

24 June 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
MS. MA ZHENG  
FOR ALL THE ISSUED SHARES IN  
CHINA PRIMARY RESOURCES HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED  
BY MS. MA ZHENG AND PARTIES ACTING IN CONCERT WITH HER)**

**INTRODUCTION**

On 3 June 2011, the Offeror and the Company jointly announced that the Offeror, Vendor A and Vendor B entered into the Share Agreement on 30 May 2011 pursuant to which, Vendor A and Vendor B agreed to sell, and the Offeror agreed to acquire, an aggregate of 1,205,746,949 Shares, representing approximately 49.94% of the entire issued share capital of the Company. The aggregate consideration for the Sale Shares is HK\$48,229,877.96 (equivalent to HK\$0.04 per Sale Share), which was agreed among the parties to the Share Agreement after arm's length negotiations. Completion of the Share Agreement took place on 30 May 2011 immediately after the signing of the Share Agreement and the aggregate consideration of HK\$48,229,877.96 has been paid by the Offeror to Vendor A and Vendor B in cash at Completion.

Immediately before the Completion, the Offeror was interested in 12,150,000 Shares, representing approximately 0.51% of the entire issued share capital of the Company; and the Offeror Group was interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company. As a result of the acquisition of the Sale Shares, the Offeror is interested in a total of 1,217,896,949 Shares, representing approximately 50.44% of the entire issued share capital of the Company; and the Offeror Group is interested in a total of 1,229,296,949 Shares, representing approximately 50.92% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued securities of the Company other than those already owned or agreed to be acquired by the Offeror Group.

This letter sets out details of, among other things, the terms of the Offer, information on the Offeror and the intentions of the Offeror regarding the Group. Further details of the terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

## THE OFFER

Optima Capital, the financial adviser to the Offeror, hereby makes the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

### Principal terms of the Offer

For every Offer Share ..... HK\$0.04 in cash

The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances together with all rights attaching thereto as at the date of Completion, including all rights to any dividend or other distribution declared, made or paid on or after the date of Completion.

As at the Latest Practicable Date, the Company did not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities of the Company.

### Comparison of value

The Offer Price of HK\$0.04 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Share Agreement and represents:

- (i) a discount of approximately 67.21% to the closing price of HK\$0.1220 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 64.79% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.1136 per Share;
- (iii) a discount of approximately 64.82% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK\$0.1137 per Share;
- (iv) a discount of approximately 62.26% to the closing price of HK\$0.1060 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 72.88% to the audited consolidated equity attributable to the Shareholders of approximately HK\$0.1475 per Share as at 31 December 2010, the date to which the latest audited annual results of the Group were made up.

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.1980 per Share on 4 January 2011 and HK\$0.0850 per Share on 9 June 2011 respectively.

### **Value of the Offer**

On the basis of the Offer Price of HK\$0.04 per Offer Share and 2,414,404,920 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company is valued at HK\$96,576,196.80. Excluding 1,229,296,949 Shares held by the Offeror Group upon Completion, 1,185,107,971 Shares will be subject to the Offer and accordingly, the Offer is valued at HK\$47,404,318.84 based on the Offer Price.

### **Financial resources available to the Offeror**

Optima Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptances of the Offer. The Offer will be financed by internal resources of the Offeror.

### **Effects of accepting the Offer**

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them as at the date of Completion, including the right to receive all dividends and distributions declared, made or paid, if any, on or after the date of Completion.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document.

### **Stamp duty**

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares to the Stamp Office in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title and duly completed acceptance(s) are received by the Registrar to render each such acceptance complete and valid pursuant to Note 1 to Rule 30.2 of the Takeovers Code.

### **Dealing and interests in the Company's securities**

Save for the acquisition of the Sale Shares under the Share Agreement and the lapse of 2,898,848 Options held by the Offeror on 17 June 2011 pursuant to the terms of the Share Option Scheme, the Offeror Group has not dealt in any Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. As at the Latest Practicable Date, save for (i) the 11,400,000 Shares held by Vendor A; and (ii) the Sale Shares and the 12,150,000 Shares held by the Offeror, the Offeror Group did not hold, own or control any other Shares, convertible securities, warrants, options or derivatives of the Company.

### **Other arrangements or agreements**

As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer, and there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.

As at the Latest Practicable Date, the Offeror Group had not received any irrevocable commitment to accept or reject the Offer nor had the Offeror Group borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

The Offeror Group has not entered into any contracts in relation to the outstanding derivatives in respect of securities in the Company.

### **Overseas Shareholders**

The making of the Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves of and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting Overseas Shareholders in respect of such jurisdiction. Acceptances of the Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

### **THE OPTIONS**

As at the date of the First Announcement, the Company had 75,080,162 Options outstanding, of which the Offeror Group was interested in 2,898,848 Options which were held by the Offeror.

In accordance with the terms of the Share Option Scheme, the Company had on 3 June 2011 given notice to the Option Holders (other than the Offeror and the parties acting in concert with her), whereupon such holders shall be entitled to exercise the Options in full or in part (to the extent not already exercised) at any time within 14 days after the date of such notice (i.e. any time during the period from 4 June 2011

to 17 June 2011), after which the Options shall lapse according to the terms of the Share Option Scheme. Up to 17 June 2011, none of the Options has been exercised and therefore, all the 75,080,162 Options (including the 2,898,848 Options held by the Offeror) have lapsed according to the terms of the Share Option Scheme. Accordingly, no comparable offer will be made for the Options.

#### **INFORMATION ON THE OFFEROR**

The Offeror is the executive Director and chairman of the Company. She is graduated from Wuhan University (武漢大學) majoring in construction structure engineering. She is currently a general manager of Shenzhen Zhi Xin Da Investment Development Co. Limited (深圳智信達投資發展有限公司) which is a private investment and development company. She is also the sole director of Vendor B. She has over 21 years of extensive experience in international trading, electronic industry and corporation management.

#### **OFFEROR'S INTENTION ON THE GROUP**

The Offeror, being the Chairman and executive Director of the Company, is familiar with the business operations of the Company and the industry in which the Company conducts its business. The Offeror is also optimistic on the prospects of the Company as she expects the financial uncertainty and going concern problems of the Company will be resolved upon the completion of the Deed of Settlement. In view of the above, the Offeror considers the acquisition of the controlling stake in the Company and the Offer to be a good long-term investment opportunity.

It is the intention of the Offeror that the Group will continue its existing principal business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Company or discontinue the employment of the employees of the Group, other than in the ordinary course of business. The Offeror also has no intention to re-deploy the fixed assets of the Group. The Offeror will conduct a more detailed review on the operations of the Group with a view to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the Offeror may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate for the development of the Group. In view of the foresaid, the Offeror is of the view that the Offer is in its long-term commercial interest. As at the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group.

#### **PROPOSED CHANGE OF BOARD COMPOSITION**

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors.

The Offeror does not intend to nominate any new Director to the Board. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and further announcement will be made accordingly.

#### **COMPULSORY ACQUISITION**

The Offeror does not intend to avail any powers of compulsory acquisition of any Shares after the close of the Offer.

## MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, is held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. As at the Latest Practicable Date, the Offeror Group was interested in approximately 50.92% of the issued share capital of the Company. Accordingly, a total of 1,185,107,971 Shares, representing approximately 49.08% of the issued share capital of the Company, were held by the public. The Offeror undertakes to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

## GENERAL

Acceptance of the Offer by the Independent Shareholders will be deemed to constitute a warranty by such person to the Offeror that such Offer Share acquired under the Offer are sold by the Independent Shareholders free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on or after the date of Completion or subsequently becoming attached to it, including, without limitation, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the date of Completion.

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold any Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. The attention of the Independent Shareholders with registered addresses in jurisdiction outside Hong Kong is drawn to the section headed "Overseas Shareholders" in Appendix I to this Composite Document.

## ADDITIONAL INFORMATION

Your attention is drawn to the accompanying Form of Acceptance and the additional information set out in the appendices which form part of this Composite Document. Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee to the Independent Shareholders and the letter from Vinco Capital to the Independent Board Committee in respect of the Offer contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**OPTIMA CAPITAL LIMITED**

  
**Mei H. Leung**  
Chairman