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This document is an admission document required by the rules of the Alternative Investment Market of the London Stock Exchange plc ("AIM"). This document does not comprise a prospectus for the purposes of the Prospectus Rules issued by the Financial Services Authority. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood, One, St. Paul's Churchyard, London EC4M 8SH from the date of this document until one month from the date of Admission in accordance with Rule 3 of the AIM Rules.

The Directors of the Company, whose names appear in Part IX of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Applications have been made for the Ordinary Shares and Warrants issued and to be issued pursuant to the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares and Warrants to the Official List. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Further, the London Stock Exchange has not itself examined or approved the contents of this document.** It is expected that Admission will take place, and dealings in the Ordinary Shares and Warrants will commence on AIM, on 15 March 2006.

Your attention is drawn in particular to the section entitled "Risk Factors" in Part I of this document.

London Asia Chinese Private Equity Fund Limited

(Incorporated and registered in Guernsey under the Companies (Guernsey) Law, 1994 (as amended) with registered number 44403)

**Placing of up to 50,000,000 ordinary shares of 1p each
at 100p per share (with Warrants attached)**

Admission to trading on the Alternative Investment Market

Financial Adviser, Nominated Adviser and Broker

Collins Stewart Limited

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained for the issue of this document and the associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or the opinions expressed with regard to it.

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PLACING STATISTICS

Placing Price	100p
Number of Ordinary Shares being issued pursuant to the Placing*	50,000,000
Number of Warrants being issued pursuant to the Placing*	10,000,000
Estimated expenses of the Placing payable by the Company*	£1.86 million
Estimated net proceeds of the Placing receivable by the Company*	£48.14 million
Market capitalisation at the Placing Price*	£50.00 million

** Assuming the Placing is subscribed in full*

EXPECTED PLACING AND ADMISSION TIMETABLE

	2006
Placing funds due from placees outside CREST	14 March
Payment from placees in uncertificated form through CREST	15 March
Trading to commence in the issued ordinary share capital and warrants on AIM	15 March
CREST stock accounts credited (as applicable)	15 March
Definitive share certificates despatched (as applicable)	Week commencing 27 March

SUMMARY

THE FOLLOWING INFORMATION IS EXTRACTED FROM, AND SHOULD BE READ AS AN INTRODUCTION TO, THE ADMISSION DOCUMENT.

Any investment decision relating to the Placing should be based on the consideration of this Admission Document as a whole.

The Company

The Company, London Asia Chinese Private Equity Fund Limited, was incorporated in Guernsey on 23 February 2006 with an indefinite life. The share capital of the Company is denominated in Sterling and comprises a single class of Ordinary Shares which are freely transferable. The Ordinary Shares, with Warrants attached on the basis of one Warrant for every five Ordinary Shares, will be issued pursuant to the Placing.

The Company will be self-managed in that the day to day investment management decisions will be taken by the Executive Directors (Simon Littlewood and Victor Ng), with support being provided to the Directors and the Company through a subsidiary of London Asia Capital plc.

Assuming the Placing is fully subscribed, the net proceeds of the Placing of the Ordinary Shares (with Warrants attached) on behalf of the Company are estimated to be approximately £48.14 million. In the absence of unforeseen circumstances, the Executive Directors currently anticipate that such net proceeds should be fully invested within 12 to 18 months of Admission.

Investment Objective

The Company's objective is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China.

Investment Policy

The Company will seek to invest as sole or lead investor in profitable, well-managed businesses whose business operations are based in China, and which the Executive Directors and Investment Consultant believe could generate significant growth in profits from the investment of additional capital.

Typically the funds invested will be used to meet working capital constraints caused by expansion of the businesses, to fund acquisitions or to fund the costs of restructuring or trading on a stock market.

Deal Flow

The Executive Directors have, for some time, been investigating a number of potential investment opportunities that they believe meet the Company's investment objective. The existing pre-vetted deal flow exceeds £150 million of potential investment opportunities.

Exit Strategy

Each business in which the Company invests will, in the opinion of the Executive Directors, be capable of being developed for realisation via sale or trading of its shares on a stock exchange within 12 to 36 months of investment by the Company.

Market Opportunity

The Executive Directors and the Investment Consultant believe that China represents a favourable investment environment for several reasons, including:

- China's continued economic expansion: China has recently become the world's fourth largest economy. It has experienced average annual GDP growth in excess of 8 per cent. since 1979, and in 2005 experienced GDP growth of 9.9 per cent.;

- China is the world's third largest trading nation, with foreign trade in 2004 of over US\$1 trillion;
- The Chinese government is following market orientated reforms towards privatising assets, encouraging foreign direct investment, improving foreign trade and encouraging private businesses and economic activity;
- China's entry into the World Trade Organisation which should lead to continued reform and opening up of the Chinese economy;
- China's population of over 1.3 billion, which has personal savings estimated at US\$1.7 trillion, provides a vast domestic market; and
- China's favourable labour rates and low-cost manufacturing capabilities.

The Directors

The Board comprises John Manser (Chairman), Duncan Baxter, Christopher Hill and Mark Huntley as Non-Executive Directors and Simon Littlewood and Victor Ng as Executive Directors.

Investment Consultant

Investment support will be provided to the Directors and the Company by London Asia Capital (S) PTE Limited, a subsidiary of London Asia. London Asia is a leading China focused merchant banking group, the shares of which are traded on the AIM market of the London Stock Exchange. It is headquartered in London and has seven offices in China (Beijing, Ningbo, Guangzhou, Qingdao, Wuhan, Xi'an and Hangzhou) as well as teams in Singapore, Malaysia, New York and Germany.

Fees and Expenses

The Investment Consultant will receive an annual fee of 2.0 per cent. of the Net Asset Value of the Company.

In addition, the Investment Consultant will be entitled to a performance fee of 20 per cent. of the increase in the Adjusted NAV per Ordinary Share if two conditions are met, namely (i) the performance hurdle condition (the Adjusted NAV per Ordinary Share at the end of the relevant performance period exceeds an amount equal to the Placing Price increased at a rate of 6 per cent. per annum on a compounding basis up to the end of the relevant performance period); and (ii) the 'high watermark' is exceeded. For further details refer to Part IV of this document.

Dividend Policy

The Directors intend to manage the Company's affairs to achieve shareholder returns through capital growth rather than income. It is not expected that the Company will pay an annual dividend.

Life of the Company

The Company has no fixed life but, under the Articles, Shareholders will be given the opportunity to vote on the continuance of the Company at the annual general meeting to be held following the Company's seventh anniversary. If the resolution to wind-up is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter.

Discount Management

The Company may purchase Ordinary Shares in the market in order to address any imbalance between the supply of and demand for Ordinary Shares.

Hedging, Currency and Cash Management

The Company does not intend to hedge the exchange rate risk on the investment portfolio between Sterling and Renminbi. Pending investment, the proceeds of the Placing will be held in cash or cash equivalents in Sterling or may, to the extent permissible, be held in Renminbi.

Borrowings

The Company may borrow for the purpose of the orderly settlement of transactions or for other general working capital purposes. It is not anticipated that there will be significant gearing and, in any event, borrowings by the Company itself will not exceed 25 per cent. of the Net Asset Value at the time of drawdown.

Risk Factors

There can be no guarantee that the investment objectives of the Company will be met.

While investments in Chinese companies may offer the opportunity for significant capital gains, such investments also involve a high degree of business and financial risk, particularly for private companies. There can be no guarantee that the carrying value of the Company's investments would be realisable in the event of sale. The value of the Ordinary Shares and Warrants can go down as well as up, and investors may not realise the value of their initial investment.

There is no guarantee that the market prices of the Ordinary Shares and Warrants will fully reflect their underlying Net Asset Value.

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such an investment, or other investors who have been professionally advised with regard to investment and who have sufficient resources to bear any loss which might result from such an investment (taking into account the fact that those losses may be equal to the whole amount invested).

The success of the Company is dependent on the performance of the Executive Directors. Accordingly, the loss of the services of either of the Executive Directors may have a material adverse effect on the future of the Company's business.

Conflicts of interest may arise as a result of the Investment Consultant or other members of the London Asia Group acting for the Company and other companies operating in China or other funds.

The annual performance fee payable to the Investment Consultant may result in substantially higher payments to the Investment Consultant than alternative arrangements in other types of investment vehicles.

The Warrants have the potential for higher capital appreciation than the Ordinary Shares but at the same time their market price may be more volatile and there is a risk that they may become valueless. Exercise of the Warrants may dilute the Net Asset Value of the Ordinary Shares.

PART I

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or its subsidiary companies operate or intend to operate as well as overall global financial conditions.

General

An investment in the Ordinary Shares and Warrants is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares and Warrants unless they already have a diversified investment portfolio.

AIM

The Ordinary Shares and Warrants will be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such a company and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Volatility of the Value of the Ordinary Shares and Warrants

Investors should be aware that the value of the Ordinary Shares and Warrants may be volatile and may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's investments, large purchases or sales of Ordinary Shares and Warrants, liquidity (or absence of liquidity) in the Ordinary Shares and Warrants, currency fluctuations, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares and Warrants may therefore fluctuate and may not reflect their underlying asset value.

Forward-looking Statements

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the

Company's control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

The potential investment opportunities referred to in this document cannot be guaranteed and it may be the case that only some or even none of these come to fruition.

New Company

The Company was incorporated on 23 February 2006 and has no operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its investment objective and that the value of a Shareholder's investment in the Company could decline substantially. There can be no assurance that the Company will be able to achieve the returns referred to in this document. The Company may be unable to find a suitable number of attractive opportunities to meet its investment objectives and those that are or have been identified may not be completed. Shareholders will be relying on the ability of the Executive Directors (with the assistance of the Investment Consultant) to identify, negotiate and structure the investments to be made by the Company.

Chinese Legal System and Enforcement

Chinese law will govern almost all of the Company's target businesses' material agreements. It cannot be guaranteed that the target business will be able to enforce any of its material agreements or that remedies will be available outside of the PRC. This potential inability of the investee company to enforce or obtain a remedy under any of its agreements could result in a significant loss of business, business opportunities or capital. Intellectual property rights and confidentiality protections in particular may not be as effective as in the UK or other countries.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. Despite significant improvement in its developing legal system, China does not yet have a comprehensive system of laws and the recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and those laws and regulations governing economic matters in general may also change frequently. In particular, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. The effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof or the pre-emption of local regulations by national laws cannot be predicted. These uncertainties could limit the legal protections available to the Company.

China's Economic, Political and Social Conditions

The Company's return on its investments and prospects are subject, to a significant extent, to economic, political and social developments in China and the Asia-Pacific region. In particular, the Company's return on its investments may be adversely affected by:

- changes in China's political, economic and social conditions;
- changes in policies of the government or changes in laws and regulations, or the interpretation of laws and regulations;

- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases; and
- changes in the rate or method of taxation.

The Company's investments, as well as its future prospects, would be materially and adversely affected by an economic downturn in China which itself may be affected by a slowdown in the economies of the United States, the European Union or certain other Asian countries.

Foreign Exchange Risk

As each of the Company's investments will effectively be denominated in Renminbi and the net proceeds from the Placing will be denominated in Sterling, fluctuations in exchange rates between Sterling and Renminbi will affect the buying power of the proceeds of the Placing and the valuation of the Company's portfolio of investments in Sterling may fluctuate over time.

The Company has not hedged the exchange rate risk to which it will be subject between the date of this document and the point at which it exchanges the Sterling-denominated net proceeds of the Placing into Renminbi, and therefore the investment made by a placee pursuant to the Placing could be worth less following such exchange.

Because substantially all returns from the companies in which the Company invests may be received in Renminbi, the Sterling equivalent of the Company's net assets and distributions, if any, would be adversely affected by reductions in the value of the Renminbi. The value of the Renminbi fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions.

The conversion of Renminbi into foreign currencies such as the US Dollar has been generally based on rates set by the People's Bank of China. In July 2005, the PRC government revalued the Renminbi and moved to a managed floating exchange rate with reference to a basket of currencies. Any future revaluation may materially and adversely affect an investee company's business.

Limited hedging transactions are currently available in China to reduce exposure to exchange rate fluctuations. While the Company may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Company may not be able to successfully hedge its exposure at all. In addition, the Company's currency exchange losses may be magnified by PRC exchange control regulations that restrict its ability to convert Renminbi into other currencies.

Additionally, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of the Renminbi could have a similar effect.

The distribution of profits and dividends by companies in which the Company invests may be adversely affected if the PRC government imposes greater control on the ability of the Renminbi to exchange into foreign currencies. There can be no assurance that the Company or the companies in which the Company invests will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

Foreign Investment Risks

Investment into Chinese businesses requires a number of permissions from the Chinese authorities. There is no guarantee that the necessary approvals will be obtained, which may affect the Company's ability to invest in Chinese companies.

Investments in Chinese Companies and Valuation Risk

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a high degree of business and

financial risk, particularly for private companies. For example, even though the Company intends to invest only in companies which the Directors reasonably expect to list on a stock exchange or to sell within 12 to 36 months from the date the Company makes an investment in such companies, such companies may require additional capital to support their business before trading on a stock exchange or a sale can be effected. There is no assurance that the Company will have the necessary capital to provide for such needs or that other sources of financing will be available to it. Further, there is no assurance that an admission to trading on a stock exchange or a sale can be effected at all.

Generally, the Company's investments in companies will be difficult to value, and there may be little or no protection for such investments. If an admission to trading on a stock exchange is not possible, investments may have to be held for an appreciable time. Sales of securities in private companies that fail to obtain an admission to trading may not be possible and, if possible, may only be possible at substantial discounts.

Limited Investment Opportunities

Other companies, institutions and investors, both Chinese and foreign are active in seeking investments in China. Although there has been a gradual easing of restrictions, foreign investment in the securities of domestic companies in China is nevertheless still restricted or controlled to varying degrees.

These restrictions or controls limit foreign investment in some sectors. The Company could be adversely affected by delays in, or a refusal to grant, any required governmental approval for investment in a particular company, as well as by the application to the Company of any legal or administrative restriction on investments.

Tax Related Risks

Many of the Company's potential investee companies may benefit from certain government incentives. Expiration of or changes to these incentives could have a material adverse effect on the number and future value of certain potential investments.

The tax regimes applying in China, the UK and Guernsey may change, thereby affecting the Company's tax treatment in these jurisdictions.

Accounting, Auditing and Financial Reporting Standards

China's accounting, auditing and financial reporting standards, practices and disclosure requirements differ from those in Europe. Less or different information may therefore be available to the Company in respect of investments in China than if investments were being made in, say, Europe.

Dependence on Key Personnel

The loss of the services of either of the Executive Directors could have a material adverse effect on the Company.

Concentration Risk

Certain investments may represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be more adversely affected if any one of those investments were to perform badly than would be the case if the Company's portfolio of investments were more diversified.

Guernsey Law

The Company is a limited company incorporated under the Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the Act are not provided for under Guernsey law.

Performance Fees

The annual performance fee payable to the Investment Consultant may result in substantially higher payments to the Investment Consultant than alternative arrangements in other types of investment vehicles. The existence of the performance fee may create an incentive for the Executive Directors to propose or make riskier or more speculative investments than they would otherwise make in the absence of such fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company's assets, it may be greater than if such fee was based solely on realised gains.

Conflicts of Interest

Many of the Company's key strengths derive from the breadth and depth of the experience and skills of the Executive Directors and London Asia. At the same time, members of the London Asia Group, for whom the Executive Directors also work, act or may act for companies operating in China, or hold shares and other securities in companies, in which the Company may invest or is invested, or other funds which invest in China. Conflicts of interest may arise as a result of the Investment Consultant or other members of the London Asia Group acting for the Company and companies operating in China or other funds or holding shares or securities in such companies. In particular, there may be conflicts relating to the allocation of investment opportunities between the Company and these other entities.

Past Performance

In considering any information contained in this document relating to past performance, investors should bear in mind that past performance of the London Asia Group and the Executive Directors is not necessarily indicative of the future performance of the Company and there can be no assurance that the Company will achieve comparable results.

Warrants

The Warrants have the potential for higher capital appreciation than the Ordinary Shares but at the same time their market price may be more volatile and there is a risk that they may become valueless.

Exercise of the Warrants may dilute the Net Asset Value of the Ordinary Shares.

PART II

INVESTMENT OVERVIEW

Investment Objective

The Company's objective is to provide Shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China.

Investment Policy

The Company will seek to invest as sole or lead investor in profitable, well-managed businesses whose business operations are based in China, and which the Executive Directors and Investment Consultant believe could generate significant growth in profits from the investment of additional capital.

Typically the funds invested will be used to meet working capital constraints caused by expansion of the businesses, to fund acquisitions or to fund the costs of restructuring or trading on a stock market.

The Company will focus its investment on companies whose business operations are focused on China's central and western provinces and second tier cities, being areas which have, to date, received less attention from international investors and which are particularly constrained by their limited access to investment and working capital. Investment may also be made in companies whose business operations are focused on China's more developed cities.

The Company will seek to structure investments so as to minimise risk as much as possible and in accordance with the following additional risk management policies:

- Each investment will be structured in a manner which will facilitate the Company's eventual exit and may involve the use of offshore holding companies;
- Final investment will only be made after full due diligence has been undertaken;
- The Company would normally expect to take a stake of between 10 per cent. and 40 per cent. of the investee company with a shareholder agreement governing the financing and expansion strategy of the investee company;
- The Company will usually require representation on the board of the holding company of each investee company, and will seek to develop close working relationships with the management teams;
- The Company will usually require the existing management to have a meaningful shareholding in the investee company, and to enter into lock-in agreements in respect of those shares; and
- The Company will seek to implement western style corporate governance.

London Asia has significant experience of carrying out due diligence through its offices and teams in China.

It is expected that the Company will not lend to or acquire shares or securities in any one company or group of companies (including any group of companies of which the Company is a member) if the Company's total holding of such shares and securities or loan (when taken together) would represent more than 20 per cent. by value of the Company's gross assets at the time of the acquisition or loan, although there is no guarantee that this will always be the case.

Investment Process

At the time any investment proposal is presented to the Board for approval to proceed in principle, the Executive Directors will have assessed the potential risks and financial returns and considered the following financial, business and legal due diligence areas:

- Business – whether the investment matches the Company's investment criteria;
- Economics – the required investment amount, valuation, financial risks and potential return on investment;

- Structure – minimisation of risks, such as management participation;
- Audits – review of financial information;
- Legal – list of legal agreements required to complete the transaction, list of suitable advisers and indications of cost; and
- Fees to intermediaries – cost of any introductory fees, and their value in relation to the potential return of the proposed investee company.

After a decision has been made to proceed in principle, the Company will undertake any further due diligence which the Non-Executive Directors deem necessary. It should be noted that less, or different information, may be available to the Company in respect of investments made in China than would typically be available if investments were to be made in, for example, Western Europe.

Upon approval by the Board to proceed in principle, the Company will be responsible for all third party costs necessary to complete the project regardless of whether completion actually takes place. Any due diligence costs incurred prior to the approval in principle will be for the account of the Investment Consultant.

Ongoing Investment Monitoring

The Executive Directors will monitor the financial performance of the Company's portfolio of investments and will take an active role in facilitating an exit.

Either one of the Executive Directors or a representative of the Investment Consultant will usually become a director of the holding company of the investee company.

The Company will seek to be involved in the strategic and financing decisions of the operating subsidiaries in the PRC through the use of shareholder and other agreements.

Exit Strategy

Each investee company shall, in the opinion of the Executive Directors, be capable of being developed for exit via sale or trading of its shares on a stock exchange within 12 to 36 months of investment by the Company.

Investment Consultant and London Asia

China's central and western provinces and second tier cities have, to date, received less foreign direct investment than other areas of China (such as Guangdong, Beijing and Shanghai). Due to London Asia's network of offices and relationships with other corporate entities/alliances throughout China, the Company should be well placed to access investments in the undercapitalised small and medium sized enterprise sector, particularly in the central and western provinces of China.

The Executive Directors expect to source investment opportunities primarily through London Asia's Chinese network, which includes:

- over 20 representatives in seven offices in mainland China (Beijing, Guangzhou, Ningbo, Qingdao, Wuhan, Hangzhou and Xi'an);
- working with 6 business parks;
- an alliance with China Chengxin Financial Consultancy, a leading blue chip Chinese investment banking group with a nationwide business network in China;
- a shareholding in China Finance Investment Banking Group (Zhongying), a newly formed Chinese investment banking group which focuses on five central Chinese provinces; and
- strategic co-operation with Shanghai United Assets Rights Exchange, the largest private equity exchange in China.

London Asia also has an international network of offices in London, New York, Germany and Singapore which have established contacts with potential purchasers (brokers, advisers, private equity

and venture capital houses) and which are expected to assist in realising the Company's investments either via sale, refinancing or admission to trading on a stock exchange.

Further details about London Asia, its track record and the Executive Directors are set out in Part IV of this document.

Deal Flow

The Executive Directors have, for some time, been investigating a number of potential investment opportunities that they believe meet the Company's investment objective. The existing pre-vetted deal flow exceeds £150 million of potential investment opportunities. Subject to these companies continuing to meet the targets set by the Executive Directors for their financial performance, the Executive Directors anticipate that the Company's investments will be drawn from the existing pre-vetted deal flow. It is expected that these investment opportunities will have a weighted average target valuation of about 5 times historic 2005 post-tax profits. The target companies represent a breadth of industry sectors in a number of cities in China.

Neither the Company, the Executive Directors nor London Asia has any exclusive arrangements with any of the target companies. Accordingly, no guarantee can be given that these opportunities will result in any investments being made by the Company or target valuations being achieved.

PART III

CHINESE MARKET BACKGROUND

Certain information from this section has been sourced from third parties. The Company believes that this information has been accurately reproduced and, as far as the Company is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Executive Directors and the Investment Consultant believe that China represents a favourable investment environment for several reasons, including:

- China's continued economic expansion: China has recently become the world's fourth largest economy. It has experienced average annual GDP growth in excess of 8 per cent. since 1979, and in 2005 experienced GDP growth of 9.9 per cent. (*Source: China National Bureau of Statistics*);
- China is the world's third largest trading nation, with foreign trade in 2004 of over US\$1 trillion;
- The Chinese government is following market orientated reforms towards privatising assets, encouraging foreign direct investment, improving foreign trade and encouraging private businesses and economic activity;
- China's entry into the World Trade Organisation which should lead to continued reform and opening up of the Chinese economy;
- China's population of over 1.3 billion, which has personal savings estimated at US\$1.7 trillion, provides a vast domestic market; and
- China's favourable labour rates and low-cost manufacturing capabilities.

China's current trend of economic reforms, which began in 1978, have been characterised by progressively market orientated reforms in favour of capitalism, private ownership and an easing of restrictions on foreign investment. The transformation began in the agricultural sector and has been gradually extended to industry and to large parts of the service sector. Company laws that permit private individuals to own limited liability corporations have been introduced, competition laws aimed at unifying the internal market have been increasingly enforced, and foreign direct investment ("FDI") has been encouraged (China is currently the world's largest destination for FDI, receiving approximately US\$60 billion of FDI in 2004).

China's entry into the World Trade Organisation in December 2001 has encouraged China's movement towards a freer economy. In 2004, fundamental changes were made to China's constitution, stressing the role of the non-state sector in supporting economic activity and protecting private property from arbitrary seizure. In 2005, regulations that prevented privately-owned companies entering a number of sectors of the economy, such as infrastructure, public utilities and financial services were abolished.

The move to a freer economy has, amongst other things, encouraged the emergence of a stronger private sector (the private sector within China currently contributes over half of GDP and an overwhelming share of exports) and has also encouraged an increasing number of foreign companies and Western private equity houses seeking to enter the Chinese market. Merger and acquisition activity is increasing, with the number of merger and acquisition deals in 2005 rising 14.5 per cent. from the previous year.

Whilst China's growth has generally resulted in higher living standards throughout the country, much of this has been focused on Guangdong province and the key coastal cities of Beijing and Shanghai where market reforms have been most radical, and where foreign investment has been most concentrated. The government is currently trying to achieve a more balanced pattern of economic growth, and government incentives aimed at orientating investment towards the relatively poorer western and central provinces have been adopted.

The monetary unit of China is the Renminbi. The conversion of Renminbi into foreign currencies such as the US Dollar has been generally based on rates set by the People's Bank of China. In July 2005, the PRC government revalued the Renminbi and moved to a managed floating exchange rate with reference to a basket of currencies.

PART IV

DIRECTORS, MANAGEMENT AND ADMINISTRATION

The Board

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Company's activities including the review of investment activity and performance. The Directors are as follows:

John Manser CBE, DL, FCA (aged 66) (Non-executive Chairman)

John Manser joined the research department of Robert Fleming in 1967 and became the Director of its Research and Investment Department in 1972. Between 1975 and 1979 he was Managing Director of Jardine Fleming in Hong Kong. On returning to London he became Investment Director and then Managing Director of the Save and Prosper Group, a wholly owned subsidiary of Robert Fleming Holdings Limited ("RFHL"). In 1990, he was appointed Group Chief Executive of RFHL and Chairman of its banking subsidiary. In 1997, he became Chairman of RFHL, until he retired in March 2000.

He is Chairman of Intermediate Capital Group PLC, Shaftesbury PLC and Hiscox Investment Management Limited, Deputy Chairman of Colliers CRE plc and a non-executive director of SAB Miller plc. He is a former Chairman of The Wiltshire Community Foundation and is a Trustee of Salisbury Cathedral Trust and Marlborough College Charitable Trust. He is a Fellow of the Institute of Chartered Accountants.

He was a director of the Securities and Investment Board between 1986 and 1993, Chairman of the London Investment Banking Association and on the President's Committee of the British Banking Association between 1994 and 1998.

Duncan Baxter (aged 54) (Non-executive Director)

Duncan Baxter is a senior banker with over 30 years' experience in international banking with Barclays International Bank, Commercial Bank (Jersey) Limited and, from September 1988 until June 1998, as managing director of Swiss Bank Corporation in Jersey. He is a non-executive director of a number of companies, including AIM traded Highland Gold Mining Limited and Aberdeen Asian Income Fund Limited. He is an Associate of the Chartered Institute of Bankers and a Fellow of the Chartered Institute of Secretaries and Administrators. He is a resident in Jersey.

Christopher Hill (aged 53) (Non-executive Director)

Christopher Hill is an Associate of the Chartered Institute of Bankers and a non-executive director of a number of financial institutions and investment funds. He is Chairman of Investec Capital Accumulator Trust Limited and Close Fund Management Portfolios II PCC Limited and a non-executive director of ELDeRS Investment Company Limited and Thames River Multi Hedge PCC Limited. He was formerly Managing Director of Guernsey International Fund Managers Limited ("GIFM") for 8 years and a director of International Fund Managers (Ireland) Limited, a wholly owned subsidiary of GIFM operating from the Financial Services Centre in Dublin, for the same period. He has more than thirty years' experience in the field of offshore banking and fund administration. He is a resident of Guernsey.

Mark Huntley (aged 47) (Non-executive Director)

Mark Huntley is an Associate of the Chartered Institute of Bankers. He is the Managing Director of Heritage International Fund Managers Limited, an independent fund administrator based in Guernsey. He was formerly head of Business Development & Communications for the Baring Financial Services Group. Whilst at Barings, he was also Deputy Managing Director of GIFM, until April 2000. He has 28 years' experience in trust and fiduciary services, private banking and offshore funds, particularly in the specialist and alternative fund sectors gained whilst at Barings over the last 19 years and, prior to that, with The First National Bank of Chicago. He is a founding director of The

Channel Islands Stock Exchange (CISX) and Chairman of the CISX Business Development Committee. He is a resident of Guernsey.

Simon Littlewood (aged 37) (Executive Director)

Simon Littlewood is a co-founder and the chief executive of London Asia. After qualifying as a Chartered Accountant with Coopers & Lybrand, London (now PricewaterhouseCoopers) where he specialised in high growth companies, he joined the structured and corporate finance division of the HSBC Group in London. In 1995, he moved to BDO Stoy Hayward's corporate finance team, where he advised on AIM flotations, mergers and acquisitions and fund raisings. He left in 1996 to set up the Temima Group, an investment and corporate finance business. In 2002 he became Chief Executive of an AIM listed shell and converted it into London Asia. He has experience of working on transactions in the UK, Germany, Eastern Europe, France, the US, Israel, China, Taiwan and Singapore. He is a director of AIM traded Europasia Education plc, a number of private companies and represents London Asia on the boards of several of its investee companies, including Ofex listed China Education Group Limited, China Eastsea Business Software Limited, China Biotech Healthcare Ltd and Peach Blossom Media Limited. Simon graduated in Law from Oxford University.

Victor Ng (aged 58) (Executive Director)

Victor Ng, a co-founder and executive director of London Asia, is responsible for London Asia's operations in the China region. A former principal with KPMG Singapore, he has funded, advised and launched several start-ups as well as later stage companies including several which were subsequently listed in Singapore, Malaysia, New York and London. These have included a number of Chinese companies, including Asia Water Technology Ltd, a Chinese water company which listed on the Singapore stock exchange in March 2005, and Devotion Technology (of which he is chairman) which was floated on Singapore's stock exchange in August 2003. Victor is currently a director of these and several other China and Asia-Pacific-focused companies.

Victor was awarded the PBM (a public community service medal) for his social contributions by the President of the Republic of Singapore in 1992.

Management of the Company

Simon Littlewood and Victor Ng will carry out the day to day investment management of the Company as executive directors. The Directors and the Company will receive support from the Investment Consultant.

Investment Consultant

The Investment Consultant, London Asia Capital (S) PTE Limited, a company registered in Singapore, is a wholly owned subsidiary of London Asia. London Asia is a leading China focused merchant banking group listed on the AIM market of the London Stock Exchange and has seven offices in China (Beijing, Ningbo, Guangzhou, Qingdao, Wuhan, Xi'an and Hangzhou). London Asia is headquartered in London with additional international offices in New York, Singapore, Malaysia and Germany.

The Investment Consultant will provide support services to the Company, which will include the provision of the services of the Executive Directors, delivering research and reports on investments and monitoring and analysing the Company's investments.

The Investment Consultant's appointment as Investment Consultant is terminable by either party giving not less than twelve months' notice, such notice to expire at any time on or after the second anniversary of Admission.

The Company may terminate the Investment Support Agreement by giving the Investment Consultant not less than six months' notice if either Simon Littlewood or Victor Ng resigns as a Director of the Company or ceases to be a director or employee of the London Asia Group or is guilty of misconduct or neglect in the performance of his duties on behalf of the Company and which the Company reasonably considers is or will be detrimental to the Company's business or performance.

The Investment Consultant benefits from the extensive skill sets of the professional staff within London Asia Group, based within China and in London Asia's network of international offices. The London Asia Group staff are primarily ethnic Chinese who speak the language and understand the culture within China and, at a senior level, are generally educated and trained outside China, so that they also have an understanding of the requirements of investors and financial markets outside China.

Track Record of the London Asia Group

London Asia has an extensive track record and experience of investing in Chinese businesses, facilitating private company financings and successful public flotations of Chinese businesses on international stock exchanges. By 31 December 2005, the London Asia Group had invested approximately £25 million in some twenty Chinese private companies. Seven investments have been listed on or joined various stock markets including:

- China Biotech Healthcare Ltd, a Chinese medicine business which has traded on Ofex since February 2006;
- China Education Group, a facilities management company, which manages a Chinese college, which has traded on Ofex since December 2005;
- China Eastsea Business Software, an IT outsourcing service provider for the petrochemical/petroleum industry in China, which has traded on Ofex since October 2005; and
- Betex Group plc, a gaming company which, in China, co-manages the State Sports Lottery in two provinces and operates a betting platform for football, which has traded on Ofex since May 2005.

London Asia Corporate Finance Limited was the corporate adviser to each of these companies in respect of their respective admissions to trading on Ofex.

Fees and Expenses

Advisory fee

The Investment Consultant will be paid an advisory fee of 2.0 per cent. per annum of the Net Asset Value, payable quarterly in advance.

Performance fee

The Investment Consultant will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per Ordinary Share over the course of a 'performance period'. The first performance period begins on Admission and ends on 31 March 2007. Each subsequent performance period is a period of one financial year.

The Investment Consultant will become entitled to a performance fee in respect of a performance period only if two conditions are met, namely (i) a performance hurdle test is met; and (ii) the high watermark is exceeded.

The performance hurdle test will be met if the Adjusted NAV per Ordinary Share at the end of the relevant performance period exceeds an amount equal to the Placing Price increased at a rate of six per cent. per annum on a compounding basis up to the end of the relevant performance period.

The high watermark will be exceeded if the Adjusted NAV per Ordinary Share at the end of the relevant performance period is higher than the highest previously recorded Adjusted NAV per Ordinary Share at the end of the performance period in relation to which a performance fee was last earned (or if no performance fee has been earned since Admission, is higher than the Placing Price).

If the performance hurdle is met and the high watermark exceeded, the performance fee will be an amount equal to 20 per cent. of the increase in the Adjusted NAV per Ordinary Share multiplied by the time weighted average of the total number of Ordinary Shares in issue, in each case since the end of the performance period in respect of which a performance fee was last earned (or since Admission if no performance fee has yet been earned) (together with an amount equal to the VAT thereon, if applicable).

The Investment Consultant will not be entitled to such part of any performance fee to which it would otherwise be entitled if such part would cause the performance hurdle or high watermark not to be met.

Performance fees will be accrued on the basis set out above. If the Investment Consultant becomes entitled to a performance fee in respect of a performance period, the Company will only be required to settle such liability to the Investment Consultant in respect of any performance fee earned to the extent that, and only when and if, the Company has realised profit(s) on any investment(s). For the avoidance of doubt, any difference between the Adjusted NAV per Ordinary Share used for calculating whether any performance fee becomes payable and the actual amount of realised profit on any investment shall be ignored for the purposes of determining the amount of any performance fee payable to the Investment Consultant. If the Management Agreement terminates for any reason, the parties will agree the amount of deemed realised profit of the Company's investments for the purposes of determining any performance fee payable to the Investment Consultant at the date of termination.

The Investment Consultant will provide the services of Simon Littlewood and Victor Ng to the Company, to act as executive directors of the Company, and the Company will not be responsible for payment of any remuneration to Simon Littlewood and Victor Ng in that capacity.

Introductory Fees

It is common practice in China to pay introductory fees to intermediaries who introduce investee companies to investors. It is expected that such fees, which typically equate to 1 to 5 per cent. of the value of the investment, will be paid by the Company. Where the intermediary introducing the investment to the Company is a representative of the London Asia Group, such fees may in certain circumstances be payable to a member of the London Asia Group. Payment of any fees in respect of such services to a third party or a member of the London Asia Group will be subject to the approval of the Non-Executive Directors. If an investment is sourced directly by either of the Executive Directors, no introductory fees will be payable to the relevant Executive Director nor to the London Asia Group.

Administration and Secretarial

The Administrator has been appointed to provide administration and secretarial services to the Company as set out in the Administration Agreement. For these services the Administrator will receive an initial annual fee of 0.1 per cent. of net asset value together with an amount equal to the long term borrowings of the Company, subject to a minimum annual payment of £125,000. The Administration Agreement is terminable by either party giving not less than 6 months' notice in writing, such notice to expire at any time on or after 18 months following the date of the agreement.

Further details of the agreement between the Company and the Administrator are set out in paragraph 7.2 of Part VIII of this document.

Custodian

The Company has appointed Collins Stewart (CI) Limited as custodian. The Custodian is a limited liability company established under the laws of Guernsey and is licensed and regulated by the GFSC. Its registration number is 22761. It was incorporated on 20 June 1990 and its registered office is 2nd Floor, No.1 Le Truchot, St. Peter Port, Guernsey GY1 4AE. The Custodian is an indirect subsidiary of Collins Stewart Tullett plc.

In its capacity as custodian, the Custodian will receive a fee from the Company based on the value and location of the assets held for safe keeping and a fee per transaction. The Custody Agreement is terminable by either party giving not less than 3 months' notice, such notice to expire at any time on or after the first anniversary of the date of the agreement.

Further details of the agreement between the Company and Custodian are set out in paragraph 7.4 of Part VIII of this document.

Registrar

The Company has appointed Capita IRG (CI) Limited to provide registrars services in respect of the Company. For these services the Registrar will receive a minimum fee of £5,500 per annum. The Registrar Agreement is terminable by either party giving not less than 3 months' notice, such notice to expire at any time on or after the first anniversary of the date of the agreement.

Further details of this agreement between the Company and the Registrar are set out in paragraph 7.3 of Part VIII of this document.

Other On-going Operating Costs

The Company will bear its other on-going operating costs and expenses. These include, but are not limited to:

- (a) direct costs of investing and realising the assets of the Company, including dealing costs, any stamp duty (or similar taxes) and registration fees;
- (b) professionals' costs associated with investing (including due diligence and any restructuring of shareholding arrangements), the holding of and realising the assets of the Company, including the fees and expenses of financial advisers, surveyors, valuers, introductory and sales agents, consultants, special purpose vehicle administration, tax advisers, brokers, lawyers and accountants;
- (c) introductory fees payable to any introductory agents in respect of investments and corporate finance fees in respect of investments and divestments;
- (d) legal and professional expenses which the Investment Consultant incurs whether in litigation on behalf of the Company or in connection with the ongoing administration of the Company or otherwise;
- (e) the cost of borrowings incurred for the Company (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- (f) Directors' fees and expenses;
- (g) audit costs;
- (h) taxes and duties imposed by any fiscal authority and any other governmental fees;
- (i) costs of valuing and pricing assets and of publishing share prices and other notices in the financial press;
- (j) expenses of publishing reports, notices and proxy materials to Shareholders;
- (k) expenses of convening and holding meetings of Shareholders;
- (l) expenses of preparing, printing and/or filing all reports and other documents relating to the Company including placement memoranda, explanatory memoranda, marketing documents, annual, semi-annual and extraordinary reports required to be lodged with all authorities having jurisdiction over the Company;
- (m) expenses of making any capital distributions; and
- (n) insurance premiums (including insurance for members of the Board).

Upon approval by the Board to proceed in principle, the Company will be responsible for all third party costs necessary to complete the project regardless of whether completion actually takes place. Any due diligence costs incurred prior to the approval in principle will be for the account of the Investment Consultant.

Conflicts Management

The Investment Consultant and other members of the London Asia Group may provide services to other clients (including investment companies and collective investment vehicles), including clients which may invest in the securities in which the Company invests or may invest and in providing such

services, may use information obtained by the Investment Consultant in providing its services to the Company.

The Investment Consultant will manage its duties to the Company and to other clients for whom it acts or represents, pursuant to the terms of the Investment Support Agreement and any other contracts which it may have entered into with such clients.

The Investment Support Agreement contains an undertaking from the Investment Consultant and London Asia that, without the Company's prior consent (which it may withhold in its absolute discretion), no member of the London Asia Group shall undertake any asset acquisition and/or investment activities involving an investment of £500,000 or more for itself or on behalf of any third party in respect of assets in China which fall within the investment objective and/or policy of the Company (as set out in this document) without offering the Company a right of first refusal in respect of the same.

The London Asia Group may provide advisory services to companies in which the Company intends to invest or may be invested. The Investment Consultant will disclose to the Company all fees payable to London Asia or members of the London Asia Group by companies in which the Company invests or it is proposed that the Company will invest.

It is common practice in China to pay introductory fees to intermediaries who introduce investee companies to investors. It is expected that such fees, which typically equate to 1 to 5 per cent. of the value of the investment, may be paid by the Company. Where the intermediary introducing the investment to the Company is a representative of the London Asia Group, such fees would in certain circumstances be payable to a member of the London Asia Group. Payment of any fees in respect of such services to a third party or a member of the London Asia Group will be subject to the approval of the Non-Executive Directors. If an investment is sourced directly by either of the Executive Directors, no introductory fees will be payable to the relevant Executive Director nor to the London Asia Group.

Corporate Governance

As a Guernsey registered company, the Company is not required to comply with the Combined Code. However, the Directors recognise the value of the Combined Code and will take appropriate measures to ensure that the Company complies, as far as practicable and to the extent appropriate given the Company's size and nature of business, with the Combined Code.

The Board has established an audit committee, which has formally delegated duties and responsibilities.

The audit committee, comprising the Non-Executive Directors, will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Board will review the level of fees paid to Non-Executive Directors.

PART V

**INFORMATION RELATING TO THE COMPANY, PLACING,
ADMISSION AND RELATED MATTERS**

Introduction

The Company, London Asia Chinese Private Equity Fund Limited, was incorporated in Guernsey on 23 February 2006 with an indefinite life. Annex III
4.2

The share capital of the Company is denominated in Sterling and will comprise a single class of Ordinary Shares which are freely transferable. The Ordinary Shares, with Warrants attached on the basis of one Warrant for every five Ordinary Shares, will be issued pursuant to the Placing, which itself is conditional upon the admission of the Ordinary Shares and Warrants to trading on AIM by 15 March 2006, or such later time as Collins Stewart and the Company may agree, but in any event by not later than 22 March 2006.

Assuming the Placing is fully subscribed, the net proceeds of the Placing of the Ordinary Shares (with Warrants attached) on behalf of the Company are estimated to be approximately £48.14 million. In the absence of unforeseen circumstances, the Executive Directors currently anticipate that such net proceeds should be invested within 12 to 18 months of Admission.

Dividend Policy

The Directors intend to manage the Company's affairs to achieve shareholder returns through capital growth rather than income. It is not expected that the Company will pay an annual dividend.

Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or discharge its undertaking, property (present and future) or uncalled capital or any part or parts thereof and to issue debentures or other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Company may borrow for the purpose of the orderly settlement of transactions or for other general working capital purposes. It is not anticipated that there will be significant gearing.

Companies in which the Company invests, directly or indirectly, may themselves have outstanding borrowings. However, borrowings by the Company itself will not exceed 25 per cent. of the Net Asset Value at the time of drawdown.

Purchases of Ordinary Shares and Warrants by the Company

The Company may purchase Ordinary Shares in the market in order to address any imbalance between the supply of and demand for Ordinary Shares and to increase the Net Asset Value per remaining Ordinary Share. So as to allow for this, the Company proposes (subject to approval of the Royal Court in Guernsey) to cancel all of its share premium account, thereby creating a special reserve which may be treated as distributable profits for all purposes, including making purchases of Ordinary Shares.

A special resolution and an ordinary resolution have been passed at an extraordinary general meeting of the Company, subject to the Placing becoming unconditional and the approval of the Royal Court in Guernsey, authorising the cancellation of all of the share premium account of the Company following the issue of Ordinary Shares pursuant to the Placing and granting the Company authority to make market purchases of up to 14.99 per cent. of its own issued Ordinary Shares. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company.

No purchases of Ordinary Shares can be made by the Company until the cancellation of the share premium account has been approved by the Royal Court in Guernsey (and the terms of any

undertaking regarding creditors required by the Royal Court in Guernsey have been complied with) or the Company has sufficient capital reserves to finance such purchases.

The Company may also purchase Warrants in the market. Purchases of Ordinary Shares and Warrants will be made within guidelines established from time to time by the Board.

Shareholders should note that the exercise of the Company's powers to repurchase Ordinary Shares and/or Warrants is entirely discretionary and Shareholders should place no expectation or reliance on the Directors exercising such discretion on any one or more occasions.

Currency, Hedging Policy and Cash Management

The net proceeds of the Placing will be used to invest in a portfolio of companies whose business operations are based in China.

The Company does not intend to hedge the exchange rate risk on the investment portfolio between Sterling and Renminbi. Pending investment, the proceeds of the Placing will be held in cash or cash equivalents in Sterling or may, to the extent permissible, be held in Renminbi.

The Company has not hedged the exchange rate risk to which it will be subject between the date of this document and the point at which it exchanges the Sterling-denominated net proceeds of the Placing into Renminbi, and therefore the investment made by a placee pursuant to the Placing could be worth less following such exchange.

Duration

Under the Articles, Shareholders will be given the opportunity to review the future of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company held following the seventh anniversary of the Company's incorporation, an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise, reconstruct or wind up the Company.

Risk Factors

Certain risk factors in relation to the Company and its business are brought to your attention in Part I of this document.

Taxation

Information regarding United Kingdom and Guernsey taxation with regard to potential Shareholders is set out in Part VII of this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Further Issues of Shares or Warrants

The Law and the Articles do not impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power is not limited in duration. Application will be made for the admission to trading on AIM of any new Ordinary Shares or Warrants to be issued under this authority.

Valuation Policy

The Company's Net Asset Value, and the Net Asset Value per Ordinary Share, will be calculated at least half yearly by the Administrator. Calculations will be made in accordance with applicable accounting standards or as otherwise determined by the Board. The making of valuations will be suspended in circumstances where the underlying data necessary to value the investments of the

Company cannot readily, or without undue expenditure, be obtained. Details of each valuation, and of any suspension in the making of such valuations, will be announced by the Company on a regulatory information service approved by the FSA.

Financial Information and Reports

The first accounting period of the Company will run until 31 March 2007 and, thereafter, accounting periods will end on 31 March in each year. The audited annual accounts will be sent to Shareholders within six months of the year end to which they relate. Unaudited half yearly reports, made up to 30 September, are expected to be announced in December and be sent to Shareholders in January of the next year. The first unaudited half yearly report will cover the period from incorporation to 30 September 2006.

The audited annual accounts and half yearly reports will also be available at the registered office of the Administrator and the Company.

The Company intends to adopt International Financial Reporting Standards.

The Placing

Collins Stewart has undertaken to use its reasonable endeavours to place with investors up to 50,000,000 Ordinary Shares (with Warrants attached on a one for five basis), as agent for the Company. The price of the Ordinary Shares (including the entitlement to Warrants) is 100p per share.

The Placing, which is not being underwritten, is conditional upon the admission of the Ordinary Shares and Warrants to trading on AIM by 15 March 2006, or such later time as Collins Stewart and the Company may agree, but in any event not later than 22 March 2006.

The Placing of the Ordinary Shares and Warrants on behalf of the Company is intended to raise approximately £50 million before expenses. Assuming the Placing is fully subscribed, the expenses of Admission and the Placing payable by the Company are estimated to be approximately £1.86 million.

Fractions of Warrants will not be issued and entitlements will be rounded down to the nearest whole number. The Ordinary Shares and Warrants are denominated, and will be quoted on AIM, in Sterling. The Ordinary Shares and Warrants will trade separately from each other from the first day of dealing. A summary of the rights attaching to the Ordinary Shares is set out under paragraph 5 of Part VIII of this document. The rights attaching to Warrants are set out under "Terms and Conditions of the Warrants" in Part VI of this document.

Proceeds of the Placing should be received by Collins Stewart on or before 15 March 2006. CREST accounts will be credited on the date of Admission and it is anticipated that certificates in respect of the Ordinary Shares will be despatched within 10 business days of such date. Pending receipt by Shareholders of definitive share certificates, the Company's registrars will certify any instruments of transfer against the register.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Articles of the Company permit the holding of Ordinary Shares and Warrants under the CREST system. All the Ordinary Shares and Warrants will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares and Warrants to be admitted to CREST and it is expected that the Ordinary Shares and Warrants will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares and Warrants will commence on 15 March 2006. Accordingly, settlement of transactions in Ordinary Shares and Warrants following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares and Warrants who wish to receive and retain share and/or warrant certificates will be able to do so.

Further Information

Your attention is drawn to the additional information set out in Parts VI to IX of this document.

PART VI

TERMS AND CONDITIONS OF THE WARRANTS

The Warrants will be issued in registered form and each will entitle the holder to subscribe for 1 Ordinary Share at a price of 120p. Warrants may be held in certificated form or uncertificated form (that is in CREST).

The Warrants are constituted by, and will be issued subject to and with the benefit of, an Instrument of the Company dated 7 March 2006 (the "Warrant Instrument"). Holders of Warrants will be bound by and deemed to have notice of all matters, terms and conditions set out in the Warrant Instrument.

The terms and conditions attached to the Warrants, and which are included in the Warrant Instrument, are as follows:

1. Subscription Rights

- (a) A registered holder for the time being of a Warrant shall have rights ("Subscription Rights") to subscribe for Ordinary Shares of 1p each in the Company ("Shares") in cash in the period from the date of Admission up to 31 March 2011 (or if such date is not a business day, the next following business day) ("Subscription Period") for all or any of the number of Shares for which he is the registered holder of the right to subscribe at the price of 120p per Share (the "Subscription Price") payable in full on subscription. The number and/or nominal value of Shares to be subscribed and the Subscription Price will be subject to adjustment as provided in paragraph 2 below. The Warrants registered in the name of the holder may be held in certificated form by which they will be evidenced by a Warrant Certificate issued by the Company (a "Warrant Certificate") or may be held in uncertificated form in accordance with the Uncertificated Securities Regulations 2001 and practices instituted by the operator of the relevant system.
- (b) In order to exercise Subscription Rights in whole or in part the holder of a Warrant held in certificated form must lodge the Warrant Certificate (or such other document as the Company may, in its discretion, accept) at the office of the registrars for the time being of the Company during the Subscription Period, having completed the notice of exercise of Subscription Rights on the reverse thereof (or accompanied by such other written notice as the Directors may, in their discretion, approve) and specifying the number of Warrants in respect of which the Subscription Rights are exercised and accompanied by a remittance for the Subscription Price of the Shares in respect of which the Subscription Rights are exercised. Once lodged, a notice of subscription shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable.

In order to exercise Subscription Rights in whole or in part the holder of a Warrant held in uncertificated form must send (or, if they are a CREST sponsored member, procure that the CREST sponsor sends) the appropriate instruction to CRESTCo at such time as to ensure that the Subscription Rights which are being exercised are settled no later than 5.00 p.m. on the final day of the Subscription Period. The holder of a Warrant held in uncertificated form must also deposit at the office of the registrars for the time being of the Company no later than 5.00 p.m. on the final day of the Subscription Period the remittance for the Subscription Price of the Shares in respect of which the Subscription Rights are exercised. Compliance must also be made with any statutory requirements for the time being applicable. Warrantheolders should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with the instruction and its settlement. It is the responsibility of each Warrantheolder to ensure that all necessary action is taken to settle prior to 5.00 p.m. on the final day of the Subscription Period.

Remittance shall be made by a cheque denominated in Sterling and payable to the Company. Alternatively, a Warrantheolder may arrange for the telegraphic transfer of the aggregate Subscription Price, including all bank charges and fees for such service, to the account of the Company.

The Directors may require, as a condition of the exercise of a Warrant, that the Warrantheolder certifies that such exercise is not by or on behalf of, or with a view to transfer to, a Non-Qualified Holder (as defined in the Articles). The Directors may also require, as a condition of such exercise, such other certifications as to nationality or residence as they deem necessary or desirable for the best interests of the Company.

- (c) Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after receipt of a completed notice of exercise of Subscription Rights and the requisite payment (the "Subscription Date") and, in the case of certificated Shares, certificates in respect of such Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the Subscription Date to the person in whose name the Warrants are registered at the date of such exercise (or, if more than one, to the first named of them, which shall be sufficient despatch for all) or to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the

registrars of the Company for the time being. In the event of a partial exercise of the Subscription Rights by a person holding Warrants in certificated form comprised in a Warrant Certificate, the Company shall at the same time issue a fresh Warrant Certificate in the name of the holder for the balance of his Subscription Rights remaining exercisable.

- (d) Not earlier than 8 weeks nor later than 4 weeks before 31 March 2011 the Company shall give notice to the holders of the outstanding Warrants reminding them of their Subscription Rights.
- (e) Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid on the Shares by reference to a record date prior to the relevant Subscription Date but subject thereto will rank in full for all dividends and other distributions declared, made or paid on the Shares and otherwise rank *pari passu* in all respects with the Shares of the Company in issue at that date provided that on any allotment falling to be made pursuant to paragraph 3(e) or (f) below the Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid by reference to a record date prior to the date of allotment.
- (f) The Company shall apply for the Shares allotted pursuant to any exercise of Subscription Rights to be admitted to trading on AIM and shall use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant Subscription Date.
- (g) If Subscription Rights under the Warrants shall have been exercised in respect of 75 per cent. or more of the Shares to which such rights relate the Company shall be entitled, on giving not less than 14 days' notice in writing to the holders of the Warrants then outstanding, to appoint a Trustee, who provided that in such Trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall, within the period of 14 days following the giving of such notice, either exercise such Subscription Rights that have not been exercised on the terms on which the same could have been exercised on the latest Subscription Date of which any Warrant was exercised and sell in the market the Shares acquired on such a subscription or accept any offer made to the Warrantheolders or to the Trustee (on behalf of the Warrantheolders) for the purchase of the Warrants. Such Trustee shall distribute pro rata the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under £3 shall be retained for the benefit of the Company.
- (h) Within seven days following the end of the Subscription Period, the Company will appoint a Trustee who, provided that in such Trustee's opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall, within the period of 14 days following the end of the Subscription Period, exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the final day of the Subscription Period and sell in the market the Shares acquired on such subscription. Such Trustee shall distribute, pro rata, the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto within two calendar months of the end of the Subscription Period, provided that entitlements of under £3 will be retained for the benefit of the Company. Subject thereto, all Subscription Rights shall lapse 14 days after the final day of the Subscription Period.
- (i) The Trustee referred to in paragraphs (g) and (h) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

2. Adjustment of Subscription Rights

The Subscription Price (and the number of Warrants outstanding and the number and/or the nominal value of the Shares to be subscribed for upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 2.

- (a) If and whenever there shall be an alteration in the nominal amount of the Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Share immediately after such alteration and the denominator shall be the nominal amount of one such Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to the Shareholders any Shares credited as fully paid by way of capitalisation of reserves or profits (other than Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of

the issued and allotted Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Shares.

- (c) If the Company makes any offer or invitation to Shareholders (whether by way of a rights issue or otherwise but not being an offer to buy back any Shares or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 3(d) applies) is made to Shareholders otherwise than by the Company, then the Company shall, so far as it is reasonably able, procure that at the same time the same offer or invitation is made to the then Warranholders as if their Subscription Rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised if they had been exercisable on that date, provided that, if the Directors so resolve in the case of such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Warranholders but the Subscription Price shall be adjusted: (i) in the case of an offer of new Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Shares in issue on the date of such announcement plus the number of Shares which the aggregate amount payable for the total number of new Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Shares in issue on the date of such announcement plus the aggregate number of Shares offered for subscription; and (ii) in any other case, in such manner as the auditors for the time being of the Company (the "Auditors") shall report in writing to be in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph "market price" shall mean an average of the mean of the quotations for one Share for the five consecutive stock exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Shares in issue on those days.
- (d) No adjustment shall be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest 1 pence. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Subscription Price is adjusted in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Shares as referred to in paragraph 2(a) above), the Company shall, subject as provided below, issue, for no payment, additional Warrants to each Warranholder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warranholder will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X-Y}{Y}$$

where:

X = the Subscription Price immediately before the adjustment; and

Y = the Subscription Price immediately after the adjustment.

Fractions of Warrants will not be allotted to Warranholders but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Warranholders entitled thereto, save that amounts of less than £3 will be retained for the benefit of the Company. In relation to such additional Warrants, Warrant Certificates (for Warranholders holding Warrants in certificated form) or CREST accounts (for Warranholders holding Warrants in uncertificated form) will be issued/credited within 21 days of the relevant adjustments taking effect.

The Company may, following such an adjustment to the Subscription Price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Shares to be subscribed for on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the Subscription Rights of each Warranholder. Such adjustment shall be determined by the Directors of the Company and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph 2 by reason of a consolidation of Shares as referred to in paragraph 2(a) above, the number of Shares for which each Warrantholder is entitled to subscribe will be reduced accordingly.
- (g) The Company shall give notice to holders within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above and within such period, in respect of any additional Warrants, either despatch Warrant Certificates to those Warrantholders holding Warrants in certificated form or credit the CREST accounts of Warrantholders holding Warrants in uncertificated form.
- (h) If a Warrantholder shall become entitled to exercise his Subscription Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B+C)-D$$

where

- A = the reduction in the Subscription Price;
- B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable on the date on which the Company shall become aware as provided in paragraph 3(f) below;
- C = the average of the mean of quotations for one Warrant for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and
- D = the average of the mean of quotations for one Share for the five consecutive dealing days referred to in the definition of C above

provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph 2(h)(i), have reduced the Subscription Price to below the nominal value of a Share, the number of Shares to be subscribed for pursuant to paragraph 3(d) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the Warrantholders as if the Subscription Price had been reduced without regard to this sub-paragraph 2(h)(i);
- (ii) the Subscription Price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the Subscription Price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors of the Company shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustments are fair and reasonable.

The notice required to be given by the Company under paragraph 3(d) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) For the purpose of determining whether paragraph 3(f) below shall apply and, accordingly, whether each Warrantholder is to be treated as if his Subscription Rights had been exercisable and had been exercised as therein provided, the Subscription Price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B+C)-D$$

where

- A = the reduction in the Subscription Price;
- B = the Subscription Price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable immediately before the date on which the order referred to in paragraph 3(f) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);
- C = the average of the mean of quotations for one Warrant for the five consecutive stock exchange dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the

presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and

- D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Share, taking into account for this purpose the Shares which would arise on exercise of all the Subscription Rights and the Subscription Price which would be payable on the exercise of such Subscription Rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 2(i)).

The provisos set out in paragraph 2(h) above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 2(i).

- (j) Where an event which gives or may give rise to an adjustment to the Subscription Price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances, such modification shall be made in the operation of the foregoing provisions as may be advised by the Auditors to be in their opinion appropriate in order to give such a result.

3. Other Provisions

So long as any Subscription Rights remain exercisable:

- (a) The Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) in any way modify the rights attached to its existing Shares as a class (but nothing herein shall restrict the right of the Company to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Shares.
- (b) The Company shall not issue any Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(b) above if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Shares at a discount.
- (c) The Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable.
- (d) If at any time (a) an offer is made to all holders of Shares (or all holders of Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of the Company or (b) an amalgamation proposal is made in respect of the Company under the Guernsey Amalgamation of Companies Ordinance 1997 and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid or any person is, or will be, in a position to acquire compulsorily any shares not owned or controlled by such person and or persons acting in concert with him, the Company shall give notice to the holders of the Warrants of such vesting within 7 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights (subject to any adjustment pursuant to paragraphs 2(a) to 2(f) above and subject to paragraph 2(h) above) and so that failing such exercise within such period such rights shall lapse upon the expiry of such period; the publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(d) and references herein to such an offer shall be read and construed accordingly. For the purposes of this paragraph 3(d), if a person becomes a Warrantholder at any time during the additional exercise period no notice shall be given to such holder but such holder shall be entitled to exercise his Subscription Rights during the period in which other holders are able to exercise their Subscription Rights.
- (e) If under any offer or amalgamation proposal as referred to in paragraph 3(d) above the consideration shall consist solely of the issue of Shares of the offeror and the offeror shall make available an offer of warrants to subscribe for Shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 2(h) and any other circumstances which may appear to such financial advisers to be relevant), then subject to the offer as referred to in paragraph 3(d) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director of the Company shall be irrevocably authorised as attorney for the Warrantholders who have not accepted the offer of warrants to subscribe for shares in the offeror in exchange for the Warrants:
- (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and

- (ii) to do such acts and things as may be necessary or appropriate in connection therewith.
- (f) If an order is made or an effective resolution is passed for winding-up of the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant shall (if, in such winding-up and on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Shares which, on such basis, would exceed in respect of each Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercisable and had been exercised in full, (subject to any adjustment pursuant to paragraphs 2(a) to 2(f) and 2(i) above), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Share equal to the Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Rights shall lapse on liquidation of the Company.
- (g) The Company shall not grant (or agree to grant) (except with the sanction of an extraordinary resolution of the holders of the Warrants) any option in respect of, or create any rights of subscription for, any Shares or issue any loan capital carrying rights of conversion into, Shares if the price at which any such option or rights is exercisable is lower than the Subscription Price for the time being.

4. Modification of Rights

All or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the Warrantholders provided that no such alteration or abrogation may be effected which is detrimental to the rights or interests of Shareholders except with the sanction of an extraordinary resolution of Shareholders. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that:

- (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to acquire one-third of the nominal amount of the Shares attributable to such outstanding Warrants;
- (b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrantholder present in person or by proxy shall be entitled on a poll to one vote for every Share for which he is entitled to subscribe;
- (c) any Warrantholder (present in person or by proxy) may demand or join in demanding a poll; and
- (d) at any adjourned meeting those holders of Warrants (present in person or proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

Any such alteration or abrogation approved as aforesaid shall be effected by Instrument executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are (i) of a formal, minor or technical nature, or (ii) made to correct a manifest error, or (iii) made in order to permit the holding and transfer of the Warrants in uncertificated form, and which (in each such case) do not adversely affect the interests of the Warrantholders, may be effected without the sanction of an extraordinary resolution by Instrument executed by the Company and expressed to be supplemental to the Warrant Instrument and notice that such a modification has been made shall be given by the Company to the Warrantholders with the next annual or interim report.

5. Transfer and Transmission

- (a) Each Warrant may be admitted to settlement by means of the CREST system or may be registered. Warrants admitted to the CREST system may be transferred by means of that relevant system. Warrants that are registered will be transferable in whole by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors, except that no transfer of a right to subscribe for a fraction of a Share may be effected.
- (b) Subject as provided in paragraph 5(a) above, the provisions of the Articles of Association for the time being of the Company relating to the issue, ownership, registration, compulsory repurchase, transfer and transmission of Shares and the issue of certificates shall *mutatis mutandis* apply to the Warrants.

6. Purchase of Warrants by the Company

The Company shall have the right to purchase Warrants in the market, by tender or by private treaty, and if such purchases are by tender, such tender will be available to all holders of Warrants alike.

All Warrants so purchased shall forthwith be cancelled and will not be available for re-issue or re-sale.

7. General

- (a) The Company will concurrently with the issue of the same to the Shareholders send to each Warrantholder (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and a copy of every statement, notice or circular issued by the Company to Shareholders.
- (b) For the purposes of these terms and conditions, “extraordinary resolution of the Warrantholders” means a resolution proposed at a separate meeting of the Warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.
- (c) For the purposes of these terms and conditions, “business day” means a day (other than a Saturday) on which banks in London and Guernsey are open for business.
- (d) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the holders of the Warrants.
- (e) The provisions of the Articles of Association for the time being of the Company insofar as they apply or refer to the Warrants or Warrantholders shall have effect. The Company may, in accordance with its Articles of Association, purchase its own Shares.
- (f) The exercise of subscription rights by the holder of Warrants or a beneficial owner of Warrants who has a registered address in Canada or who is a US Person, or the right of such a holder or beneficial owner of Warrants to receive the new Shares falling to be issued to him following the exercise of his subscription rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with the securities laws of Canada or the United States (including, without limitation, the United States Securities Act of 1933 (as amended), United States Investment Company Act of 1940 (as amended) and any rules or regulations promulgated under such Acts). As used herein, “United States” means the United States of America (including each of the States and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction and “US Person” has the meaning given by Regulation S under the United States Securities Act of 1933 (as amended).
- (g) These terms and conditions shall be governed by and construed in accordance with the law of Guernsey.

PART VII

TAXATION

The following information, which relates only to UK and Guernsey taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who hold Ordinary Shares and Warrants as investments. It is based on the law and practice currently in force in the UK and Guernsey. The information is not exhaustive and, if potential investors are in any doubt as to their taxation position, they should consult their professional adviser without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.

UK Taxation

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the United Kingdom and so that the Company does not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for United Kingdom taxation on its income and gains other than certain income deriving from a United Kingdom source.

UK Shareholders

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their circumstances, be liable to United Kingdom income tax or corporation tax in respect of dividends paid by the Company whether directly or by way of reinvestment of income.

- (a) In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on a disposal of Ordinary Shares. Taper relief may be available to reduce the amount of any chargeable gain on disposal. No indexation allowance will be available to such holders. Individual Shareholders are entitled to an annual exemption from capital gains. For the 2005/2006 tax year this is £8,500.

Shareholders within the charge to UK corporation tax may be subject to corporation tax on capital gains in respect of any gain arising on a disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain arising on disposal of the Ordinary Shares but will not create or increase an allowable loss.

It is not anticipated that the Company would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to Shareholders under section 13 of the Taxation of Chargeable Gains Act 1992.

- (b) The Company should not be regarded as a collective investment scheme for the purposes of section 235 Financial Services and Markets Act 2000. On this basis a shareholding in the Company should not be regarded as a material interest in an offshore fund for the purposes of Sections 756A to 764 (as amended by the Finance Act 2005) of the Income and Corporation Taxes Act 1988 (the "Taxes Act"). On this basis, gains realised on such holdings should not be subject to tax as income under that legislation.
- (c) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in Sections 747 to 756 of the Taxes Act.
- (d) The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of section 739 to 756 of the Taxes Act (and the proposed amendments published by HM Revenue and Customs on 5 December 2005) which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.
- (e) The attention of UK residents and domiciled investors is drawn to Section 703 of the Taxes Act under which HM Revenue and Customs may seek to cancel tax advantages from certain transactions in securities.

Non-UK Shareholders

Shareholders who are not resident or ordinarily resident (or temporarily non resident) in the United Kingdom and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the United Kingdom with which the Ordinary Shares are connected will not normally be liable to United Kingdom taxation on capital gains arising on the sale or other disposal of their Ordinary Shares. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

Warrantholders

The base cost attributable to Ordinary Shares and Warrants issued under the Placing must be apportioned between the Ordinary Shares and the Warrants because they represent separate assets for UK taxation purposes, and that apportionment will have to be made on a basis that the HM Revenue & Customs considers to be “just and reasonable”. The Directors have been advised that, under current HM Revenue & Customs practice, that basis should not be significantly different from the ratio which the market value of the Ordinary Shares bears to the market value of the Warrants on each of the first days on which the Ordinary Shares and Warrants are dealt in separately.

The Warrants should in most circumstances be treated as wasting assets for the purposes of United Kingdom taxation of chargeable gains.

A Warrantholder who exercises a Warrant will not make a disposal for the purposes of the taxation of chargeable gains and no chargeable gains will arise at that time. Instead, in computing the chargeable gain when the Ordinary Shares acquired on exercise of the Warrant are later disposed of, the cost of the Warrant (as determined above) will be added to the amount paid for the Ordinary Shares acquired on exercise of the Warrants.

Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)

Ordinary Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

Warrants are normally treated by HM Revenue & Customs as non-qualifying investments for a PEP and for the stocks and shares component of an ISA. Accordingly, Ordinary Shares with Warrants attached acquired under the Placing, and/or Warrants acquired through the secondary market, may not be held in a PEP or ISA.

Self-invested Personal Pension Schemes (“SIPPs”)

In accordance with HM Revenue and Customs Guidance Note IR76, the Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are dealt in on AIM. From 6 April 2006, shares which are dealt with on AIM may be held for the purposes of a SIPP where such shares are considered suitable investments by the scheme administrator.

Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of the Placing Shares. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5, of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK. Provided that Ordinary Shares are not registered in any register of the Company kept in the UK any agreement to transfer Ordinary Shares should not be subject to SDRT.

Any person who is in any doubt as to his/her tax position or requires more detailed information than the general outline above should consult his/her professional advisers.

Guernsey Taxation

The Company is exempt from liability to Guernsey Income Tax. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Company continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify. No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Company’s investment activities.

Shareholders will receive dividends without deduction of Guernsey Income Tax. The Company will be required to notify the Administrator of Income Tax of amounts paid to Guernsey residents by way of dividend. Furthermore, the Company will be required to make a return to the Administrator of Income Tax, on request, of the names, addresses and shareholdings of Guernsey resident Shareholders.

Shareholders will not suffer any liability to capital gains tax in Guernsey. There are no death duties, capital, inheritance, capital gains, gifts, sales or turnover taxes levied in Guernsey in connection with the acquisition, holding or disposal of Ordinary Shares. No stamp duty or stamp duty reserve tax is chargeable in Guernsey on the issue, transfer, conversion or redemption of Ordinary Shares.

On 25 November 2002, the Advisory & Finance Committee of the States of Guernsey (“A&F”, now the States of Guernsey Policy Council) announced the proposed framework for a structure of corporate tax reform within an

indicative timescale. In the announcement, the A&F stated that any specific recommendations for change would only be placed before the Guernsey States of Deliberation after further consultation with local businesses and review of taxation in other financial centres.

The relevant parts of the announcement are as follows:

- (a) The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent. in respect of the tax year 2008 and subsequent years.
- (b) It is intended that personal income tax will be maintained at 20 per cent. and VAT will not be introduced.
- (c) The A&F has stated that there is no intention to introduce capital gains tax, inheritance, gift or other wealth taxes.

The foregoing summary does not address tax considerations which may be applicable to certain shareholders under the laws of jurisdictions other than Guernsey. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdictions which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

PART VIII

GENERAL INFORMATION

1. Directors' Responsibility

The Directors, whose names are set out in Part IX of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated with limited liability in Guernsey under the Companies (Guernsey) Law, 1994 (as amended) with registered number 44403 on 23 February 2006.
- 2.2 The Company's registered office and its principal place of business are in Guernsey and are located at 2nd Floor, No. 1 Le Truchot, St Peter Port, Guernsey, GY1 4AE.
- 2.3 Save for its entry into the material contracts summarised in paragraph 7 of this Part VIII and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings.
- 2.4 For statutory purposes under the provisions of the Law, and in accordance with the Articles, the Company may not proceed to allotments unless a minimum of two shares has been subscribed for.

3. Share Capital

- 3.1 At incorporation the authorised share capital of the Company was £2,000,000 divided into 200,000,000 Ordinary Shares of 1p each of which two were issued as subscriber shares to the two subscribers to the Memorandum and Articles. The Law and the Articles do not impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration.
- 3.2 By an ordinary resolution dated 6 March 2006, the Company took authority, in accordance with clause 5 of the Companies (Purchase of Own Shares) Ordinance 1998 (the "Ordinance"), to make market purchases of fully paid Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased shall be 14.99 per cent. of the issued ordinary share capital of the Company issued pursuant to the Placing. The Company is permitted to fund the payments for purchases of Ordinary Shares in any manner permitted by the Ordinance. Such authority shall expire at the annual general meeting of the Company in 2007 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting.
- 3.3 By a special resolution dated 6 March 2006 it was resolved that, conditional on the Placing becoming unconditional and the approval of the Royal Court in Guernsey (the "Court"), the amount standing to the credit of the share premium account of the Company following completion of the Placing be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the Company which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Laws) are able to be applied, including the purchase of the Company's own shares and payment of dividends. In deciding whether to give its confirmation, the Court will be concerned to protect the interests of any creditors of the Company as at the date the reduction takes effect. The Court will require all such creditors to have been paid or to have consented to the reduction. Until the Court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the Court to be complied with), the Company will only be able to distribute dividends out of existing distributable profits and, to the extent permitted by the Ordinance, to repurchase Ordinary Shares out of existing distributable profits or the proceeds of a fresh issue of shares.
- 3.4 In accordance with the power granted to the Directors by the Articles, it is expected that the Ordinary Shares to be issued under the Placing will be allotted (conditional upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission. There are no provisions of Guernsey law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash.

The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	<i>Authorised</i>		<i>Issued*</i>	
	<i>Number of</i>		<i>Number of</i>	
	<i>Ordinary</i>	<i>£ Nominal</i>	<i>Ordinary</i>	<i>£ Nominal</i>
	<i>Shares</i>		<i>Shares</i>	
Ordinary Shares	200,000,000	£2,000,000	50,000,000	£500,000

* *Assuming the Placing is fully subscribed.*

- 3.5 The liability of Shareholders is limited to the amount payable in respect of Ordinary Shares held.
- 3.6 The Ordinary Shares carry the right to vote at general meetings, to dividends, and to the surplus assets of the Company on a winding-up.
- 3.7 Save pursuant to the Placing, details of which are set out in Part V, and for the subscription of the two Ordinary Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.8 Save for the Warrants, no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.9 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.
- 3.10 Consent under the Control of Borrowing (Bailiwick of Guernsey) Order, 1959, has been obtained for the issue of this document and the associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company nor for the correctness of any of the statements made or the opinions expressed with regard to it.

4. Directors' and Other Interests

- 4.1 The maximum amount of remuneration payable to the Directors permitted under the Articles is £200,000 in aggregate in any financial year.
- 4.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none is to be made)) of the Directors for the period ending 31 March 2007 will amount to no more than £95,000.
- 4.3 Each of the Executive Directors is employed by the Investment Consultant, which will provide their services as executive directors and will be responsible for their remuneration.
- 4.4 The Non-Executive Directors were appointed as non-executive directors and the Executive Directors were appointed as executive directors by letters dated 24 February 2006 that stated their appointment and any subsequent termination or retirement shall be subject to the Articles. Save as described above, there are no existing or proposed service contracts between any of the Directors and the Company.
- 4.5 Save that Simon Littlewood and Victor Ng are directors of (and Simon Littlewood is a shareholder in) London Asia, a subsidiary of which has been appointed as Investment Consultant under the Investment Support Agreement, details of which are set out in paragraph 7.1 of this Part VIII, there are no contracts entered into by the Company in which any of the Directors has a material interest.
- 4.6 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 4.7 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- 4.8 No Director (nor any member of a Director's family) has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares.
- 4.9 Assuming the Placing is fully subscribed and based on the intentions of the Directors (and persons connected with the Directors) to subscribe under the Placing, the Directors (and persons connected with the

Annex I 18.3

Directors) are expected to hold, following Admission, the number of Ordinary Shares and Warrants set out below:

<i>Name</i>	<i>Ordinary Shares</i>		<i>Warrants</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
John Manser	20,000	0.04	4,000	0.04

In accordance with the lock-in arrangements contained in the AIM Rules, the Directors have agreed not to dispose of their securities for a period of one year from the date of Admission.

Save as set out in this sub-paragraph, no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by, each Director) an interest in the share capital of the Company or with any options in respect of such capital.

4.10 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

4.11 Save as set out below, the Company is not aware of any person holding directly or indirectly more than 3 per cent. of the Company's Ordinary Shares and/or Warrants or any person who will hold, directly or indirectly, more than 3 per cent. of the Company's Ordinary Shares and/or Warrants after Admission:

<i>Name</i>	<i>Ordinary Shares*</i>		<i>Warrants*</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
AXA Framlington Investment Management	4,750,000	9.5	950,000	9.5
Gartmore Investment	2,500,000	5.0	500,000	5.0
iimia	2,240,000	4.5	448,000	4.5
Insight Investment	7,500,000	15.0	1,500,000	15.0
Clients of Kaupthing Bank	5,000,000	10.0	1,000,000	10.0
Merrill Lynch Investment Management	2,500,000	5.0	500,000	5.0
New Star Asset Management	5,290,000	10.6	1,058,000	10.6
Newton Investment Management	7,500,000	15.0	1,500,000	15.0
Schroders Investment Management	3,000,000	6.0	600,000	6.0
SVM Asset Management	2,000,000	4.0	400,000	4.0

* Assuming the Placing is fully subscribed.

4.12 The Company will purchase directors and officers' liability insurance for the benefit of the Directors.

4.13 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the past five years (excluding subsidiaries of such companies):

Director

	<i>Current</i>	<i>Past</i>
John Manser	Bestscape Limited Colliers CRE Plc Hiscox Investment Management Limited Intermediate Capital Group PLC SAB Miller plc Shaftesbury PLC	Buzzsoft Limited (in creditors voluntary liquidation) Delancey Estates Plc Keppel Capital Holdings Ltd Keppel Tatlee Bank
Christopher Hill	Close Fund Management Portfolios II PCC Limited Dexion Alpha Strategies Limited Defensive Strategies Fund Limited (The) ELDeRS Investment Company Limited Hemisphere Defensive HF (USD) Limited Hemisphere Defensive (USD) II Limited Hemisphere Defensive HF PCC Limited Hemisphere Equity Hedge World Fund Limited Hemisphere Equity PCC Limited Horizon Fund Limited	ABC Property Fund Management (Guernsey) Limited Absolute Alpha Fund III PCC Limited Admiral Nominees Limited AIB Investment Managers (Guernsey) Limited Baring Asset Management (CI) Limited Baring Peacock Fund (Mauritius) Limited (The) Baring Peacock Fund Limited Barton Management Limited Blue Cap (2004) Limited

India Fund (Mauritius) Limited	Cedr Investment Company Limited
Investec Capital Accumulator Trust Limited	CETI Advisers Limited
Merrill Lynch FTSE100 Stepped Growth and Income Limited	CETI Managers Limited
P123 (C.I.) (Investments) Limited	CI Capital Limited
P123 (C.I.) Limited	Concord Misr Investments (Guernsey) Limited
P123 (Investments) Limited	Control Management Limited
P123 Limited	Copernicus Asset Management Limited
Paladin Investments Limited	Czech Assets Finance Company Limited
Premier RENN US Emerging Growth Fund Limited	Doyle Administration Limited
Prospect Asset Management (Channel Islands) Limited	Egyptian Growth Investment Company Limited (The)
Schroder Investment Management (Guernsey) Limited	eVerger Investments Limited
Thames River Multi Hedge PCC Limited	eVerger IQ Holdings Limited
Unigestion (Guernsey) Limited	eVerger Limited
Unigestion International Limited	Fitzwilliam Active Management PCC Limited
Unigestion Investments Limited	Fitzwilliam International PCC Limited
UTI International Limited	Guernsey International Fund Managers Limited
Wafra International Investment Management Limited	Hemisphere Defensive HF PCC II Limited
	Hemisphere Equity Fund (Euro) Limited
	Henderson Administration (Guernsey) Limited
	IBJ AMI (Guernsey) Limited
	International Fund Managers (Ireland) Limited
	International Fund Managers (Jersey) Limited
	IT-Concord-Misr Technology Venture Capital Fund Limited (The)
	Latin America Capital Partners (Chile) Limited
	Merrill Lynch International Capital Management (Guernsey) Limited
	Multi-Manager Investment Programmes PCC Limited
	Nelson Representatives Limited
	Neville James Endowment Bond Limited
	NIF Fund Holdings PCC Limited
	Orion Russia/NIS Opportunity Fund
	Prospect Japan Fund Limited (The)
	Saline Nominees Limited
	Saudi International (Guernsey) Limited
	Schroder India (Mauritius) Limited
	Schroder Property Managers (Jersey) Limited
	SCMCT (India) Mauritius Limited
	Stamford Asset Management Limited
	Team Investments Limited
	Wafra European Small Cap Fund Limited
	Wafra Global Fund Limited
	Wafra Small Cap Fund Limited

Current

**Duncan
Baxter**

Aberdeen Asia Income Fund Limited
Alpha Bank Jersey Limited
Alternative Investment Strategies Limited
Angel Holdings International Limited
Baxter P.A. Limited
B&Q (Retail) Guernsey Limited
B&Q (Retail) Jersey Limited
Premier Equity Income & Bond Trust Limited
Premier Equity Income & Bond Trust (Guernsey) Limited
Biff Limited
Crazier Limited

Past

Accessories Holding Company Limited
AH Vetta Europe Limited
American Income Trust Limited (*in solvent liquidation*)
American ZDP Limited
Bauchet International Inc
BC Property Holdings Limited
BC Property Securities Limited
BFS Equity Income & Bond Trust (Jersey) Limited
BFS Overseas Investments Limited
Bon-Art Incorporated

Dower Properties Limited	Bristol & West International Limited
EM Resources Limited	Catalina Furniture Co. Inc
HAMC Resources Limited	Catalina Furniture Designs Inc
Highland African Mining Company Limited	Catalina Mexican Holdings Inc
Highland African Ventures Limited	Catalina Mexico SA De CV
Highland Diamond Company Limited	Cazenove Fund Management Jersey Limited
Highland Diamond Holdings Limited	ESCIF Securities Limited
Highland Diamond Investments Limited	Exeter Enhanced Income Fund Limited
Highland Minerals Limited	<i>(in solvent liquidation)</i>
Highland Star Investments Limited	Exeter Smaller Companies Income Fund
Highland Ventures Limited	Limited <i>(in solvent liquidation)</i>
HY Holdings Limited	FBL Limited
Highland Gold Mining Limited	Furniture Builders Limited
Mount International Limited	Framlington Health & Income Fund Limited
Overseas Mining Investments Limited	<i>(in solvent liquidation)</i>
Swiss Fiduciary Limited	Gruen Marketing Corporation
	Hayleigh Enterprises Limited
	Hightops Gold Limited
	HYBR Wireless Industries Limited
	Murray Japan Growth & Income Ltd
	<i>(in solvent liquidation)</i>
	Nazareth Century Corporation
	Nazareth Century Mills Inc.
	Nazareth International Inc
	Property Income & Growth Fund Limited
	Two Count Acquisition Corporation
	Veta USA Ltd

Current

Mark Huntley Channel Islands Stock Exchange LBG
Heritage Fiduciaries Limited
Heritage International Fund
Managers Limited

Past

Current

Simon Littlewood London Asia Capital plc
Clean Technology plc
Europasia Education plc
London China Education Ltd
Stunningview Ltd
Simolit Ltd
Temima Group plc
Chesterhigh Ltd
Outset Developments Ltd
Justproperty.com Ltd
China Education Group Ltd
China Eastsea Business Software Ltd
Peach Blossom Media Ltd
China Financial Services Inc
China Biotech Healthcare Ltd
Temima China Investment Banking Services
Co., Ltd

Past

Current

Victor Ng AEC. Edu Group Pte Ltd
Asia Cable TV Pte Ltd
Asia Development Organisation Ltd
Asia Power Corporation Ltd
Asia Water Technology Ltd
Devotion Eco-Thermal Ltd
Europasia Education Plc
London Asia Capital Plc
Mercur Business Control Asia Pte Ltd
The Nanyang Insurance Company Ltd
Temima China Investment Banking
Services Co., Ltd

Past

Metro-City Development Corporation
Pte Ltd
Temima Singapore Pte Ltd
Technical Training Institute Australia

Temima Group Plc
Savant Infocomme Pte Ltd
Shandong Yuancheng Cable TV Co. Ltd
China Financial Services Inc
China Education Group Limited
China Biotech Healthcare Ltd

John Manser was a non-executive director of Buzzsoft Limited (“Buzzsoft”), a software developer, from 1 August 2000 to 19 September 2001. Buzzsoft Limited was placed in creditors voluntary liquidation on 31 May 2002. The liquidation remains open pending realisation of Buzzsoft’s assets.

4.14 Save as disclosed in sub-paragraph 4.13 above, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) been a director of any company at the time of, or within 12 months preceding, any receivership, compulsory liquidation, creditors’ voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of the creditors of such company;
- (c) had a bankruptcy order served upon him or entered into any individual voluntary arrangement;
- (d) had any official public criticism of him by any statutory or regulatory authority (including recognised professional bodies), nor has any Director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (e) been a partner in any partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (f) had a receiver appointed over any of his assets nor been a partner in any partnership at the time of, or within 12 months preceding, the receivership of any asset of such partnership.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association, a copy of which is available for inspection at the addresses specified in paragraph 10 below.

The Articles of Association of the Company (which are available for inspection at the address set out in paragraph 10 below) contain provisions, *inter alia*, to the following effect:

5.1 Voting

Members have the right to receive notice of, and to vote at, general meetings of the Company. Each member who is present in person at a general meeting on a show of hands has one vote and, on a poll, every such member who is present in person or by proxy has one vote in respect of each share held.

5.2 Shares

- (a) If at any time the shares of the Company are divided into different share classes, all or any of the rights for the time being attached to any share or class of shares may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares of the class. The necessary quorum (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third of the capital committed or agreed to be committed in respect of the issued shares of the class in question. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not be deemed to be varied by (a) the creation or issue of further shares ranking *pari passu*; or (b) the purchase or redemption by the Company of any of its own shares.
- (b) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, who may allot, grant options over, or otherwise dispose of them to such persons, on such terms and conditions, and at such times as they determine.
- (c) The Company may also pay such brokerages and/or commissions provided that the rate or amount of commission shall be fixed by the Board and disclosed in accordance with the Law.
- (d) The Company shall not be affected or bound by or compelled in any way to recognise any equitable contingent future or partial interest in any share except an absolute right to the entirety of a share.

5.3 *Power to require disclosure*

- (a) The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors shall determine.
- (b) If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may at any time thereafter serve a direction notice on the member. The direction notice may direct that in respect of the shares in relation to which the default has occurred (the “default shares”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered unless the member is not himself in default in supplying the information and when presented for registration the transfer is accompanied by a certificate stating that the member is satisfied that no person in default is interested in any shares the subject of the transfer.

5.4 *Transfer of and transmission of shares*

- (a) Subject to the Law, the Board may issue shares as certificated shares and/or as uncertificated shares in its absolute discretion.
- (b) The Articles are consistent with CREST membership and, *inter alia*, allow for shares to be admitted to settlement by means of the CREST UK system.
- (c) Any member may transfer all or any of his certificated shares by instrument of transfer in any form which the Board may approve. The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor.
- (d) The Board may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to prove the title of the transferor and the due execution by him of the transfer.
- (e) The Directors may refuse to register a transfer of any certificated or uncertificated share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis on the London Stock Exchange.
- (f) The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any one year except that, in respect of any shares which are participating securities, the register shall not be closed without the consent of CRESTCo.

5.5 *Alteration of capital*

- (a) The Company may by ordinary resolution increase the share capital by such sum to be divided into shares of such amount as the resolution prescribes.
- (b) The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.
- (c) The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the Memorandum; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; convert all or any fully-paid up shares into stock and reconvert that stock into paid up shares of any denomination; and convert its fully paid shares expressed in one currency into fully paid shares of a nominal amount of a different currency.
- (d) The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner permitted by the Law.

5.6 *General Meetings*

- (a) Not less than 14 days notice specifying the time and place of any general meeting and specifying also in the case of any special business the general nature of the business to be transacted shall be given by notice sent by post to such members as are entitled to receive notices provided that with the consent

in writing of all the members entitled to receive notices of such meeting, a meeting may be convened by a shorter notice or at no notice and in any manner they think fit.

- (b) In every notice there shall appear a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend or vote instead of him and that a proxy need not be a member.
- (c) The accidental omission to give notice of any meeting to or the non-receipt of such notice by any member shall not invalidate any resolution passed or proceeding at any meeting.

5.7 *Powers and duties of the Board*

- (a) Save as mentioned below, a Director may not vote (or be counted in the quorum) on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest in shares or debentures or other securities of the Company).
- (b) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to participate;
 - (iv) a contract, arrangement, transaction or proposal concerning any other company in which he (and any persons connected with him) is interested, directly or indirectly, as an officer, creditor, shareholder or otherwise if he does not to his knowledge hold an interest in shares representing 1 per cent. or more of either a class of the equity share capital (or of any third party company through which his interest is derived) or of the voting rights in the relevant company;
 - (v) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or its subsidiaries which does not award to the Director any privilege or benefit not generally awarded to the employees to which such arrangement relates; and
 - (vi) a contract, arrangement, transaction or proposal for the purchase or maintenance of any insurance policy for the benefit of Directors or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Company or in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

5.8 *Remuneration of Directors*

- (a) The Directors shall be entitled to receive by way of fees for their services such sum as the Board shall determine provided that the aggregate amount of such fees shall not exceed £200,000 in any financial year (or such higher amount as may be determined from time to time by ordinary resolution of the Company). The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body (other than a Director resident in the United Kingdom) to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

5.9 Retirement of Directors

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

5.10 Dividends and distribution of assets on a winding up

- (a) The Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend shall be paid otherwise than out of the profits of the business of the Company.
- (b) The Directors may at any time declare and pay such interim dividends as appear to be justified by the position of the Company.
- (c) No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (d) All unclaimed dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and shall revert to the Company.
- (e) If the Company should be wound up the liquidator may, with the authority of a special resolution, divide amongst the members *in specie* the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

5.11 Borrowing

The Directors may exercise all the powers of the Company to borrow money.

5.12 Life of the Company

At the annual general meeting of the Company to be held following the seventh anniversary of the Company's incorporation an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth annual general meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the Shareholders to reorganise, unitise, reconstruct or wind up the Company.

5.13 Register of Shareholders

The Company shall keep the register at its registered office, in accordance with the Law.

5.14 Share Warrants

The Company may issue warrants which shall entitle the holder to subscribe for the shares specified in it.

6. Overseas Investors

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares and Warrants nor should he in any event acquire, subscribe for or purchase Ordinary Shares and Warrants unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Ordinary Shares and Warrants should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Company is not registered with the US Securities Exchange Commission under the US Investment Companies Act of 1940, as amended (the "1940 Act"). In addition, the Ordinary Shares and Warrants are not registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Ordinary Shares and Warrants may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a "US Person" as defined herein. A "US Person" as used herein means a "US Person" as defined under Regulation S of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the

conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator or trustee. Ordinary Shares and Warrants will be offered or sold within the United States only to Qualified Purchasers, as defined under the 1940 Act.

The Company's Articles contain provisions designed to restrict the holding of Ordinary Shares and Warrants by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, pecuniary, tax or material administrative disadvantage. No ERISA Plan Investor may acquire Ordinary Shares without the Company's prior written consent. Ordinary Shares held by ERISA Plan Investors are subject to provisions requiring a compulsory transfer as set out in the Articles.

7. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- 7.1 An Investment Support Agreement dated 7 March 2006 between the Company, the Investment Consultant and London Asia whereby the Investment Consultant has agreed to provide investment support services to the Company.

The Investment Consultant is entitled to receive from the Company a basic fee together with, where applicable, a performance fee.

Basic fee

The advisory fee is payable to the Investment Consultant at the annual rate of 2.0 per cent. of the Net Asset Value of the Company payable quarterly in advance.

Performance fee

In addition, the Investment Consultant will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per Ordinary Share over the course of a 'performance period'. The first performance period begins on Admission and ends on 31 March 2007; each subsequent performance period is a period of one financial year. The Investment Consultant will become entitled to a performance fee in respect of a performance period only if two conditions are met.

First, a performance hurdle condition must be met. The performance hurdle is that Adjusted NAV per Ordinary Share at the end of the relevant performance period exceeds an amount equal to the Placing Price increased at a rate of 6 (six) per cent. per annum on a compounding basis up to the end of the relevant performance period.

The second condition to be met (a 'high watermark' test) is that the Adjusted NAV per Ordinary Share at the end of the relevant performance period is higher than the highest previously recorded Adjusted NAV per Ordinary Share at the end of a performance period in relation to which a performance fee was last earned (or if no performance fee has been earned since Admission, is higher than the Placing Price).

If the performance hurdle is met, and the high watermark exceeded, the performance fee will be an amount equal to 20 per cent. of the increase in the Adjusted NAV per Ordinary Share multiplied by the time weighted average of the total number of Ordinary Shares in issue in each case since the performance period in respect of which a performance fee was last earned (or since Admission, if no performance fee has yet been earned) (together, if applicable, with an amount equal to the VAT thereon).

The Investment Consultant will not be entitled to such part of any performance fee to which it would otherwise be entitled if such part would cause the performance hurdle or high watermark not to be met.

Performance fees will be accrued on the basis set out above. If the Investment Consultant becomes entitled to a performance fee in respect of a performance period, the Company will only be required to settle such liability to the Investment Consultant in respect of any performance fee earned to the extent that, and only when and if, the Company has realised profit(s) on any investment(s). For the avoidance of doubt, any difference between the Adjusted NAV per Ordinary Share used for calculating whether any performance fee becomes payable and the actual amount of realised profit on any investment shall be ignored for the purpose of determining the amount of any performance fee payable to the Investment Consultant. If the Management Agreement terminates for any reason, the parties will agree the amount of deemed realised profit of the Company's investments for the purposes of determining any performance fee payable to the Investment Consultant at the date of termination. These deemed profit provisions will not apply however where such termination falls within sixty days of the Company entering liquidation. In that circumstance, the values realised on the liquidation will determine the amount of any performance fee payable to the Investment Consultant.

The Investment Consultant's appointment as investment consultant is terminable by either the Company or the Investment Consultant on not less than twelve months' notice, such notice to expire at any time on or after the second anniversary of Admission. The Investment Support Agreement may also be terminated by either the Investment Consultant or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of its obligations under the Investment Support Agreement.

The Company may terminate the Investment Support Agreement by giving the Investment Consultant not less than six months' notice if either Simon Littlewood or Victor Ng resigns as a Director of the Company or ceases to be a director or employee of the Investment Consultant or of London Asia Group or is guilty of misconduct or neglect in the performance of his duties on behalf of the Company.

In addition, the Investment Support Agreement contains an undertaking from the Consultant and London Asia that, without the Company's prior consent (which it may withhold in its absolute discretion), no member of the London Asia Group shall undertake any asset acquisition and/or investment activities involving an investment of £500,000 or more for itself or on behalf of any third party in respect of assets in China which fall within the investment objective and/or policy of the Company as set out in this document without offering the Company a right of first refusal in respect of the same.

The Investment Consultant and London Asia have the benefit of an indemnity from the Company under the terms of the Investment Support Agreement in relation to liabilities incurred by the Investment Consultant or London Asia in the discharge of their duties other than those arising by reason of any fraud, wilful default or negligence on the part of the Investment Consultant or London Asia.

- 7.2 An Administration Agreement dated 7 March 2006 between the Company and the Administrator whereby the Company has appointed the Administrator to provide administrative services to the Company. Under the Administration Agreement the Company has also appointed the Administrator as secretary to the Company. Under the Administration Agreement, the Administrator has the authority to delegate the discharge of certain of its functions thereunder provided that the Administrator remains fully responsible for the acts and omissions of any delegate it shall appoint for such purposes other than a delegate appointed at the request of the Company.

The agreement is terminable on 6 months' notice in writing, such notice to expire at any time on or after 18 months following the date of the agreement, and on shorter notice in the event of breach of contract or insolvency.

The Administrator will be paid an annual fee of 0.1 per cent. per annum (subject to a minimum of £125,000) of the net asset value of the Company together with an amount equal to the long term borrowings invested by the Company. The Company will reimburse the Administrator in respect of reasonable out of pocket expenses properly incurred in the performance of its duties.

The Administrator has the benefit of an indemnity from the Company under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of fraud, wilful default or negligence.

- 7.3 An Offshore Registrar Agreement dated 7 March 2006 between the Company and Capita IRG (CI) Limited (the "Registrar") whereby the Registrar is appointed to act as registrar of the Company. The Registrar shall be entitled to receive a fee from the Company at the basic fee of £2.00 per shareholder account per annum, subject to an annual minimum charge of £5,500, payable quarterly in arrears. Additional fees payable by the Company include, *inter alia*, fees in the sum of £2,500 per annum for maintenance of the register in Guernsey and additional fees for the exercise of Warrants. The Registrar shall also be entitled to reimbursement of all reasonable out of pocket expenses properly incurred on behalf of the Company.

The Offshore Registrar Agreement contains an indemnity in favour of the Registrar against claims by third parties except to the extent that the claim is due to the fraud or negligence or wilful default of the Registrar or its agents, officers or employees. The Offshore Registrar Agreement may be terminated by either party giving to the other not less than three months' written notice expiring on or after the first anniversary of the date of the agreement or otherwise in the event of breach of contract or insolvency.

- 7.4 A Custody Agreement dated 7 March 2006 between the Company and the Collins Stewart (CI) Limited under which the Custodian has agreed to act as custodian of the Company's assets. The Custodian has the benefit of an indemnity from the Company against liabilities arising in the absence of the Custodian's negligence, fraud or wilful default. As remuneration for its services the Custodian shall receive from the Company a fee of 0.05 per cent. per annum of the value of the Company's assets held in the custody of the Custodian, payable quarterly in arrears. The Custodian Agreement is terminable on three months' notice expiring on or after the first anniversary of the agreement.

- 7.5 A Nominated Adviser Agreement dated on or around 7 March 2006 between the Company, the Directors and Collins Stewart under which Collins Stewart has agreed, *inter alia*, to act as the Company's nominated

adviser as required by the AIM Rules. Collins Stewart has agreed to provide such advice and guidance to the Company to ensure compliance by the Company on an on-going basis with the AIM Rules as the Directors may reasonably request from time to time.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable half-yearly in advance. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as Nominated Adviser. This agreement is terminable by either Collins Stewart or the Company on one month's notice, such notice not to expire earlier than the first anniversary of the date of the agreement.

- 7.6 A Nominated Broker Agreement dated 7 March 2006 between the Company, the Directors and Collins Stewart under which Collins Stewart has agreed to act as the Company's broker on an on-going basis.

Collins Stewart will receive an annual fee of £15,000 (plus VAT) for its services, payable half-yearly in advance. The Company has also given certain undertakings and indemnities to Collins Stewart in connection with its appointment as broker. This agreement is terminable by Collins Stewart or the Company on 30 days' notice, such notice not to expire earlier than the first anniversary of the date of the agreement.

- 7.7 A Placing Agreement dated 7 March 2006 between the Company, Collins Stewart, the Investment Consultant, London Asia and the Executive Directors under which Collins Stewart has agreed to use its reasonable endeavours as agent for the Company to procure places at the Placing Price for up to 50,000,000 Placing Shares. In consideration for its services Collins Stewart will be paid by the Company a corporate finance fee of £150,000 and a commission of 3.0 per cent. of the aggregate value at the Placing Price of the Placing Shares, before expenses, issued pursuant to the Placing.

The Placing Agreement contains certain warranties and indemnities given by the Company (which are of a customary nature), the Executive Directors and the Investment Consultant in favour of Collins Stewart. The Placing Agreement may be terminated in certain circumstances prior to Admission including by reason of force majeure.

London Asia has guaranteed the obligations of the Investment Consultant, its wholly owned subsidiary, under the Placing Agreement.

- 7.8 Pursuant to a Warrant Instrument dated 7 March 2006, the Company has created Warrants to subscribe for Ordinary Shares of the Company from time to time. The rights to subscribe for Ordinary Shares are at 120 pence each (subject to adjustment if there is any consolidation or sub-division of shares or a further issue out of reserves), and are exercisable up to 31 March 2011 (or if such date is not a business day, the next following business day). The Warrants are freely transferable and will be listed on AIM.

8. Working Capital

In the Directors' opinion, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements (that is at least twelve months from the date of Admission).

9. Miscellaneous

- 9.1 The Company will be applying to CRESTCo for the Ordinary Shares and Warrants to be admitted to CREST as participating securities. It is expected that the admission of the Ordinary Shares and Warrants to CREST as participating securities will be effective from or soon after Admission. Shareholders who are direct or sponsored members of CRESTCo will be able to dematerialise the Ordinary Shares and Warrants in accordance with the rules and practices instituted by CRESTCo.
- 9.2 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- 9.3 None of the Ordinary Shares and Warrants available under the Placing is being underwritten.
- 9.4 The Company has no subsidiaries.
- 9.5 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 2.1 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 9.6 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.

- 9.7 Assuming the Placing is fully subscribed, the total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing and the other fees payable, including sales commission) are expected to be approximately 3.7 per cent. of the gross amount raised.
- 9.8 The Company is not dependant on any patents or other intellectual property rights or licences.
- 9.9 The Company currently has no significant investments in progress.
- 9.10 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 23 February 2006 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 9.11 The accounting reference date of the Company is 31 March.
- 9.12 The Investment Consultant is London Asia Capital (S) PTE Limited. It is a private limited company incorporated and domiciled in Singapore. It was incorporated on 14 November 2003 and its registered office is at 141 Market Street, #13-00, International Factors Building, Singapore 048944.
- The Investment Consultant is a wholly owned subsidiary of London Asia. London Asia is a public limited company incorporated and domiciled in England and Wales. Its registration number is 03784771. It was incorporated on 9 June 1999 and its registered office is at 140B High Street, Ongar, Essex CM5 9JH.
- Simon Littlewood and Victor Ng are the executive directors of the Company. The Executive Directors are also directors of London Asia and the Investment Consultant. The business address of Simon Littlewood and Victor Ng is 141 Market Street, #12-00, International Factors Building, Singapore 048944.
- 9.13 Collins Stewart, London Asia and Moore Stephens have given and not withdrawn their respective written consents to the inclusion in this document of references to their names in the form and context in which they appear.
- 9.14 The Directors will not make any material change to the investment objective and policy of the Company without the approval of Shareholders by ordinary resolution.
- 9.15 The maximum amounts of fees which are payable by the Company under the Custody Agreement, which are or may be material, are calculated by reference to the location and value of the assets held for safekeeping and the number of transactions undertaken and cannot therefore be quantified.
- 9.16 In compliance with the requirements of the AIM Rules, the Directors undertake to propose a resolution for the winding up of the Company if no investments have been made within two years of Admission.
- 9.17 Moore Stephens have been the only auditors of the Company since its incorporation and are independent.
- 9.18 The ISIN number of Ordinary Shares is GB00B0XF7K04. The SEDOL code of the Ordinary Shares is B0XF7K0.
- 9.19 The ISIN number of the Warrants is GB00B0YZ7Q53. The SEDOL code of the Warrants is B0YZ7Q5.
- 9.21 Other than as provided in the City Code on Takeovers and Mergers there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares. There are no rules or provisions relating to squeeze-out and/or sell-out rules relating to the Ordinary Shares.

10. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Stephenson Harwood, One St Paul's Churchyard, London EC4M 8SH during business hours on any weekday from the date of this document (Saturdays, Sundays and public holidays excepted) until one month from the date of Admission:

- 10.1 the Memorandum and Articles of Association of the Company;
- 10.2 the material contracts referred to in paragraph 7 of this Part VIII;
- 10.3 the Law;
- 10.4 the consent letters referred to in paragraph 9.13 of this Part VIII; and
- 10.5 this document.

Dated: 9 March 2006

PART IX

DIRECTORS AND ADVISERS

Directors

Peter John Manser (*Non-executive Chairman*)
Duncan Anthony Hilder Baxter (*Non-executive Director*)
Christopher Martin Walter Hill (*Non-executive Director*)
Mark Naylor Huntley (*Non-executive Director*)
Simon Littlewood (*Executive Director*)
Victor Fook Ai Ng (*Executive Director*)

all of:

2nd Floor
No. 1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE
Telephone Number: +44 (0)1481 731 987

Company Secretary and Registered Office

Collins Stewart Fund Management Limited
2nd Floor
No.1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE
Telephone Number: +44 (0)1481 731 987

Investment Consultant

London Asia Capital (S) PTE Limited
141 Market Street
#13-00
International Factors Building
Singapore 048944

Financial Adviser, Nominated Adviser and Broker

Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

Guernsey Legal Adviser to the Company

Carey Olsen
7 New Street
St. Peter Port
Guernsey
GY1 4BZ

English Legal Adviser to the Company

Stephenson Harwood
One, St. Paul's Churchyard
London
EC4M 8SH

Auditors

Moore Stephens
Town Mills South
La Rue du Pré
St. Peter Port
Guernsey
GY1 3HZ

Administrator

Collins Stewart Fund Management Limited
2nd Floor
No.1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE

Registrars

Capita IRG (CI) Limited
Landes du Marché Chambers
Vale
Guernsey
GY1 3TY
Telephone Number: 0870 162 3100

Custodian

Collins Stewart (CI) Limited
Landes du Marché Chambers
Vale
Guernsey
GY1 3TY
Telephone Number: 01481 251 515

PART X

DEFINITIONS

“Act”	the Companies Act 1985 (as amended)
“Adjusted NAV per Ordinary Share”	the Net Asset Value at a particular time calculated on a basis that does not recognise any liability of the Company to the Investment Consultant in respect of any performance fee that is, or may become, payable, divided by the number of Ordinary Shares in issue at that time
“Administration Agreement”	the administration agreement dated 7 March 2006 between the Company and the Administrator relating to the services given to the Company, details of which are set out in paragraph 7.2 of Part VIII of this document
“Administrator”	Collins Stewart Fund Management Limited
“Admission”	the admission of the Ordinary Shares and Warrants, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of AIM
“Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company including a duly constituted committee thereof
“China” or “PRC”	Peoples Republic of China
“Collins Stewart”	Collins Stewart Limited, which is authorised and regulated by the FSA, the Company’s nominated adviser and broker
“Combined Code”	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance and published in June 1998
“the Company”	London Asia Chinese Private Equity Fund Limited
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
“Custodian”	Collins Stewart (CI) Limited
“Executive Directors”	Simon Littlewood and Victor Ng
“FSA”	Financial Services Authority

“Investment Consultant”	London Asia Capital (S) PTE Limited
“Investment Support Agreement”	the agreement between the Company, the Investment Consultant and London Asia relating to certain support services to be given to the Company, details of which are set out in paragraph 7.1 of Part VIII of this document
“IPO”	initial public offering
“Law”	the Companies (Guernsey) Law, 1994 (as amended) and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force
“London Stock Exchange”	London Stock Exchange plc
“London Asia”	London Asia Capital plc
“London Asia Group”	London Asia and its subsidiaries and associated companies
“Net Asset Value” and “Net Asset Value per Ordinary Share”	respectively the net asset value of the Company and the net asset value of an Ordinary Share
“Non-Executive Directors”	Duncan Baxter, Christopher Hill, Mark Huntley and John Manser
“Ofex”	an independent trading facility for unquoted and unlisted securities in the UK operating as a prescribed market under Section 118 of the Financial Services & Markets Act 2000
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the share capital of the Company
“Overseas person”	a person who is a citizen of, or a resident in, a jurisdiction outside the United Kingdom
“Placing”	the placing by Collins Stewart of the Placing Shares at the Placing Price and Warrants pursuant to the Placing Agreement and as described in this document
“Placing Agreement”	the conditional agreement dated 7 March 2006 between the Company, London Asia, the Investment Consultant, the Executive Directors and Collins Stewart relating to the Placing, as described in paragraph 7.7 of Part VIII of this document
“Placing Price”	100 pence per Ordinary Share
“Placing Shares”	up to 50,000,000 Ordinary Shares
“Registrar”	Capita IRG (CI) Limited
“Regulatory Information Service”	a service provided by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained at the London Stock Exchange’s website
“Renminbi”	the main currency of the PRC
“Shareholders”	holders of Ordinary Shares
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland

“UK Listing Authority”	The Financial Services Authority acting in its capacity as the competent authority for the purposes of Part 8 of the Financial Services and Markets Act 2000
“US” or “United States”	United States of America, its territories and possessions, any state of the United States and the District of Columbia
“VAT”	value added tax
“Warrants”	warrants to subscribe for Ordinary Shares in the Company to be issued pursuant to the Placing
“Warrantholders”	the holders of Warrants in the Company
“World Trade Organisation”	the World Trade Organisation, the international organisation dealing with the rules of trade between nations.

