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

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

**If you have sold or transferred** all your shares in **Quam Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**FORMATION OF A JOINT VENTURE**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



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A letter from the Board is set out on pages 4 to 8 of this circular and a letter from the Independent Board Committee is set out on page 9 of this circular. A letter from Access Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the formation of QVC is set out on pages 10 to 15 of this circular.

\* *For identification purpose only*

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## DEFINITIONS

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

“Access Capital”	Access Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the formation of QVC
“Agreement”	the joint venture agreement dated 9 November 2009 entered into among QSPV, SZHT and SZGH in relation to the formation of QVC
“Announcement”	the announcement of the Company dated 11 January 2010 in relation to the formation of QVC
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Quam Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Earnings Ratio”	in respect of the proportion among the parties which such ratio is being applied to, refers to the amount of capital contribution by such relevant party as a percentage of the total amount of capital contribution by all the relevant parties which such ratio is being applied to
“Extra Bonus Reward Standard”	the equivalent amount of interest to be accrued from the daily remaining balance (assuming 365 days per year) of the actual capital contribution (after deducting the amounts to be distributed as stipulated in principles (a) and (b) as set out under the section headed “Profit sharing arrangement” in the letter from the Board in this circular), based on 80% annual rate of interest (compounded annually)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the formation of QVC
“Independent Shareholders”	Shareholders other than those who have material interests in the Agreement
“Latest Practicable Date”	26 January 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC Business Day”	a day (excluding Saturday, Sunday and PRC statutory holidays)
“Preferential Earnings”	the equivalent amount of interest to be accrued from the daily remaining balance (assuming 365 days per year) of the actual capital contribution (after deducting the amounts to be distributed as stipulated in principles (a) and (b) as set out under the section headed “Profit sharing arrangement” in the letter from the Board in this circular), based on 8% annual rate of interest (compounded annually)
“QSPV”	Quam PE Investors SPV-1 Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“QVC”	Suzhou QUAM-SND Venture Capital Enterprise, a joint venture enterprise registered in Suzhou, the PRC
“QVHK”	Quam Ventures (HK) Limited, a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC, and for the purpose of this circular, the conversion rate is RMB1.00 to HK\$1.14
“SFO”	The Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“SZGH”	Suzhou Gaohua Venture Investment Management Ltd., a limited liability company registered in Suzhou, the PRC
“SZHT”	蘇州高新創業投資集團有限公司 (Suzhou High-Tech Venture Capital Group Co. Ltd.*), a limited liability company registered in Suzhou, the PRC
“US\$”	United States of America dollars, the lawful currency of the United States of America
“%”	per cent

\* *For identification purpose only*



**QUAM LIMITED**

**華富國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 952)**

*Executive Directors:*

Bernard Pouliot (*Chairman*)  
Kenneth Lam Kin Hing (*Deputy Chairman*)  
Richard David Winter (*Deputy Chairman*)

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Gordon Kwong Che Keung  
Robert Stephen Tait  
Douglas Howard Moore

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

Room 3408  
Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

29 January 2010

*To the Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**FORMATION OF A JOINT VENTURE**

**INTRODUCTION**

Reference is made to the Announcement in which the Company announced, among other things, that the business license for the establishment of QVC was issued by the Jiangsu Industrial and Commercial Administrative Management Bureau of the PRC on 8 January 2010 and details of the Agreement in respect of the formation of QVC.

The purpose of this circular is to provide you with further information in relation to, among other things, (i) details of the Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Agreement; and (iii) a letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders in respect of the Agreement.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### THE AGREEMENT

#### Date

9 November 2009

#### Parties

- (a) QSPV, a wholly-owned subsidiary of the Company;
- (b) SZHT; and
- (c) SZGH.

SZHT is a limited liability company registered in Suzhou, the PRC and is owned by SND Economic Development Group Corporation and SND State Asset Management Company, which is principally engaged in providing guidance for the utilisation of domestic and foreign venture capital funds and industry investment funds.

SZGH is a joint venture enterprise registered in Suzhou, the PRC and held as to 73% by QVHK and as to 27% by SZHT, which is principally engaged in the investment management of and providing investment advisory services to venture capital enterprise, including but not limited to QVC.

On 20 August 2009, QVHK and SZHT entered into an agreement in relation to the formation of SZGH. Pursuant to the agreement, the registered capital of SZGH is RMB7.0 million (equivalent to approximately HK\$8.0 million) which comprises: (i) RMB5.11 million (equivalent to approximately HK\$5.8 million) contributed by QVHK; and (ii) RMB1.89 million (equivalent to approximately HK\$2.2 million) contributed by SZHT. The capital contribution to SZGH was completed in November 2009. The board of directors of SZGH comprise seven directors, five of which are nominated by QVHK and two of which are nominated by SZHT. As the applicable percentage ratios set out in Chapter 14 of the Listing Rules in respect of the formation of SZGH are less than 5%, the formation of SZGH was not subject to announcement, reporting or shareholders' approval requirements under the Listing Rules.

By virtue of being a substantial shareholder of SZGH, SZHT is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. To the best knowledge of the Directors, SZHT and its associates do not have any shareholding interest in the Company.

#### QVC

QVC will operate as a venture capital fund to be engaged in venture investments, venture investment advisory and related investment activities in the PRC. Pursuant to the Agreement, the investment targets of QVC include companies with high technology, fast growing business and a high potential of public offering of their shares (usually expected within two years).

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## LETTER FROM THE BOARD

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### **Capital contribution**

Pursuant to the Agreement, the total investment of QVC will be RMB71.0 million (equivalent to approximately HK\$80.9 million) which comprises: (i) RMB51.0 million (equivalent to approximately HK\$58.1 million) to be invested by QSPV; (ii) RMB1.0 million (equivalent to approximately HK\$1.1 million) to be invested by SZGH; and (iii) RMB19.0 million (equivalent to approximately HK\$21.7 million) to be invested by SZHT.

The capital commitments by the Group and SZHT amount to RMB52.0 million (equivalent to approximately HK\$59.3 million, representing approximately 73.24% of the total investment of QVC) and RMB19.0 million (equivalent to approximately HK\$21.7 million, representing approximately 26.76% of the total investment of QVC) respectively. The total capital commitment of RMB71.0 million and the capital commitments by the Group were determined after arm's length negotiations between QVHK and SZHT based on the minimum capital requirement by the PRC government for setting up venture capital fund and the respective fund raising capabilities of the parties to the Agreement.

An initial contribution of at least 20% of the total investment capital is required to be made within 30 PRC Business Days from the date of issuance of the business license. The remaining balance of the registered capital will be called within five years from the date of issuance of the business license.

QSPV's initial capital contribution which amounts to RMB10.2 million (equivalent to approximately HK\$11.6 million) to QVC will be funded by, among other means, internal resources of the Group and net proceeds of the Rights Issue (as announced in the Company's announcement dated 23 December 2009). SZGH will fund the initial capital contribution of RMB0.2 million (equivalent to approximately HK\$0.2 million) by its own internal resources. The Group intends to identify and seek potential investor(s) to contribute to its remaining balance of the capital contribution to QVC through a fund of funds structure.

### **Management committee of QVC**

The management committee of QVC comprises three members where each of SZHT, QSPV and SZGH had appointed one member respectively for a term of three years.

Major corporate matters are required to be approved by all members of the management committee, such matters include, among other things, changes in articles or terms of the Agreement, increase or decrease in the capital contribution, introduction of new investors to QVC and decisions in relation to matters such as QVC's business directions, budget or profit sharing arrangement. Other matters are required to be approved by a majority of the management committee members, including at least one member nominated by SZGH.

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## LETTER FROM THE BOARD

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### **Profit sharing arrangement**

Pursuant to the Agreement, any income and other revenue generated from any investment made by QVC, after deduction of costs and any statutory reserve fund (if necessary), are to be distributed according to the following sequence and principles:

- (a) distribute to SZHT and QSPV in proportion to their respective actual capital contributions made, for amounts up to their respective actual capital contributions;
- (b) distribute to SZGH for an amount up to its actual capital contribution;
- (c) distribute to SZHT and QSPV in proportion to their respective actual capital contributions, for amounts up to their respective Preferential Earnings based on their combined actual capital contributions;
- (d) distribute to SZGH, for an amount up to its Preferential Earnings based on its actual capital contribution;
- (e) distribute to SZGH, for an amount up to 25% of the combined Preferential Earnings as described in (c) and (d) above; and
- (f) distribute as to 80% according to the respective Earnings Ratios of parties to Agreement and as to 20% to SZGH. However, when such distribution together with the distributions according to (d) and (e) above exceeds the Extra Bonus Reward Standard, 10% of the exceeded amount will be distributed to SZGH whereas the remaining exceeded amount will be distributed based on the aforesaid principle (i.e. 80% according to the respective Earnings Ratios of parties to Agreement and 20% to SZGH).

### **Term**

QVC will have an initial term of seven years from the date of its establishment and is extendable by SZGH by one additional year at the discretion of SZGH six months prior to completion of the initial term. Six months prior to the said extended term, the QVC term can be further extended once more according to the extension rule as described above.

### **REASONS FOR AND BENEFITS OF THE FORMATION OF QVC**

The Group is principally engaged in securities and futures dealing, placement services, margin financing and money lending, the provision of fund management services and wealth management services; website management and related services; provision of advisory services; and investment holding and securities trading.

The formation of QVC is a stepping stone identified by the Group to extend the venture capital and private equity businesses in the PRC. Moreover, it is expected that the set up of QVC will increase the Group's presence and provide more opportunities for the

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## LETTER FROM THE BOARD

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Group in managing venture capital and private equity businesses in the PRC. It also helps to establish the track record of venture investment experience of Group and in turn would facilitate the growth of more business opportunities in other provinces in the PRC.

### LISTING RULES IMPLICATIONS

Since (i) some of the applicable percentage ratios set out in Chapter 14 of the Listing Rules exceeds 5% but is less than 25%; and (ii) SZHT is a connected person of the Company, the formation of QVC constitutes a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules and is subject to announcement and reporting requirements and the approval of the Independent Shareholders at a general meeting of the Company.

None of the Shareholders has a material interest in the Agreement and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the formation of QVC pursuant to the Agreement. A written Shareholders' approval has been obtained from a closely allied group of Shareholders comprising Mr. Bernard Pouliot and his wholly-owned companies (interested in 235,529,728 Shares); and Mr. Lam Kin Hing Kenneth and his wholly-owned company (interested in 208,370,326 Shares), they together were interested in 443,900,054 Shares, representing approximately 56.21% of the Company's issued share capital as at the date of the written approval. Both Mr. Bernard Pouliot and Mr. Lam Kin Hing Kenneth have been executive Directors for more than eight years. Furthermore, an application has been made to the Stock Exchange and a waiver has been granted to the Company from strict compliance with the requirement to convene a general meeting of the Company to approve the formation of QVC and a written Shareholders' approval be accepted in lieu of holding a general meeting. As such, no Shareholders' meeting will be held for approving the formation of QVC.

### RECOMMENDATION

The Directors are of the view that the terms of the Agreement are on normal commercial terms and fair and reasonable; and the formation of QVC is in the interests of the Company and the Shareholders as a whole.

### FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 9 of this circular containing its view on the formation of QVC; (ii) the letter of advice from Access Capital on pages 10 to 15 containing its opinion in respect of the formation of QVC; and (iii) further information set out in the Appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**Quam Limited**  
**Tsang Chung Him**  
*Company Secretary*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the formation of QVC, which has been prepared for the purpose of inclusion in this circular.*



**QUAM LIMITED**  
**華富國際控股有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 952)**

29 January 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**FORMATION OF A JOINT VENTURE**

We refer to the circular of the Company to the Shareholders dated 29 January 2010 (the “**Circular**”), in which this letter forms a part. Capitalised terms used herein will have the same meanings as defined in the section headed “Definitions” of the Circular.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed by the Board for the purpose of advising the Independent Shareholders in connection with the terms of the Agreement, details of which are set out in the letter from the Board in the Circular. Access Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from Access Capital together with the principal factors and reasons taken into consideration in arriving at such advice are set out on pages 10 to 15 of the Circular.

Having considered the terms of the Agreement, the interest of the Independent Shareholders, the principal factors and reasons considered by Access Capital and the advice of Access Capital, we consider that the terms of the Agreement are on normal commercial terms and fair and reasonable; and the formation of QVC is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
Independent Board Committee  
**Gordon Kwong Che Keung**      **Robert Stephen Tait**      **Douglas Howard Moore**  
*Independent non-executive Directors*

\* *For identification purpose only*

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## LETTER FROM ACCESS CAPITAL

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*Set out below is the text of the letter of advice from Access Capital to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the formation of QVC.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

29 January 2010

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **FORMATION OF A JOINT VENTURE**

##### **I. INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the formation of QVC (the “Formation”), details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular to the Shareholders dated 29 January 2010 (the “Circular”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Formation. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As mentioned in the interim report of the Company for the six months ended 30 September 2009, the Company was in the process of establishing a private equity fund with local partners in China. On 11 January 2010, the Company announced that (i) on 9 November 2009, QSPV (which is an indirect wholly-owned subsidiary of the Company), SZGH (which is a 73% owned subsidiary of the Company) and SZHT entered into the Agreement for the establishment of QVC; and (ii) the business license for such establishment was issued on 8 January 2010 by the Jiangsu Industrial and Commercial Administrative Management Bureau of the PRC.

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## LETTER FROM ACCESS CAPITAL

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Pursuant to the Agreement, the total investment in QVC will amount to RMB71 million (equivalent to approximately HK\$80.9 million). Based on the respective interests in QVC by each joint venture partner, the attributable amount of the capital commitments to be borne by QSPV, SZGH and SZHT will be RMB51.0 million (equivalent to approximately HK\$58.1 million), RMB1.0 million (equivalent to approximately HK\$1.1 million) and RMB19.0 million (equivalent to approximately HK\$21.7 million), respectively. The aggregate capital commitments of RMB52.0 million (equivalent to approximately HK\$59.2 million) by the Group (through QSPV and SZGH) represents approximately 73.24% of the total investment in QVC. Since some of the applicable percentage ratios set out in Chapter 14 of the Listing Rules as represented by such aggregate capital commitments by the Group for the proposed capital commitment of 73.24% in QVC exceed 5% but are less than 25%, the Formation constitutes a discloseable transaction of the Company under the Listing Rules. Furthermore, since SZHT is a substantial shareholder of SZGH holding 27.0% of its issued share capital and is therefore a connected person of the Company under the Listing Rules, the Formation also constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement and reporting requirements and the approval by the Independent Shareholders at a general meeting of the Company.

As set out in the Letter from the Board, since none of the Shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of the Formation, a written Shareholders' approval has been obtained from a closely allied group of Shareholders who together are interested in 443,900,054 Shares, representing approximately 56.21% of the Company's issued share capital as at the date of the written approval. An application has been made to the Stock Exchange and a waiver has been granted to the Company from strict compliance with the requirement to convene a general meeting of the Company to approve the Formation and a written Shareholders' approval be accepted in lieu of holding a general meeting.

## II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of three executive Directors, namely Mr. Bernard Pouliot, Mr. Kenneth Lam Kin Hing and Mr. Richard David Winter; and three independent non-executive Directors, namely Mr. Gordon Kwong Che Keung, Mr. Robert Stephen Tait and Mr. Douglas Howard Moore.

In accordance with the Listing Rules, an Independent Board Committee, comprising all of the independent non-executive Directors, has been established for the purpose of advising the Independent Shareholders as to whether the Formation is in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are on normal commercial terms and are fair and reasonable.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether or not the Formation is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and (ii) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable.

### **III. BASIS OF OUR OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

### **IV. PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

#### **1. Background and reasons for entering into the Agreement**

The Group is principally engaged in securities and futures dealing, placement services, margin financing and money lending, the provision of fund management services and wealth management services; website management and related services; provision of advisory services; and investment holding and securities trading.

QVC's joint venture partners include QSPV (an indirect wholly-owned subsidiary of the Company), SZGH (a joint venture enterprise registered in the PRC held as to 73% by QVHK, an indirectly wholly-owned subsidiary of the Company, and as to 27% by SZHT) and SZHT (a limited liability company registered in the PRC and is owned by SND Economic Development Group Corporation and SND State Asset Management Company). As set out in the Letter from the Board, QVC will operate as a venture capital fund to be engaged in venture investments, venture investment advisory and related investment activities in the PRC. Pursuant to the Agreement, the investment targets of QVC include companies with high technology, fast growing

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## LETTER FROM ACCESS CAPITAL

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business and a high potential of public offering of their shares (usually expected within two years). QVC will have an initial term of seven years from the date of its establishment and may be extendable by SZGH by the maximum of two additional years at the discretion of SZGH.

As stated in the Letter from the Board, the Directors consider that the Formation provides the Group with a stepping stone to extend the venture capital and private equity business in the PRC. Moreover, it is expected that the set up of QVC will increase the Group's presence in the PRC and provide more opportunities for the Group in managing venture capital and private equity businesses in the PRC. The Formation is also expected to help establish the track record of venture investment experience of the Group and in turn would facilitate the growth of more business opportunities in other provinces in the PRC.

In light of the existing principal businesses of the Group and the proposed business of QVC, we are of the view that the Formation is consistent with the business pursuits of the Group. For the purposes of assessing the benefits of the Formation, we have reviewed certain statistical information regarding the development of the venture capital industry in the PRC in recent years. In particular, we note that according to a report published by the World Bank in May 2008 entitled "Promoting Enterprise-Led Innovation in China", the venture capital industry in the PRC grew from US\$11.3 billion of assets under management in 2003 to over US\$28 billion in 2007. This rapid evolution and growth of venture capital in the PRC is supported by the experience of foreign venture capital firms which suggests that the flow of innovations, ideas and products within China are worthy of venture capital investment. As such, we consider that the Group's development of its venture capital business through QVC is well placed to benefit from the continued growth in the market. On this basis, we are of the view that the Formation is in the interests of the Company and the Shareholders as a whole.

### **2. Management structure of QVC**

As stated in the Letter from the Board, the management committee of QVC comprises three members where each of SZHT, QSPV and SZGH had appointed one member respectively for a term of three years. As advised by the Company, whilst SZGH is held as to 73% by QVHK and 27% by SZHT, the appointment of the member on behalf of SZGH is decided by its own board of directors which is comprised of five members from QVHK, an indirect wholly-owned subsidiary of the Company and two members from SZHT. Given the Company's majority representation on the board of directors of SZGH, the Company will have a majority decision in relation to SZGH's appointment of its management committee member for QVC but not the exclusive right to the nomination. We noted from the Agreement that all major corporate matters are required to be approved by all members of the management committee, including, among others, changes in the articles, or terms of the Agreement, increase or decrease in the capital contribution, introduction of new investors and decisions in

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## LETTER FROM ACCESS CAPITAL

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relation to matters such as QVC's business directions, budget or profit sharing agreement. Other matters shall require the approval by a majority of the management committee members, including at least one member nominated by SZGH.

Given that all major corporate matters of QVC must be agreed unanimously by the management committee of QVC, we are of the view that the Group will have reasonable control on the operation of QVC, which is fair and reasonable.

### **3. Profit sharing arrangement**

As set out in the Letter from the Board and pursuant to the Agreement, any income and other revenue generated from any investment made by QVC, after deduction of costs and any statutory reserve fund (if necessary), are to be distributed according to the following sequence and principles:

- (i) distribute to SZHT and QSPV in proportion to their respective actual capital contributions made, for amounts up to their respective actual capital contributions;
- (ii) distribute to SZGH for an amount up to its actual capital contribution;
- (iii) distribute to SZHT and QSPV in proportion to their respective actual capital contributions, for amounts up to their respective Preferential Earnings based on their combined actual capital contributions;
- (iv) distribute to SZGH for an amount up to its Preferential Earnings based on its actual capital contribution;
- (v) distribute to SZGH for an amount up to 25% of the combined Preferential Earnings as described in (iii) and (iv) above; and
- (vi) distribute as to 80% according to the respective Earnings Ratios of parties to the Agreement and as to 20% to SZGH. However when such distribution together with the distributions according to (iv) and (v) above exceeds the Extra Bonus Reward Standard, 10% of the exceeded amount will be distributed to SZGH whereas the remaining exceeded amount will be distributed based on the aforesaid principle (i.e. 80% according to the respective Earnings Ratio of parties to the Agreement and 20% to SZGH).

On the basis that any income and other revenue generated from any investment made by QVC (after deduction of costs and any statutory reserve fund (if necessary)) will, in principle, be allocated in proportion to the respective actual capital contributions by the three partners to QVC, we are of the view that such proposed arrangements are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

**4. Financial requirements under the Agreement**

As mentioned above, the total investment of QVC will be RMB71.0 million (equivalent to approximately HK\$80.9 million) of which the Group is required to contribute RMB52.0 million (equivalent to approximately HK\$59.3 million). As set out in the Letter from the Board, the total capital commitment of RMB71.0 million and the capital commitments by the Group were determined after arm's length negotiations between QVHK and SZHT based on the minimum capital requirement by the PRC government for setting up venture capital fund and the respective fund raising capabilities of the parties to the Agreement. An initial contribution of at least 20% of the total investment capital is required to be made within 30 PRC Business Days from the date of issuance of the business license. The remaining balance of the registered capital will be called within five years from the date of issuance of the business license.

As set out in the Letter from the Board, QSPV's initial capital contribution which amounts to RMB10.2 million (equivalent to approximately HK\$11.6 million) to QVC will be funded by, among other means, internal resources of the Group and net proceeds of a rights issue (as announced in the Company's announcement dated 23 December 2009), whereas SZGH will fund the initial capital contribution of RMB0.2 million (equivalent to approximately HK\$0.2 million) by its own internal resources. The Group intends to identify and seek potential investor(s) to contribute to its remaining balance of the capital contribution to QVC through a fund of funds structure.

Based on the unaudited consolidated balance sheet of the Company as at 30 September 2009, the Group had cash and cash equivalents and net assets of approximately HK\$123.8 million and HK\$307.7 million, respectively. In addition and based on the listing documents dated 12 January 2010 in respect of the Group's recent rights issue, the Company estimates that net proceeds from such rights issue will raise approximately HK\$34.7 million. Based on the above, we are of the view that the Group will have sufficient financial resources to meet its obligations under the Agreement.

**RECOMMENDATION**

Having considered the factors and reasons stated above, we are of the opinion that the Formation is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and the terms of the Agreement are on normal commercial terms and are fair and reasonable.

Yours faithfully,  
For and on behalf of  
**Access Capital Limited**  
**Alexander Tai**  
*Principal Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### Interests of the Directors

As at the Latest Practicable Date, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange (except the changes arising as a result of the underwriting agreement dated 23 December 2009 and the allotment of nil-paid rights shares on 12 January 2010 under the rights issue of the Company, details of which are set out in the prospectus of the Company dated 12 January 2010) were as follows:

Name of Directors	Number of Shares				Approximate percentage of total interests in the Shares in issue	Underlying Shares (share options)	Approximate percentage of total interests (including underlying Shares) in the Shares in issue
	Beneficial interests	Family interests	Corporate interests	Total interests			
Mr. Bernard Pouliot	60,730,488	7,425,000 (Note 1)	174,799,240 (Note 2)	242,954,728	30.76%	2,750,000	31.11%
Mr. Kenneth Lam Kin Hing	108,010,020	—	100,360,306 (Note 3)	208,370,326	26.38%	2,750,000	26.73%
Mr. Richard David Winter	45,719,941	—	—	45,719,941	5.78%	8,525,000	6.86%

*Notes:*

- The family interests of Mr. Bernard Pouliot are held by his wife, Ms. Chan Wai Yin, Elizabeth.
- The corporate interests are held by Newer Challenge Holdings Limited and Porto Global Limited, which are beneficially owned by Mr. Bernard Pouliot, the Chairman and an executive director of the Company.
- The corporate interests are held by Olympia Asian Limited, which is beneficially owned by Mr. Kenneth Lam Kin Hing, a Deputy Chairman and an executive director of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange (except the changes arising as a result of the underwriting agreement dated 23 December 2009 and the allotment of nil-paid rights shares on 12 January 2010 under the rights issue of the Company, details of which are set out in the prospectus of the Company dated 12 January 2010).

### Interests of the substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (except the changes arising as a result of the underwriting agreement dated 23 December 2009 and the allotment of nil-paid rights shares on 12 January 2010 under the rights issue of the Company, details of which are set out in the prospectus of the Company dated 12 January 2010) or, who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) *Long position in the Shares:*

Name of Shareholders	Number of Shares	
	Beneficial interests	Approximate percentage of total interests in the Shares in issue
Newer Challenge Holdings Limited ( <i>Note 1</i> )	109,335,183	13.84%
Olympia Asian Limited ( <i>Note 2</i> )	100,360,306	12.70%
Porto Global Limited ( <i>Note 1</i> )	65,464,057	8.28%

*Notes:*

1. Newer Challenge Holdings Limited and Porto Global Limited are companies beneficially owned by Mr. Bernard Pouliot, the Chairman and an executive director of the Company.
2. Olympia Asian Limited is a company beneficially owned by Mr. Kenneth Lam Kin Hing, the Deputy Chairman and an executive director of the Company.

(ii) *Interest in other members of the Group:*

Name of subsidiary	Name of substantial shareholder	Number of ordinary shares held/Registered capital	Approximate percentage of shareholding
Method Wise Limited	Tam Wai Kwan	20 ordinary shares of US\$1.00 each	20%
SZGH	SZHT	RMB1.89 million	27%
QVC	SZHT	RMB19.00 million	27%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any director or chief executive of the Company, no person had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (except the changes arising as a result of the underwriting agreement dated 23 December 2009 and the allotment of nil-paid rights shares on 12 January 2010 under the rights issue of the Company, details of which are set out in the prospectus of the Company dated 12 January 2010), or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

As at the Latest Practicable Date, no share capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the interests of Directors or their respective associates in the businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group (“Competing Business”) as required to be disclosed pursuant to the Listing Rules were as follows:

Name	Investing Entity	Nature of Interest	Competing Business
Mr. Bernard Pouliot	Seamico Securities Public Company Limited	Shareholder/ director	Securities business
Mr. Kenneth Lam Kin Hing	Seamico Securities Public Company Limited	Shareholder/ director	Securities business

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The interest held by each of Mr. Bernard Pouliot and Mr. Kenneth Lam Kin Hing in Seamico Securities Public Company Limited (“Seamico”) is below 1% of its total issued share capital. Seamico is a public listed company in Thailand with the board of directors comprise of ten members, where Mr. Pouliot and Mr. Lam are only the minority of the board. Moreover, it is principally operating its securities business in Thailand while the Company is principally operating its securities business in Hong Kong. Therefore, with minimal shareholdings held by the two executive Directors, their small influence in the board of Seamico and its operation of securities business in a different geographic area, the Company is capable of carrying its securities business independently of Seamico.

#### **4. INTERESTS IN CONTRACT OR ARRANGEMENT**

None of the Directors has any interests in contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

#### **5. INTERESTS IN ASSETS**

None of the Directors or the expert named in the paragraph headed “Qualification of the expert” in this Appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group, or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### **6. SERVICE CONTRACTS**

There is no existing or proposed service contract between any member of the Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

#### **7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

#### **8. LITIGATION**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

## 9. QUALIFICATION OF THE EXPERT

The qualification of the expert who has given opinions in this circular is as follow:

<b>Name</b>	<b>Qualification</b>
Access Capital	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

## 10. CONSENT

As at the Latest Practicable Date, Access Capital:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

## 11. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Room 3408, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong;
- (b) The company secretary of the Company is Mr. Tsang Chung Him, *CFA, CPA, FRM*;
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong; and
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Room 3408, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong during normal business hours from the date of this circular up to and including 17 February 2010:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 9 of this circular;
- (b) the letter from Access Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 10 to 15 of this circular;
- (c) the written consent from Access Capital referred to in the paragraph headed “Qualification of the expert” in this Appendix;
- (d) the agreement dated 20 August 2009 entered into between QVHK and SZHT in relation to the formation of SZGH; and
- (e) the Agreement.