



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.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Offer, and the advice of Vinco Capital to the Independent Board Committee on the Offer.



## THE OFFER

Optima Capital, the financial adviser to the Offeror, is making the Offer, which are 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.

Acceptance of the Offer shall be irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code. The Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

## 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.



## SHAREHOLDING STRUCTURE

Set out below is a table showing the shareholding structure of the Company (i) immediately before the Completion; and (ii) upon Completion and as at the Latest Practicable Date:

	Immediately before the Completion		Upon Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror	12,150,000	0.51	1,217,896,949	50.44
Vendor A (Note 1)	929,527,503	38.50	11,400,000	0.48
Vendor B (Note 2)	287,619,446	11.91	–	–
Subtotal of the Offeror Group	1,229,296,949	50.92	1,229,296,949	50.92
Other public Shareholders	1,185,107,971	49.08	1,185,107,971	49.08
<b>Total</b>	<b>2,414,404,920</b>	<b>100.00</b>	<b>2,414,404,920</b>	<b>100.00</b>

*Notes:*

1. Vendor A is a director of wholly-owned subsidiaries of the Company.
2. Vendor B is beneficially owned as to 37.5% by China Zong Heng Holdings Limited (which in turn is 100% beneficially owned by its sole director, Vendor A), as to 12.5% by the Offeror, as to 27% by Zhong Nan Mining Group Limited (which in turn is 100% beneficially owned by its sole director, Mr. Zhang Lei), as to 13% by Mr. Wu Yong Jin and as to the remaining 10% by Ms. Ma Yi.

## INFORMATION ON THE GROUP

The Group is principally engaged in the production and sale of polyethylene pipes and sale of composite materials.

For the year ended 31 December 2010, the Group recorded audited consolidated loss before taxation from continuing operations of approximately HK\$34.82 million and audited consolidated loss attributable to the Shareholders of approximately HK\$57.17 million. For the year ended 31 December 2009, the Group recorded audited consolidated loss before taxation from continuing operations of approximately HK\$39.48 million and audited consolidated loss attributable to the Shareholders of approximately HK\$864.15 million. The audited equity attributable to the Shareholders as at 31 December 2010 was approximately HK\$356.11 million.



## **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 interests. 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. In the event that any of the aforesaid business opportunities materialise, further announcement will be made by the Company as and when required under the GEM Listing Rules. Your attention is drawn to the section headed "Proposed change of Board composition" in the letter from Optima Capital set out in this Composite Document.

## **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.

## **RECOMMENDATION**

The Independent Board Committee comprising all the non-executive Directors who have no direct or indirect interest in the Offer, namely Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Chung Chin Keung, has been established to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable. The Independent Board Committee has approved the appointment of Vinco Capital as the independent financial adviser which advises the Independent Board Committee in respect of the Offer.



Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 16 to 17 of this Composite Document and the letter of advice from Vinco Capital set out on pages 18 to 30 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

#### ADDITIONAL INFORMATION

Your attention is drawn to the letter from Optima Capital set out in this Composite Document, the accompanying Form of Acceptance and Appendix I to this Composite Document which contain further details of the Offer and the procedures for acceptance in respect of the Offer. Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,  
For and on behalf of the Board  
**China Primary Resources Holdings Limited**

**Wong Pui Yiu**  
*Executive Director*