hong Kong Polytechnic University with a Master of Professional Accounting. Mr. Chung is a Director of an accounting firm, Chiu, Choy & Chung CPA Limited and has more than 21 years' experience in accounting, auditing and taxation. Mr. Chung is currently an independent non-executive director of Shenzhen High-Tech Holdings Limited, a company listed on the main board of the Stock Exchange, and Trasy Gold Ex Limited and Great World Company Holdings Limited, both are companies listed on the Growth Enterprise Market of the Stock Exchange. Save as aforesaid, he did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and no specific term of length of service. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. He is entitled to a director's fee of HK\$180,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

**Mr. Chung Shu Kun, Christopher**, aged 55, was appointed as an independent non-executive Director of the Company on 1 February 2009. He is also a member of the Audit Committee. Mr. Chung has extensive experience in cultural development, computer operation and civil affairs. He is presently a member of the board of governors of Hong Kong Art Centre and Hong Kong Sinfonietta and also a Director of Hong Kong Repertory Theatre Limited, Public Art Hong Kong Limited and Hong Kong Art Development Council. From 2000 to 2007, Mr. Chung was the vice chairman of the governing council of Hong Kong Repertory Theatre Limited. Prior to these, he was a computer operator and a computer coordinator of The Chinese University of Hong Kong and Mass Transit Railway

Corporation Limited respectively and a computer supervisor of Hong Kong Security Limited and The Hong Kong Jockey Club from 1976 to 1999. Mr. Chung has been a member of Election Committee of the National People's Congress in Hong Kong Area and Election Committee of the chief executive of the Hong Kong Special Administrative Region since 1997. He is also currently the chairman and an elected member of Eastern District Council and was previously an elected member of Urban Council, a member of Liquor License Board, the chairman of Performing Companies Working Group Committee and the vice chairman of Libraries Select Committee. Besides, Mr. Chung engages in advisory and statutory consultative bodies. He is a member of Municipal Services Appeals Board, Advisory Committee on Agriculture and Fisheries and Engineering, Development & Maintenance SCS Drafting Subcommittee. Mr. Chung is also the full member of The Hong Kong Institute of Directors, Hong Kong Computer Society and Internet Professional Association Limited. He holds master degrees of Science (e-business) in Glasgow Caledonia University and MBA of University of Wales. Mr. Chung was awarded Medal of Honor and Bronze Bauhinia Star in 1999 and 2009, respectively. The Hong Kong SAR Government appointed Mr. Chung to be a Justice of the Peace in 2003. He did not hold any directorship in other listed public companies in the past three years.

There is no service contract entered into between the Company and Mr. Chung and no specific term of length of service. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Chung is entitled to a director's fee of HK\$120,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Mr. Chung does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

**Ms. Kwok Yuen Lam, Sophia**, aged 31, was appointed as an independent non-executive Director of the Company on 30 May 2012. She is also the chairman of the Nomination Committee. She obtained the degree of Master of Laws in Information Technology and Intellectual Property Law from The University of Hong Kong, the Postgraduate Certificate in Laws from City University of Hong Kong, a Juris Doctor from City University of Hong Kong and the degree of Bachelor of Fine Arts (Graphic Design) from California College of the Arts. She has over 7 years of experience in legal field. She is a solicitor of the High Court of Hong Kong with a current Practising Certificate and a member of the Law Society of Hong Kong and currently an assistant solicitor of Jesse H.Y. Kwok & Co., Solicitors & Notaries. She did not hold any directorship in other listed public companies in the past three years.

Ms. Kwok has entered into on 30 May 2012 an appointment letter with the Company with no specific term for appointment. She is subject to retirement at the Company's next annual general meeting after her appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles. Ms. Kwok is entitled to a director's fee of HK\$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Ms. Kwok does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

**Ms. Mak Man Yi, Jackie**, aged 29, was appointed as an independent non-executive Director of the Company on 30 May 2012. She is also a member of the Remuneration Committee. She finished the Canadian Securities Courses (Canadian Securities Course, Conduct and Practice Handbook) and is eligible for Investment Representative License. She has obtained the degree of Bachelor of Arts with Honours from York University. She had worked in several banks and financial groups including Royal Bank of Canada, TD Waterhouse of Canada and Scotia Bank Group – Scotia McLeod. She did not hold any directorship in other listed public companies in the past three years.

Ms. Mak has entered into on 30 May 2012 an appointment letter with the Company with no specific term for appointment. She is subject to retirement at the Company's next annual general meeting after her appointment and thereafter subject to retirement by rotation at least once in every three years in accordance with the Articles. Ms. Mak is entitled to a director's fee of HK\$120,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee and the prevailing market conditions.

Ms. Mak does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

## **INVESTMENT MANAGEMENT INFORMATION**

### **Investment Manager**

Wealth Assets Management Limited  
Unit B, 12/F  
Lucky Plaza  
315-321 Lockhart Road  
Wanchai  
Hong Kong

### **Directors of the Investment Manager**

Chan Chi Hung  
Room 4209  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

Chan Yiu Pun, Clement  
Unit B, 12/F  
Lucky Plaza  
315-321 Lockhart Road  
Wanchai  
Hong Kong

**Custodian**

DBS Vickers (Hong Kong) Limited  
18/F Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**The Investment Manager**

Wealth Assets Management Limited (the “Investment Manager”) is an investment adviser registered under the SFO and was incorporated in Hong Kong with limited liability on 6 May 2002. The Board delegated authority and responsibility for day-to-day portfolio management of the Group to the Investment Manager, and the Investment Manager is responsible for making investment proposals in accordance with the Investment Management Agreement, the Articles and the investment policies of the Company.

The following are the directors of the Investment Manager:

Mr. Chan Chi Hung, is an executive Director. The particulars of Mr. Chan are set out on pages 11 and 12 of this circular.

Mr. Chan Yiu Pun, Clement has accumulated over 20 years’ of experience in the local securities and investment services industry particular in areas of investment advisory and portfolio management of mutual funds and securities. In his past services with the international fund management companies and independent financial advisory firms, Mr. Chan has acquired solid experiences covering investment dealings, global investment analysis, mutual fund investment advisory and portfolio management of funds for clients. Currently, Mr. Chan is a registered person under Types 4 and 9 regulated activities with the SFC, Hong Kong. Mr. Chan is a Certified Financial Planner and a member of the Institute of Financial Planners of Hong Kong and holds a M.Sc. degree in Corporate Governance and Directorship from the Hong Kong Baptist University.

**Custodian**

DBS Vickers (Hong Kong) Limited (the “Custodian”) at 18/F., Man Yee Building, 68 Des Voeux Road Central, Hong Kong was appointed as the custodian of the Company in relation to the investments which the Company may from time to time deposit with the Custodian.

The Directors confirm that none of the Directors, the Investment Manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.

### **SPECIFIC RISKS RELATING TO THE COMPANY**

The Company is an investment company and its funds will be invested in listed and unlisted companies in Hong Kong, PRC and other main markets around the world. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company's income and its Net Asset Value are liable to be adversely affected by external factors beyond the control of the Company. As a result, income of the fund and its Net Asset Value may therefore go down as well as go up, subject to the prevailing market conditions.

### **INVESTMENT OBJECTIVES AND POLICIES**

The Company is an investment company with the principal investment objectives of achieving short to medium term (i.e. less than one year to five years) capital appreciation by mainly investing in a diversified portfolio of investments in listed and unlisted companies in the Region.

The Company has adopted the following investment policies:

- (i) the Company's investments will normally be made in the form of equity or equity related securities and/or debt securities in listed and unlisted companies engaged in different industries including (but not limited to) information technology, manufacturing, life sciences and environmental services, telecommunications, infrastructure, pharmaceuticals and property sectors aiming at maintaining a balance in the Company's exposure to different industries sectors in order to minimize the impact on the Company of any downturn in any particular sector;
- (ii) the Company may invest in other fields in which the Board believes that there are prospects of earnings growth and/or capital appreciation. In particular, the Company will seek to identify businesses or entities with a potential or record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long-term growth of such companies;
- (iii) the Company may invest in companies or other entities which are considered by the Board and/or the Investment Manager as being special or in recovery situations on a case by case basis (e.g., the Company may invest in companies under restructuring or liquidation), which may have extensive growth in shorter period and provide attractive returns;

- (iv) up to a maximum of 90% of the Group's assets can be invested in:
  - (a) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by listed companies;
  - (b) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by unlisted companies in the Region; and
  - (c) options and futures which are traded on recognized securities or futures exchanges for trading and hedging purposes;
- (v) the Board and the Investment Manager will, where possible, seek to identify investments where there is a certain degree of synergy with other investee companies and where cooperation between such companies would be of mutual benefit to each other;
- (vi) the Company's investments are intended to be held for short to medium term (i.e. less than one year to five years) capital appreciation. Subject to the foregoing, the Company will realise investments from time to time where to do so is in the opinion of the Board to be in the best interests of the Company or where the terms on which such realization can be achieved are in the opinion of the Board to be particularly favourable to the Company;
- (vii) before suitable investment projects are identified, the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in any currency, bonds, treasury securities issued by the government of the United States or the government of Hong Kong or their respective agencies or securities or other instruments denominated in any currency issued by various governments or international development agencies;
- (viii) before suitable investment projects are identified, the Company may enter into forward interest rate agreements, forward currency agreements, interest rates and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates; and
- (ix) a minimum of 10% of the Group's assets will be maintained in cash or cash equivalents.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as far as practicable, due to market and other investment considerations, it may take some time before the funds of the Company are fully invested. The Company currently has no intention to change the investment objectives and policies. However, Shareholders should note that the investment objectives and policies can be changed by the Company without approval from the Shareholders.

**INVESTMENT RESTRICTIONS**

Under the Articles and the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. To abide by such restrictions, the Board has resolved that the Company may not:

- (i) either itself or through its wholly owned subsidiaries, if any, or in conjunction with any connected person (as defined in the Listing Rules) take legal, or effective, management control of underlying investments and in no event will the Company itself or through its wholly-owned subsidiaries, if any, own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in such company or other entity, except in relation to such wholly-owned subsidiaries of the Company formed solely for the purpose of investment holding; and
- (ii) invest in any company or entity other than wholly-owned subsidiaries of the Company if such investment will result in more than 20% of the Net Asset Value being invested in such company or entity as at the date the investment is made in such company or entity.

The Company has to comply with investment restrictions (i) and (ii) above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules, and these restrictions are also contained in the Articles and any change of such is subject to Shareholders' approval.

The Board has no present intention to change any of the above-mentioned investment restrictions.

**BORROWING POWER**

Pursuant to the Articles, the Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of the latest available Net Asset Value at the time the borrowing is made. In the event that the borrowing should exceed 50% of the latest available Net Asset Value, the Company must obtain prior approval of the Shareholders at a general meeting. The Company's assets may be charged or pledged as security for borrowings. Subject to the provisions of the memorandum of association, the Articles and the investment management agreement entered with the Investment Manager, the Company may from time to time borrow for the purposes of providing liquidity or taking advantage of investment opportunities.

**DISTRIBUTION POLICY**

Interest income, dividend income and other incomes of the Company will be used first to meet expenses. The Investment Manager will then assess whether it is reasonable to make provisions for future expenses and/or any possible impairment of investments, and will consider the amount of cash which should be retained by the Company for future investments. It is the Board's intention to distribute any surplus by way of dividend to the extent permitted by law and the Articles. Dividends will only

be paid to the extent that they are covered by net income received from underlying investments. Distributions (if any) will be made annually after the annual audited financial statements of the Company are approved by the Shareholders at the annual general meeting but interim distributions may be made from time to time to the Shareholders if it appears to the Board to be justified by the financial position of the Company. Distributions by way of cash dividends will be made in Hong Kong Dollars.

#### **FOREIGN CURRENCY MANAGEMENT**

As at the Latest Practicable Date, the Company has invested in 北京愛爾益地照明工程有限公司 (Beijing LED Lighting Engineering Company Limited) which is denominated in RMB and save as disclosed above, the Company did not have investment which denominated in foreign currencies. In the event that the Company's investments denominated in currencies other than Hong Kong Dollars, the Company may expose to the risk relating to exchange rate fluctuations. The Company will keep monitor if such possible risk arise and take prudent measures such as using forward or hedging contracts to manage the associated foreign currency risk.

#### **TAXATION**

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

#### **FEES AND EXPENSES**

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

##### **Investment management fees**

Pursuant to the investment management agreement dated 7 October 2002 (the "Investment Management Agreement") entered into between the Company and the Investment Manager, the Investment Manager has agreed to provide the Company with investment management services (excluding general administrative services) for a three-year period commencing on 28 October 2002, the date of the commencement of the trading of the Company's shares on the Stock Exchange. The Investment Management Agreement will continue for successive periods of three years, unless terminated at any time by either the Company or the Investment Manager serving not less than six months' notice in writing to the other party, and will expire on the last day of the three-year period or any of the relevant successive periods.

With effect from 1 January 2012, the monthly management fee had been changed from HK\$55,000 to HK\$70,000 per month. The management fee to the Investment Manager is a de minimis transaction under Rule 14A.33(3)(b) of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirement.

### Custodian fees

DBS Vickers (Hong Kong) Limited acts as the Custodian, the Company will pay the Custodian such reasonable fees, costs and expenses in respect of the custodian account as may from time to time be prescribed by the Custodian which are varied between the markets of the securities held through the Custodian. Other fees and expenses to be payable including on dividend collection, bonus issue etc.

### INVESTMENT PORTFOLIO

The followings are the details of the ten largest investments of the Group as at 30 June 2011, 31 December 2011 and the Latest Practicable Date, which include all listed investments and all other investments with a value of more than 5% of the Group's gross assets as at 30 June 2011, 31 December 2011 and the Latest Practicable Date. Save for the investments disclosed herein, there is no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 30 June 2011, 31 December 2011 and the Latest Practicable Date.

#### As at 30 June 2011

As at 30 June 2011, there were nine securities held by the Group and the details are set out as follows:

| Name of investee company                                               | Number of shares held | Effective shareholding interest | Cost as at 30 June 2011  | Market value/fair value as at 30 June 2011 | Unrealised holding gain (loss) arising on revaluation | Dividend received/receivable during the period | Percentage to the Company's net asset value as at 30 June 2011 |
|------------------------------------------------------------------------|-----------------------|---------------------------------|--------------------------|--------------------------------------------|-------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|
|                                                                        |                       |                                 |                          |                                            |                                                       |                                                | (unaudited)                                                    |
|                                                                        |                       |                                 | HK\$                     | HK\$                                       | HK\$                                                  | HK\$                                           |                                                                |
| (i) 北京愛爾益地照明工程有限公司 (Beijing LED Lighting Engineering Company Limited)* | N/A                   | 12.000%                         | RMB2,400,000<br>(Note 1) | RMB2,400,000<br>(Note 2)                   | –                                                     | –                                              | 25.18%<br>(Note 1)                                             |
| (ii) China Dongxiang (Group) Co., Ltd. (3818)                          | 500,000               | 0.009%                          | 1,330,000                | 1,235,000                                  | (95,000)                                              | 58,000                                         | 11.44%                                                         |
| (iii) United Energy Group Limited (467)                                | 784,000               | 0.006%                          | 901,600                  | 909,440                                    | 7,840                                                 | –                                              | 7.76%                                                          |

| Name of investee company                        | Number of shares held | Effective shareholding interest | Cost as at 30 June 2011<br>HK\$ | Market value/<br>fair value as at 30 June 2011<br>HK\$ | Unrealised holding gain (loss) arising on revaluation<br>HK\$ | Dividend received/<br>receivable during the period<br>HK\$ | Percentage to the Company's net asset value as at 30 June 2011 (unaudited) |
|-------------------------------------------------|-----------------------|---------------------------------|---------------------------------|--------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------|
|                                                 |                       |                                 |                                 |                                                        |                                                               |                                                            |                                                                            |
| (iv) China Agrotech Holdings Limited (1073)     | 814,000               | 0.108%                          | 756,140                         | 402,930                                                | (353,210)                                                     | –                                                          | 6.51%                                                                      |
| (v) HSBC Holdings PLC (5)                       | 10,000                | 0.000%                          | 751,500                         | 770,500                                                | 19,000                                                        | –                                                          | 6.47%                                                                      |
| (vi) Net2Gather (China) Holdings Limited (1049) | 2,100,000             | 0.057%                          | 493,500                         | 474,600                                                | (18,900)                                                      | –                                                          | 4.25%                                                                      |
| (vii) Greater China Holdings Limited (431)      | 752,000               | 0.251%                          | 315,840                         | 274,480                                                | (41,360)                                                      | –                                                          | 2.72%                                                                      |
| (viii) King Stone Energy Group Limited (663)    | 100,000               | 0.008%                          | 344,000                         | 208,000                                                | (136,000)                                                     | –                                                          | 2.96%                                                                      |
| (ix) Build King Holdings Limited (240)          | 250,000               | 0.020%                          | 51,210                          | 43,250                                                 | (7,960)                                                       | –                                                          | 0.44%                                                                      |

\* *non-listed*

*Notes:*

- (1) The exchange rate is RMB1 to HK\$1.2195.
- (2) The fair value was determined by the Directors' assessment.
- (3) All the unrealised loss arising from the listed investments are based on the respective market value of the listed investments.

*Principal activities of the investee companies*

- (i) 北京愛爾益地照明工程有限公司 (Beijing LED Lighting Engineering Company Limited) was incorporated in Beijing and principally engaged in providing professional LED Lighting design, advices and solution globally, as well as responsible for the public lighting infrastructure maintenance.
- (ii) China Dongxiang (Group) Co., Ltd. ("China Dongxiang") was incorporated in Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3818). China Dongxiang was principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in Mainland of PRC and Macau.
- (iii) United Energy Group Limited ("United Energy") was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 467). United Energy was principally engaged in the production of crude oil, and provision of patented technology supporting services to oilfields.

- (iv) China Agrotech Holdings Limited (“China Agrotech”) was incorporated in Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1073). China Agrotech was principally engaged in trading of fertilizers, pesticides, other agricultural & nonagricultural resources products; manufacture & sale of pesticides & fertilizers; provision of plant protection technical services, nursing, planting & sale of landscaping seedlings.
- (v) HSBC Holdings PLC (“HSBC”) was incorporated in England and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 5). HSBC was principally engaged in the provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa.
- (vi) Net2Gather (China) Holdings Limited (“Net2Gather”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1049). Net2Gather was principally engaged in the provision of financial services; retailing of furniture and household items; provision of online game services, sales of online game auxiliary products and licensing services; and investment holding.
- (vii) Greater China Holdings Limited (“Greater China”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 431). Greater China was principally engaged in the production and sale of fertilizers and chemicals, operation of warehouse and development of industrial property.
- (viii) King Stone Energy Group Limited (“King Stone”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 663). King Stone was principally engaged in manufacturing and trading of phosphorus products; trading of optical products; mining and selling of coal.
- (ix) Build King Holdings Limited (“Build King”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 240). Build King was principally engaged in civil engineering work.

### As at 31 December 2011

As at 31 December 2011, there were seven securities held by the Group and the details are set out as follows:

| Name of investee company                                              | Number of shares held | Effective shareholding interest | Cost as at 31 December 2011 | Market value/<br>fair value as at 31 December 2011 | Unrealised holding gain (loss) arising on revaluation | Dividend received/ receivable during the year | Percentage to the Company's net asset value as at 31 December 2011 |
|-----------------------------------------------------------------------|-----------------------|---------------------------------|-----------------------------|----------------------------------------------------|-------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|
|                                                                       |                       |                                 |                             |                                                    |                                                       |                                               | (unaudited)                                                        |
|                                                                       |                       |                                 | HK\$                        | HK\$                                               | HK\$                                                  | HK\$                                          |                                                                    |
| (i) 北京愛爾益地照明工程有限公司(Beijing LED Lighting Engineering Company Limited)* | N/A                   | 12.000%                         | RMB2,400,000<br>(Note 1)    | RMB2,400,000<br>(Note 2)                           | -                                                     | -                                             | 8.07%<br>(Note 1)                                                  |

| Name of investee company                             | Number of shares held | Effective shareholding interest | Cost as at 31 December 2011<br>HK\$ | Market value/<br>fair value<br>as at 31 December 2011<br>HK\$ | Unrealised holding gain (loss) arising on revaluation<br>HK\$ | Dividend received/<br>receivable during the year<br>HK\$ | Percentage to the Company's net asset value as at 31 December 2011<br>(unaudited) |
|------------------------------------------------------|-----------------------|---------------------------------|-------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|
|                                                      |                       |                                 |                                     |                                                               |                                                               |                                                          |                                                                                   |
|                                                      |                       |                                 |                                     |                                                               |                                                               |                                                          |                                                                                   |
| (ii) The Hong Kong and China Gas Company Limited (3) | 170,000               | 0.002%                          | 3,054,960                           | 3,060,000                                                     | 5,040                                                         | –                                                        | 8.42%                                                                             |
| (iii) SMI Corporation Limited (198)                  | 24,000,000            | 0.296%                          | 7,478,300                           | 5,256,000                                                     | (2,222,300)                                                   | –                                                        | 20.61%                                                                            |
| (iv) Datronix Holdings Limited (889)                 | 186,000               | 0.058%                          | 536,680                             | 531,960                                                       | (4,720)                                                       | –                                                        | 1.48%                                                                             |
| (v) Sinopharm Group Co. Ltd. (1099)                  | 50,000                | 0.006%                          | 1,000,000                           | 933,000                                                       | (67,000)                                                      | –                                                        | 2.76%                                                                             |
| (vi) Seamless Green China (Holdings) Limited (8150)  | 2,000,000             | 0.945%                          | 1,767,100                           | 1,880,000                                                     | 112,900                                                       | –                                                        | 4.87%                                                                             |
| (vii) Ming Kei Holdings Limited (8239)               | 10,000,000            | 5.924%                          | 5,931,560                           | 7,700,000                                                     | 1,768,440                                                     | –                                                        | 16.35%                                                                            |

\* *non-listed*

*Notes:*

- (1) The exchange rate is RMB1 to HK\$1.2195.
- (2) The fair value was determined by the Directors' assessment.
- (3) All the unrealised loss arising from the listed investments are based on the respective market value of the listed investments.

*Principal activities of the investee companies*

- (i) 北京愛爾益地照明工程有限公司 (Beijing LED Lighting Engineering Company Limited) ("Beijing LED") was incorporated in Beijing and principally engaged in providing professional LED Lighting design, advices and solution globally, as well as responsible for the public lighting infrastructure maintenance.
- (ii) The Hong Kong And China Gas Company Limited ("Hong Kong and China Gas") was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3). Hong Kong and China Gas was principally engaged in the production, distribution and marketing of gas, water and related activities
- (iii) SMI Corporation Limited ("SMI Corporation") was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 198). SMI Corporation was principally engaged in the production, distribution and licensing of entertainment related content for movies, television drama series, documentary and information or entertainment programs, and movie theater business.

- (iv) Datronix Holdings Limited (“Datronix”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 889). Datronix was principally engaged in manufacturing and trading of electronic components
- (v) Sinopharm Group Co., Ltd. (“Sinopharm”) was incorporated in PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1099). Sinopharm was a distributor of, and a provider of supply chain services for, pharmaceutical and healthcare products and operate the national pharmaceutical distribution network in China.
- (vi) Seamless Green China (Holdings) Limited (“Seamless Green”) was incorporated in Bermuda and the shares of which are listed on the Stock Exchange (stock code: 8150). Seamless Green was principally engaged in the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products, and in the trading of liquor.
- (vii) Ming Kei Holdings Limited (“Ming Kei”) was incorporated in Bermuda and the shares of which are listed on the Stock Exchange (stock code: 8239). Ming Kei was principally engaged in coal trading, general trading, and property investment.

### As at the Latest Practicable Date

As at the Latest Practicable Date, there were ten securities held by the Group and the details are set out as follows:

|                                                                              |                      |              |                          | Market                   |                | Dividend   | Percentage   |
|------------------------------------------------------------------------------|----------------------|--------------|--------------------------|--------------------------|----------------|------------|--------------|
|                                                                              |                      | Effective    | Cost as at               | value/fair               | Unrealised     | received/  | to the       |
| Name of                                                                      | Number of            | shareholding | the Latest               | value as at              | holding gain   | receivable | Company's    |
| investee company                                                             | shares held          | interest     | Practicable              | the Latest               | (loss) arising | during     | net asset    |
|                                                                              |                      |              | Date                     | Date                     | on revaluation | the period | value as at  |
|                                                                              |                      |              | HK\$                     | HK\$                     | HK\$           | HK\$       | 30 June 2012 |
|                                                                              |                      |              |                          |                          |                |            | (unaudited)  |
| (i) Active Group Holdings Ltd. (1096)                                        | 11,500,000           | 0.958%       | 12,190,000               | 11,845,000               | (345,000)      | –          | 19.45%       |
| (ii) Seamless Green China (Holdings) Ltd (8150)                              | 5,830,000            | 2.484%       | 5,509,500                | 2,098,800                | (3,410,700)    | –          | 8.79%        |
| (iii) Ming Kei Holdings Ltd (8239)                                           | 11,272,000           | 4.890%       | 5,160,274                | 5,072,400                | (87,874)       | –          | 8.24%        |
| (iv) SMI Corporation Ltd (198)                                               | 16,000,000           | 0.197%       | 5,064,150                | 2,848,000                | (2,216,150)    | –          | 8.08%        |
| (v) Hong Kong Exchanges and Clearing Limited (388)                           | 32,000               | 0.003%       | 4,004,180                | 3,328,000                | (676,180)      | –          | 6.39%        |
| (vi) AIA Group Limited (1299)                                                | 143,000              | 0.001%       | 4,004,150                | 3,868,150                | (136,000)      | 31,460     | 6.39%        |
| (vii) The Hong Kong and China Gas Company Limited (3)                        | 220,000 <sup>#</sup> | 0.003%       | 3,972,000                | 3,788,400                | (183,600)      | 81,000     | 6.34%        |
| (viii) 北京愛爾益地照明工程有限公司<br>(Beijing LED Lighting Engineering Company Limited)* | N/A                  | 12%          | RMB2,400,000<br>(Note 1) | RMB2,400,000<br>(Note 2) | –              | –          | 4.67%        |
| (ix) Datronix Holdings Limited (889)                                         | 126,000              | 0.039%       | 363,557                  | 156,240                  | (207,317)      | 2,520      | 0.58%        |

| Name of investee company                                | Number of shares held | Effective shareholding interest | Cost as at the Latest Practicable Date | Market value/fair value as at the Latest Practicable Date | Unrealised holding gain (loss) arising on revaluation | Dividend received/ receivable during the period | Percentage to the Company's net asset value as at 30 June 2012 (unaudited) |
|---------------------------------------------------------|-----------------------|---------------------------------|----------------------------------------|-----------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------|
|                                                         |                       |                                 | HK\$                                   | HK\$                                                      |                                                       |                                                 |                                                                            |
| (x) China Aerospace International Holdings Limited (31) | 300,000               | 0.010%                          | 218,700                                | 177,000                                                   | (41,700)                                              | –                                               | 0.35%                                                                      |

\* *non-listed*

# *these 220,000 shares including 20,000 bonus shares issued on 21 June 2012*

*Notes:*

- (1) The exchange rate is RMB1 to HK\$1.2195.
- (2) The fair value was determined by the Directors' assessment.
- (3) All the unrealised loss arising from the listed investments are based on the respective market value of the listed investments.

*Principal activities of the investee companies*

- (i) Active Group Holdings Limited ("Active Group") was incorporated in Cayman Islands and the shares of which are listed on the Stock Exchange (stock code: 1096). Active Group was principally engaged in the manufacturing and sales of men's casual footwear, apparel and related accessories in the PRC.
- (ii) Seamless Green China (Holdings) Limited ("Seamless Green") was incorporated in Bermuda and the shares of which are listed on the Stock Exchange (stock code: 8150). Seamless Green was principally engaged in the manufacture and sale of synthetic sapphire watch crystals and optoelectronic products, and in the trading of liquor.
- (iii) Ming Kei Holdings Limited ("Ming Kei") was incorporated in Bermuda and the shares of which are listed on the Stock Exchange (stock code: 8239). Ming Kei was principally engaged in coal trading, general trading, and property investment.
- (iv) SMI Corporation Limited ("SMI Corporation") was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 198). SMI Corporation was principally engaged in the production, distribution and licensing of entertainment related content for movies, television drama series, documentary and information or entertainment programs, and movie theater business.

- (v) Hong Kong Exchanges and Clearing Limited (“HKEX”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 388). HKEX was principally engaged owning and operating the only stock exchange and futures exchange in Hong Kong, and their related clearing houses.
- (vi) AIA Group Limited (“AIA”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1299). AIA was principally engaged the provision of individuals and businesses with products and services for insurance, protection, savings, investment and retirement needs.
- (vii) The Hong Kong and China Gas Company Limited (“Hong Kong and China Gas”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3). Hong Kong and China Gas was principally engaged in the production, distribution and marketing of gas, water and related activities.
- (viii) 北京愛爾益地照明工程有限公司 (Beijing LED Lighting Engineering Company Limited) (“Beijing LED”) was incorporated in Beijing and principally engaged in providing professional LED Lighting design, advices and solution globally, as well as responsible for the public lighting infrastructure maintenance.
- (ix) Datronix Holdings Limited (“Datronix”) was incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 889). Datronix was principally engaged in manufacturing and trading of electronic components.
- (x) China Aerospace International Holdings Limited (“China Aerospace”) was incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 31). China Aerospace was principally engaged manufacturing and distribution of plastic products, liquid crystal display, printed circuit boards, intelligent chargers, polyimide films and other products; property investment and trading of electronic products.

No provision for diminution in value of investments has been made by the Company during the year ended 31 December 2011 or during the period from 1 January 2012 to the Latest Practicable Date.

The Company has no present intention to invest in options, warrants, commodities, futures contracts and precious metals, and it may do so in the future should suitable opportunities or market condition arise.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### CHINA FINANCIAL LEASING GROUP LIMITED

### 中國金融租賃集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 2312)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Financial Leasing Group Limited (“Company”) will be held at Conference Room 1, 22/F., United Centre, 95 Queensway, Hong Kong on Wednesday, 8 August 2012 at 10:00 a.m. (or any adjournment thereof) for the following purposes of considering and, if thought fit, passing, with or without modification, the following resolution:

#### **Special Resolution**

“**THAT** subject to and conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the shares of the Company with a par value of HK\$0.02 each in the share capital of the Company issued or to be issued by the Company; and (ii) approval by the Grand Court of the Cayman Islands (the “**Court**”) of the Capital Reduction (as defined below), registration by the Registrar of Companies of the Cayman Islands of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Law of the Cayman Islands in respect of the Capital Reduction and compliance with any conditions imposed by the Court, upon the date (the “**Effective Date**”) on which the aforesaid conditions are fulfilled:

- (a) the issued share capital of the Company be reduced by reducing the par value of each share of the Company in issue on the Effective Date from HK\$0.20 each to HK\$0.02 each by cancelling the paid-up capital to the extent of HK\$0.18 on each share in issue on the Effective Date (the “**Capital Reduction**”), so that following such reduction (i) each issued share with a par value of HK\$0.20 in the share capital of the Company shall be treated as one fully paid-up share with a par value of HK\$0.02 each in the share capital of the Company (the “**New Share**”); and (ii) that the amount of the issued share capital of the Company hereby cancelled be made available for issue of new shares with a par value of HK\$0.02 each in the share capital of the Company so that the authorised share capital of the Company of HK\$300,000,000 remain unchanged on the Effective Date;

\* *for identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) the credits arising from the Capital Reduction be applied towards cancelling the accumulated loss of the Company as at the Effective Date with the balance (if any) to be transferred to the distributable reserve account of the Company or other reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with the articles of association of the Company and all applicable laws;
- (c) each of the authorised but unissued shares with a par value of HK\$0.20 each in the share capital of the Company be and is sub-divided into 10 unissued new shares with a par value of HK\$0.02 each in the share capital of the Company (the “**Sub-division**”);
- (d) all of the New Shares resulting from the Capital Reduction and Sub-division shall rank pari passu in all respects and have the rights and privileges and be subject to the restrictions in respect of the shares contained in the memorandum and articles of association of the Company; and
- (e) the directors of the Company be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the Capital Reduction, application of the credit arising from the Capital Reduction and the Sub-division.”

For and on behalf of the Board  
**China Financial Leasing Group Limited**  
**Tse Kam Fai**  
*Company Secretary*

Hong Kong, 16 July 2012

*Head Office and Principal Place  
of Business in Hong Kong:*

Room 4209, Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting.
4. As at the date of this notice, the Board comprises Mr. Choy Kwok Hung, Patrick (Chairman) and Mr. Chan Chi Hung (Managing Director) as executive Directors, Mr. Yang Nai Jiang (Deputy Chairman) as non-executive Director, and Mr. Chan Kam Man, Mr. Yue Man Yiu, Matthew, Mr. Chung Koon Yan, Mr. Chung Shu Kun, Christopher, Ms. Kwok Yuen Lam, Sophia and Ms. Mak Man Yi, Jackie as independent non-executive Directors.