

24 June 2011

*To the Independent Board Committee of
China Primary Resources Holdings Limited*

Dear Sirs,

**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)**

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document jointly issued by the Offeror and the Company to the Shareholders dated 24 June 2011 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Composite Document unless the context otherwise requires.

On 3 June 2011, the Offeror and the Company jointly announced that, on 30 May 2011, the Offeror (as purchaser) entered into the Share Agreement among Vendor A and Vendor B, 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 (as to 918,127,503 Shares were held by Vendor A and as to 287,619,446 Shares were held by Vendor B), 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). Upon Completion, the aggregate consideration of HK\$48,229,877.96 has been paid by the Offeror to Vendor A and Vendor B in cash.

Immediately before 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. Accordingly, Optima Capital, the financial adviser to the Offeror, will make the Offer, which is unconditional in all respects, on behalf of the Offeror in compliance with the Takeovers Code on the terms for every Offer Share of HK\$0.04 in cash. On the basis of the Offer Price of HK\$0.04 per Offer Share and 1,185,107,971 Shares (which are not owned or have not been agreed to be acquired by the Offeror Group) will be subject to the Offer, the Offer would be valued at HK\$47,404,318.84.

The Independent Board Committee, comprising Mr. Wan Tze Fan Terence, Mr. Liu Weichang and Mr. Chung Chin Keung, all being the independent non-executive Directors who are independent of the Offer, has been formed to advise the Independent Shareholders in respect of the Offer. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offer.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the Company, the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be true and accurate as at the date of the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and recommendations. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror, the terms and conditions of the offer and the offeror's intention regarding the Group). We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinions, we have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consult their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the Offer Period.

This letter is issued for the Independent Board Committee solely in respect of the Offer and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Offer, we have considered the principal factors and reasons set out below:

1. Historical financial performance of the Group

The Group is principally engaged in the production and sale of polyethylene pipes (“PE Pipes”) and sale of composite materials.

Set out below is a summary of the financial information of the Group as extracted from Appendix II to the Composite Document:

	For the year ended 31 December		
	2010 (Audited) <i>HK\$'000</i>	2009 (Audited) <i>HK\$'000</i>	2008 (Audited) <i>HK\$'000</i>
Turnover	157,651	38,712	72,770
Loss before taxation from continuing operations	(34,822)	(39,476)	(76,520)
Loss attributable to Owners of the Company	(57,170)	(864,145)	(1,243,920)
	As at 31 December		
	2010 (Audited) <i>HK\$'000</i>	2009 (Audited) <i>HK\$'000</i>	2008 (Audited) <i>HK\$'000</i>
Net assets value	390,012	408,183	1,183,104
Total assets	761,976	886,049	1,678,232
Total liabilities	(371,964)	(477,866)	(495,128)
Cash and cash equivalents	45,930	76,071	99,361

Audited consolidated results for the year ended 31 December 2008

As disclosed in the annual report of the Company for the year ended 31 December 2008 (the “2008 Annual Report”), the Group recorded a turnover of approximately HK\$72.77 million, representing an increase of approximately 128.65% when compared with the previous year (2007: approximately HK\$31.83 million). Such increase in sale was mainly due to the improvement of the trading and production of PE Pipes and fibre glass reinforced plastic pipes (“FRP Pipes”) and trading of composite materials. In addition, the loss attributable to owners of the Company was approximately HK\$1,243.92 million (2007: profit of approximately HK\$1,115.98 million). According to the 2008 Annual Report, the significant loss in 2008 was mainly attributable to the significant provision for impairment losses on the mining rights and significant share of losses of associates of the Group.

Audited consolidated results for the year ended 31 December 2009

As disclosed in the annual report of the Company for the year ended 31 December 2009 (the “2009 Annual Report”), the Group recorded a turnover of approximately HK\$38.71 million, representing a decrease of approximately 46.80% when compared with the previous year. Such decrease in sale was mainly due to (i) the financial tsunami broke out in the second half of 2008 and the great impact on the worldwide economy was extended to the year of 2009, the unfavourable economic conditions led to the decrease in sale of composite materials which contributed for over 73% of total turnover in the previous period; and (ii) the intention to shift the Group’s resources to the manufacture and sale of PE Pipes and FRP Pipes. As confirmed with the Directors, the intention to the reallocation of resources was attributable to the profit margin generated from the manufacture and sale of PE Pipes and FRP Pipes are relatively higher than that from the sale of composite materials. In addition, the loss attributable to owners of the Company was approximately HK\$864.15 million (2008: loss of approximately HK\$1,243.92 million). According to the 2009 Annual Report, the significant loss in 2009 was mainly attributable to the significant impairment loss in the Group’s investments in Xin Shougang Zi Yuan Holdings Limited (“Xin Shougang”), previously an associated company of the Group and was subsequently classified as an available-for-sale investment of the Group as a result of the shareholding was diluted after the injection of additional share capital into Xin Shougang by the controlling shareholder of Xin Shougang. As confirmed by the Directors, under the current economic environment, the Board will continue to adopt stringent cost control and maintain a low and effective overheads structure and prudently utilise the Group’s corporate resources to create wealth for the Shareholders.

Audited consolidated results for the year ended 31 December 2010

As disclosed in the annual report of the Company for the year ended 31 December 2010 (the “2010 Annual Report”), the Group recorded a turnover of approximately HK\$157.65 million, representing an increase of approximately 307.24% over the previous year. Such increase in sale was mainly due to the improved economic conditions and also, upon the disposal of two mining investments, the Group can allocate all its resources from mining sectors to the manufacture and sale of PE Pipes business. In addition, the loss attributable to owners of the Company was approximately HK\$57.17 million (2009: loss of approximately HK\$864.15 million). According to the 2010 Annual Report, the sharp

decrease in loss was mainly attributable to significant decrease in loss for the year from discontinued operations. As confirmed by the Directors, we understood that, under the current economic environment, the Board will continue to adopt stringent cost control and maintain a low and effective overheads structure and prudently utilize the Group's corporate resources to create wealth for the Shareholders.

2. Future prospects of the Group

As set out in the 2010 Annual Report, the Company, Lehman Brothers (as bondholder) and the joint and several liquidators of Lehman Brothers appointed by the order of the Court of First Instance of Hong Kong have signed the Deed of Statement for the redemption of 2007 Bonds. Pursuant to the Deed of Settlement, the Company shall pay to Lehman Brothers a sum of HK\$85 million in November 2010 and transfer all the entire issued share capital of Zhong Ping Resources Holdings Limited, a wholly-owned subsidiary of the Company, to Lehman Brothers or any third party as directed by Lehman Brothers. According to the Deed of Settlement, the completion of the Deed of Settlement should be on or before 31 October 2011 or such later date as may be agreed between the Company and Lehman Brothers (details of which are set out in the Company's announcement dated 27 September 2010 and circular dated 11 October 2010). Upon the completion of the Deed of Settlement, the financial uncertainty and going concern problem of the Company may be resolved. With the anticipated completion of the Deed of Settlement on or before October 2011 and with the continue development of the pipes manufacturing business, the Group is targeting to become one of the largest PE Pipes manufacturers in the market.

The production of the PE Pipes was performing well in the year of 2010. The Board believes that the Group will continue to closely monitor the PE Pipes business and such business will continue to contribute substantial turnover to the Group. In addition, the Group has been building an effective sales team to explore new markets and find more customers for its products.

With reference to the statistics from the National Bureau of Statistics of China, we noted that the PRC recorded gross domestic products of approximately RMB39,783.30 billion, representing a growth of 16.7% over the previous year. Since 2008, the PRC recorded a growth trend in the chemicals industry, indicating an increase of approximately 10.0% recorded in 2008, an increase of approximately 14.6% recorded in 2009 and an increase of approximately 15.5% recorded in 2010. Therefore, we are of the view that both the PRC economy and the chemicals industry in the PRC are growing up and should continue to be prosperous in the near future and such growth and continued prosperity will be beneficial to the future development of the Group.

3. The Offer

Optima Capital, the financial adviser to the Offeror, will make 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 each Offer Share HK\$0.04 in cash

As at the date of the First Announcement, the Company had 75,080,162 Options outstanding, of which the Offeror Group held 2,898,848 Options. In accordance with the terms of the Share Option Scheme, the Company has 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 have been exercised and therefore, all the remaining 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.

As at the Latest Practicable Date, the Company does 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.

4. Comparisons of value

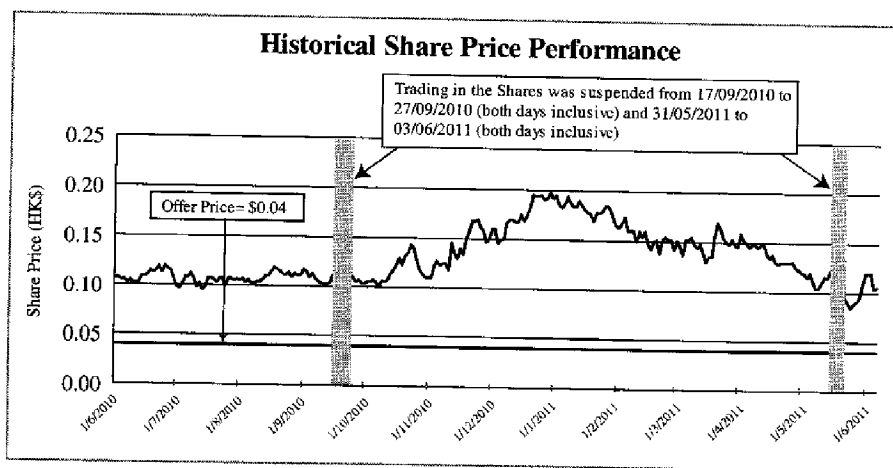
The Offer Price of HK\$0.04 for each Offer Share is the same as the price per Sale Share paid by the Offeror under the Share Agreement and represents:

- (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 ten 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 as at the Latest Practicable Date;
- (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; and
- (vi) a discount of approximately 75.23% to the audited consolidated net assets value per Share (based on the net assets value of HK\$390.01 million over 2,414,404,920 issued Shares as at 31 December 2010) of approximately HK\$0.1615 as at 31 December 2010.

Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the “Letter from Optima Capital” contained in and Appendix I to the Composite Document.

5. Historical price performance of the Shares

The chart below illustrates the closing price levels of the Shares as quoted on the Stock Exchange during the twelve-month period preceding the date of the Share Agreement, being the Last Trading Day, up to and including the Latest Practicable Date (the “Review Period”).



Source: The Stock Exchange

As shown in the chart above, the prices of the Shares were closed above the Offer Price at all time during the Review Period. The highest and lowest closing prices during the Review Period were HK\$0.198 per Share recorded on 4 January 2011 and HK\$0.085 per Share recorded on 9 June 2011 respectively. Trading in the Shares was suspended from 17 September 2010 to 27 September 2010 (both days inclusive) pending the release of an announcement in relation to (i) proposed settlement of the convertible bonds issued by the Company involving a very substantial disposal; and (ii) proposed fund raising exercises involving subscription of new Shares and open offer. After resumption of trading in the Shares, the closing price of Shares started to rise to a highest closing price of HK\$0.198 on 4 January 2011. However, after that, the closing price of Shares was turned to fluctuate in a downward trend and recorded a lowest closing price of Share of HK\$0.085 per Share on 9 June 2011. For the period of 31 May 2011 to 3 June 2011, the trading in the Shares was suspended pending the release of an announcement in relation to the Offer and was resumed on 7 June 2011.

Given that the Offer Price of HK\$0.04 represents a discount of approximately 67.21% to the closing price of HK\$0.1220 per Share on the Last Trading Day and a discount of approximately 62.26% to the closing price of the Shares of HK\$0.1060 on the Latest Practicable Date, we are of the view that the Offer Price is not attractive to the Independent Shareholders.

Independent Shareholders should note that although the Offer Price represents a discount of approximately 67.21% to the closing price of HK\$0.1220 per Share on the Last Trading Day, there is no assurance that the trading price of the Shares will continue to sustain at high level and be significantly higher than the Offer Price during the Offer Period. Independent Shareholders should be reminded to closely monitor the market price of the Shares during the Offer Period.

6. Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares during the Review Period, and the percentage as represented by such average daily trading volume to the total number of Shares in issue and to the total number of Shares held by the Independent Shareholders.

	Total trading volume of the Shares in each month	No. of trading days	Number of trading days in which trading volume is nil.	Lowest Daily Trading Volume	Highest Daily Trading Volume	Average daily trading volume of the Shares in each month	Average daily trading volume of the Shares in each month to the total number of Shares in issue	Average daily trading volume of the Shares in each month to the total number of Shares held by the Independent Shareholders as at Latest Practicable Date
2010								
Jun	14,891,500	21	1	0	4,140,000	709,119	0.03%	0.06%
Jul	15,399,500	21	3	0	4,440,000	733,310	0.03%	0.06%
Aug	19,794,043	22	1	0	4,125,124	899,729	0.04%	0.08%
Sept (Note 1)	37,294,479	15	0	20,000	6,783,000	2,486,299	0.10%	0.21%
Oct	78,276,163	20	0	34,500	12,779,533	3,913,808	0.16%	0.33%
Nov	191,389,684	22	0	1,025,930	23,154,490	8,699,531	0.36%	0.73%
Dec	118,265,481	22	2	0	26,480,000	5,375,704	0.22%	0.45%
2011								
Jan	45,213,465	21	0	19,000	13,555,000	2,153,022	0.09%	0.18%
Feb	12,655,000	18	0	6,000	2,011,000	703,056	0.03%	0.06%
Mar	130,199,022	23	1	0	66,044,000	5,660,827	0.23%	0.48%
Apr	47,521,371	18	0	4,500	36,709,000	2,640,076	0.11%	0.22%
May (Note 2)	26,131,947	19	0	2,000	6,745,000	1,375,366	0.06%	0.12%
June	47,712,677	12	1	0	11,340,000	3,976,056	0.16%	0.34%

Source: The Stock Exchange

Notes:

- The trading in the Shares was suspended from 17 September 2010 to 27 September 2010 (both days inclusive).
- The trading in the Shares was suspended from 31 May 2011 to 3 June 2011 (both days inclusive).

During the Review Period, no trading in the Shares was recorded on 9 trading days (out of 254 trading days) on the Stock Exchange. The above table illustrated that the average daily trading volumes of the Shares per month were very thin during the Review Period. During the Review Period, the highest average daily trading volume amounted to approximately 8,699,531 Shares in November 2010, representing approximately 0.36% of the total number of Shares in issue and approximately 0.73% of the total number of Shares held by the Independent Shareholders and the lowest average daily trading volume amounted to approximately 703,056 Shares in February 2011, representing approximately 0.03% of the total number of Shares in issue and approximately 0.06% of the total number of Shares held by the Independent Shareholders. The trading volume of the Shares on the Latest Practicable Date amounted to 1,545,000 Shares, representing approximately 0.06% of the total number of Shares in issue and approximately 0.13% of the total number of Shares held by the Independent Shareholders.

Given the trading in the Shares was rather illiquid during the Review Period, the Independent Shareholders should note that if they wish to realise their investments in the Company, especially those with large block of Shares, they might not be able to dispose the Shares in the market without having an adverse impact on the market price of the Shares. Nevertheless, Independent Shareholders who intend to dispose part or all of their shareholdings should closely monitor the market price and the liquidity of the Shares in the open market.

7. Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, it is a general practice to apply commonly used benchmarks for evaluating the value of companies. We have considered applying the price-to-earnings approach, the price-to-dividends approach and the price-to-book approach in the evaluation of the Company.

Price-to-earnings approach

As set out in the 2010 Annual Report, the Group has been in a loss making position for the year ended 31 December 2010 and did not record any net profit attributable to Shareholders nor earnings before interest, tax, depreciation and amortisation of the Company for the year. Accordingly, it would not be feasible and meaningful to assess the Offer Price using the price-to-earnings approach.

Price-to-dividends approach

The Group had not declared any dividends for its ordinary shares for the three financial years ended 31 December 2010. In addition, given the loss making position of the Group, the ability of the Company to distribute any future dividend is uncertain. As such, it is not applicable to evaluate the Offer Price on a dividend yield basis.

Price-to-book approach

We have researched for companies listed on the Main Board and GEM of the Stock Exchange and have identified six comparable companies which are principally engaged in business similar to that of the Company (i.e. principally engaged in the production and sale of PE Pipes and sale of composite materials) (the “Comparables”). We considered the list to be exhaustive. Shareholders should note that the business, operation and prospect of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into business and operations of the Comparables. Thus, the Comparables are only considered to be one of the factors in assessing the fairness and reasonableness of the Offer Price. Our relevant finding is summarised in the table below.

Stock code	Name of companies	Approximate net asset values <i>HK\$ million</i>	Approximate market capitalisation <i>HK\$ million</i>	Share price <i>HK\$</i>	Price-to-book ratio (the “PBR”) <i>Times</i>
362	China Zenith Chemical Group Ltd.	3,019.62	695.67	0.11	0.23
380	China Pipe Group Ltd.	275.29	479.98	0.04	1.74
718	Bestway International Holdings Ltd.	763.43	323.36	0.10	0.42
1033	Sinopec Yizheng Chemical Fibre Co. Ltd. – H Shares	8,143.71 <i>(Note)</i>	11,320.00 <i>(Note)</i>	2.83	1.39
1047	Ngai Hing Hong Co. Ltd.	423.43	191.98	0.52	0.45
2128	China Liansu Group Holdings Ltd.	4,004.45 <i>(Note)</i>	19,710.00 <i>(Note)</i>	6.57	4.92
	Maximum				4.92
	Minimum				0.23
	Average				1.53
	The Company (<i>based on the Offer Price</i>)	390.01	96.58	0.04	0.25

Source: The Stock Exchange

Note: The amounts are denominated in Renminbi.

The PBR of the Comparables ranged between 0.23 times to 4.92 times and the average PBR of the Comparables is approximately 1.53 times. The implied PBR of the Offer, calculated by the Offer Price over the audited net asset value of the Group as at 31 December 2010, was approximately 0.25 times, which closes to the lower end of the range of the PBR of the Comparables but below the average PBR of the Comparables. Having considered the above and the Offer Price is lower than the closing prices of the Share during all time of the Review Period, we are of the view that the implied PBR of the Offer is not attractive.

8. Background of the Offeror and its intention regarding the future of the Group

i. Background of 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.

ii. Intention of the Offeror regarding the future of 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.

As stated in the “Letter from Optima Capital” in the Composite Document, the Offeror is intended to continue the Group’s 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 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.

D. RECOMMENDATION

Taking into consideration the abovementioned factors and reasons for the Offer, including:

- (i) the Offer Price represents a discount to the closing price of the Shares on the Last Trading Day, the average closing prices of the Shares for five consecutive days and ten consecutive days up to and including the Last Trading Day and the Latest Practicable Date;
- (ii) the implied PBR of the Offer is close to the lower end of that of the Comparables and below the average PBR of the Comparables; and
- (iii) the Offer Price represents a discount of approximately 75.23% to the audited consolidated net assets value per Share of approximately HK\$0.1615 as at 31 December 2010,

we are of the view that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned, and accordingly recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price will or will not sustain and will or will not be higher than the Offer Price during and after the Offer Period. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

The Independent Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives. The Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the form of acceptance, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited



Alister Chung
Managing Director