

27 October 2017

*To Shareholders and Optionholders*

Dear Sir or Madam,

## 1. INTRODUCTION

Reference is made to the Announcement pursuant to which the Offeror and the Company jointly announced on 14 September 2017 that ABCI would, on behalf of the Offeror, make the following voluntary conditional cash offers:

- (i) The Share Offer: to acquire all of the outstanding Shares in the issued share capital of the Company (other than those already owned by the Offeror and its Concert Parties) at HK\$0.90 per Share; and
- (ii) The Option Offer: to cancel all of the outstanding Options of the Company at HK\$0.01 per Option with exercise price at HK\$1.78 per Option and HK\$0.03 per Option with exercise price at HK\$0.06 per Option.

This letter forms part of this Composite Document and sets out, amongst other things, certain background information of the Offeror, details of the Offers, the reasons for making the Offers and the intentions of the Offeror in relation to the Group. Further details on the terms of the Offers are set out in Appendix I — “Further Terms of the Offers” to the Composite Document and in the accompanying Forms of Acceptance.

Your attention is further drawn to the “Letter from the Board” on pages 21 to 26, the “Letter from the Independent Board Committee” on pages 27 to 28 and the “Letter from Optima Capital” on pages 29 to 52 in this Composite Document.

## 2. THE SHARE OFFER

As at the Latest Practicable Date, there are 2,220,080,000 Shares in issue. Subject to the Conditions, the Share Offer will be made by ABCI on behalf of the Offeror on the following basis:

- (1) Shareholders accepting the Share Offer will receive the Share Offer Price of HK\$0.90 in cash.

- (2) The Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Closing Date or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

### The Share Offer Price

#### *Comparisons of value*

The Share Offer Price of HK\$0.90 per Share:

- (1) is equal to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) represents a premium of approximately 12.50% over the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (3) represents a premium of approximately 11.66% over the average closing price of approximately HK\$0.806 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Date;
- (4) represents a premium of approximately 10.29% over the average closing price of approximately HK\$0.816 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Date;
- (5) represents a premium of approximately 8.43% over the average closing price of approximately HK\$0.830 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Date;
- (6) represents a premium of approximately 19.05% over the average closing price of approximately HK\$0.756 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Date;
- (7) represents a discount of approximately 55.51% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$2.023 as at 31 December 2016; and
- (8) represents a discount of approximately 57.08% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$2.097 as at 30 June 2017.

For the purpose of item (7) above, the exchange rate between HK\$ and RMB is HK\$1 = RMB0.89451 as at 31 December 2016 and for the purpose of item (8) above, the exchange rate between HK\$ and RMB is HK\$1 = RMB0.86792 as at 30 June 2017.

#### *Highest and Lowest Share Prices*

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.97 on 17 March 2017 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.63 on 25 May 2017 and 26 May 2017, respectively.

### **3. THE OPTION OFFER**

As at the Latest Practicable Date, there are outstanding Options in respect of 41,117,000 Shares. The respective exercise price and exercise period of the Options are as follows:

Exercise price (HK\$ per Share)	Exercise period	Number of outstanding Options as at the Latest Practicable Date
1.78	from 19 August 2014 to 18 August 2019	22,147,000
0.60	from 1 January 2017 to 31 December 2017	18,970,000

All Options were granted under the Old Share Option Scheme and are vested and exercisable. As at the Latest Practicable Date, there are no outstanding Share Options under the New Share Option Scheme.

#### **Option Offer**

Under the Option Offer, appropriate offers will be made by ABCI on behalf of the Offeror to Independent Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Options (whether vested or not) in exchange for cash:

(A) In respect of Options with an exercise price of HK\$1.78:

For cancellation of each such Option . . . . . HK\$0.01 in cash

(B) In respect of Options with an exercise price of HK\$0.60:

For cancellation of each such Option . . . . . HK\$0.30 in cash

**The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.**

Following acceptance of the Option Offer, the relevant Options together with all rights attaching thereto will be entirely cancelled and renounced on the Closing Date.

#### 4. VALUE OF THE OFFERS

As at the Latest Practicable Date, there are 2,220,080,000 Shares in issue. Save for 788,990,000 Shares that are already owned by the Offeror and its Concert Parties, a total of 1,431,090,000 Shares will be subject to the Share Offer.

As at the Latest Practicable Date, there are a total of 22,147,000 and 18,970,000 Options outstanding at exercise price of HK\$1.78 and HK\$0.60, respectively, entitling the Optionholders to subscribe for Shares pursuant to the Old Share Option Scheme. In the event all of the outstanding Options (i.e. Options with exercise price lower than the Share Offer Price), other than those held by Mr. Zhu Zefeng and Mr. Zhu Xiaokun exercisable into a total of 3,200,000 Shares, are exercised in full by the Optionholders prior to the Closing Date, the Company will have to issue 37,917,000 new Shares, representing approximately 1.68% of the enlarged issued share capital of the Company.

Based on the Share Offer Price of HK\$0.90 per Share and 1,431,090,000 outstanding Shares not held or agreed to be acquired by the Offeror and its Concert Parties:

- (a) Assuming no outstanding Options are exercised and the Share Offer and the Option Offer are accepted in full:
  - (i) the value of the Share Offer will be approximately HK\$1,287,981,000; and
  - (ii) the total amount to satisfy the cancellation of all outstanding Options will be approximately HK\$5,097,470.
- (b) Assuming all outstanding Options (other than those held by Mr. Zhu Xiaokun and Mr. Zhu Zefeng) are exercised in full and the Share Offer is accepted in full (including all Shares issued and allotted as a result of the exercise of the Options):
  - (i) the value of the Share Offer will be approximately HK\$1,322,106,300; and
  - (ii) no amount will be payable by the Offeror under the Option Offer.

The Share Offer Price has been determined on a commercial basis after taking into account (i) the closing prices of the Shares traded on the Stock Exchange; and (ii) with reference to other voluntary general offers in Hong Kong in recent years.

#### Settlement of Consideration

Settlement of consideration in respect of acceptances of the Offers will be made as soon as possible but in any event within seven Business Days of the date of receipt by the Registrar of a complete and valid acceptance in respect of the Offers or of the Unconditional Date, whichever is the later.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder or Optionholder (as the case may be) who accepts the Share Offer or the Option Offer (as the case may be) will be rounded up to the nearest cent.

#### **Financing for the Offers**

The Offeror intends to finance the consideration payable by the Offeror under the Offers partially by deposit available at Agricultural Bank of China Ltd, Hong Kong Branch and partially from external financing granted by ABCI Securities Company Limited to the Offeror. As security for the external financing granted by ABCI Securities Company Limited to the Offeror, each of THCL, SPHK and the Offeror has provided the Share Charges in favour of ABCI Securities Company Limited and Mr. Zhu Zefeng has provided the Share Mortgage and the Assignment of Shareholder Loan in favour of ABCI Securities Company Limited. The Offeror does not intend that the payment of interest on, repayment of or security for the external financing (contingent or otherwise) will depend to any significant extent on the business of the Company.

ABCI has been appointed as the financial adviser to the Offeror in respect of the Offers. ABCI is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offers.

#### **Others**

Save as disclosed in the sections headed “The Share Offer” and “The Option Offer” in this “Letter from ABCI”, there are no other outstanding Shares, Options, warrants, derivatives or other securities that are convertible or exchangeable into Shares or other types of securities in the Company.

### **5. CONDITIONS TO THE OFFERS**

The Share Offer is subject to the following Conditions:

- (a) valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) in respect of such number of Shares which will result in the Offeror and persons acting in concert with it holding at least 50% of the voting rights in the Company;
- (b) the Shares remaining listed and traded on the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading of the Shares as a result of the Offers and no indication being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either of the Offers or anything done or caused by or on behalf of the Offeror or its Concert Parties;

- (c) no event having occurred which would make the Offers or the acquisition of any of the Shares under the Share Offer void, unenforceable, illegal or prohibit the implementation of the Offers; and
- (d) no Relevant Authority(ies) in the PRC, Hong Kong, the Cayman Islands and the British Virgin Islands having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Shares under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to, the Offers or the transactions contemplated under the Irrevocable Undertaking (other than such items or events above as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers).

#### **Waiver of Conditions**

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above in the section headed “Conditions to the Share Offer” of this letter save that Conditions (a) and (c) cannot be waived. The Offeror understands that it does not require approval from any Relevant Authority as a condition to the making of the Offers.

#### **Invoking Conditions**

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror should not invoke any of the Conditions so as to cause the Offers to lapse unless the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Offers.

#### **Condition of the Option Offer**

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

#### **The Share Offer Becoming Unconditional**

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Share Offer becomes or is declared unconditional as to acceptances and when the Share Offer becomes or is declared unconditional in all respects.

The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional. Shareholders and Optionholders are reminded that the Offeror does not have any obligation to keep the Offers open for acceptance beyond this minimum 14-day period.

**WARNING: Shareholders, Optionholders and potential investors should be aware that the Share Offer is subject to the satisfaction or waiver (where applicable) of the Conditions, and the Option Offer is subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects. Accordingly, the Offers may or may not become unconditional. Shareholders, Optionholders and potential investors should therefore exercise caution when dealing in the Shares, exercising the Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **6. REASONS FOR AND BENEFITS OF THE SHARE OFFER**

The Share Offer allows Mr. Zhu Zefeng to increase his direct investment in the Company via the Offeror and becomes a substantial shareholder of the Company.

The Offeror takes the view that the trading price and trading volume of the Shares have not been satisfactory. As set out in the section headed “The Share Offer — The Share Offer Price” of the “Letter from ABCI” in this Composite Document, during the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.97 on 17 March 2017, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.63 on 25 and 26 May 2017. The average closing price for the 90 trading days up to and including the Last Trading Date was approximately HK\$0.756 per Share. The average daily trading volume of the Shares for the 6-months period, 12-month period and for the 24-month period up to and including the Last Trading Date were approximately 2.26 million Shares, 2.59 million Shares and 2.97 million Shares per day, representing only approximately 0.10%, 0.12% and 0.13% respectively of the issued Shares as at the Latest Practicable Date. The low trading liquidity of the Shares could make it difficult for Shareholders to divest scalable on-market disposals without adversely affecting the price of the Shares.

As such, the Share Offer presents an immediate opportunity for Independent Shareholders to realise their investments in the Shares for cash and redeploy the cash received from accepting the Share Offer into other investment opportunities.

## **7. MAINTAINING THE LISTING/PUBLIC FLOAT**

The Stock Exchange has stated that if, at the close of the Share Offer, less than 25% of the issued Shares are 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 the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror has no intention to privatize the Company and intends the Company to remain listed on the Main Board of the Stock Exchange after close of the Offers. The sole director of the Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float will exist in the Shares after the close of the Offers.

## 8. INFORMATION OF THE OFFEROR

### Incorporation

The Offeror was incorporated on 2 June 2017 in the Cayman Islands. It was set up by Mr. Zhu Zefeng, the chief investment officer of the Group. Mr. Zhu Zefeng, aged 35, joined the Group in January 2016 and was appointed the chief investment officer of the Group in January 2017. He is responsible for screening and recommending investment opportunities to the board of directors of the Company, including the expansion opportunities to the emerging New Material\* industry. He is also responsible for the post-investment integration process. Mr. Zhu has spear-headed various strategic downstream investment of the Group as well as the further expansion of distribution network to cover the rest of the market, including Southern China, South America and South East Asia. Prior to joining the Group, he worked for a Canadian cutting tool manufacturer & distributor for machining ferrous, non-ferrous, composite, fiberglass, and carbon fiber materials, as an operation manager, with over 7 years of experience in overlooking and integration of upstream and downstream operation of its special steel business. Mr. Zhu Zefeng is a holder of Options exercisable into 500,000 Shares.

\* *New Material is defined in the "Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic of China", as new materials with excellent performance and special features, or modified traditional materials with significantly improvement in the performance and equipped with new function. The Group's titanium and titanium alloy products are included as "New Material" under this definition.*

Mr. Zhu Zefeng is the son of Mr. Zhu Xiaokun, the chairman of the Company (who is beneficially interested in 1,600,000 and deemed interested in 787,390,000 Shares, representing approximately 35.467% of the total issued share capital of the Company, through his interests in THCL and SPHK and a holder of Options exercisable into 2,700,000 Shares) and the controlling shareholder of the Company.

Mr. Zhu Zefeng, Mr. Zhu Xiaokun, Ms. Yu Yumei, THCL and SPHK are Concert Parties of the Offeror, together hold 788,990,000 Shares, representing approximately 35.539% of the total issued share capital of the Company. Assuming the Share Offer becomes unconditional in all respects, the Offeror will be a substantial shareholder of the Company upon close of the Offers.

The Offeror has not carried out any business since incorporation, other than matters in connection with the Offers.

The Offeror will not engage in any business other than holding the Shares.



## 9. SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date, (ii) the maximum shareholding of the Offeror as at Closing Date (assuming no outstanding Option have been exercised and the Company maintains a public float of 25%) and (iii) the maximum shareholding of the Offeror as at Closing Date (assuming all Options (other than those held by Mr. Zhu Xiaokun and Mr. Zhu Zefeng) exercised and the Company maintains a public float of 25%):

	As at the Latest Practicable Date		As at Closing Date (assuming no Options exercised and the Company maintains a public float of 25%)		As at Closing Date (assuming all Options (other than those held by Mr. Zhu Zefeng and Mr. Zhu Xiaokun) exercised and the Company maintains a public float of 25%)	
	Shares	%	Shares	%	Shares	%
Offeror	0	0.000	876,070,000	39.461	904,507,750	40.058
<b>Concert Parties</b>						
Mr. Zhu Zefeng <sup>(1)</sup>	0	0.000	0	0.000	0	0.000
THCL <sup>(2)</sup>	743,458,000	33.488	743,458,000	33.488	743,458,000	32.918
SPHK <sup>(3)</sup>	43,932,000	1.979	43,932,000	1.979	43,932,000	1.945
Mr. Zhu Xiaokun <sup>(4)</sup>	1,600,000	0.072	1,600,000	0.072	1,600,000	0.071
Ms. Yu Yumei <sup>(2)</sup>	0	0.000	0	0.000	0	0.000
<b>Aggregate number of Shares held by Offeror and Concert Parties</b>	<b>788,990,000</b>	<b>35.539</b>	<b>1,665,060,000</b>	<b>75.000</b>	<b>1,693,497,750</b>	<b>75.000</b>
Other Directors of the Company <sup>(5)</sup>	0	0.000	0	0.000	0	0.000
Other Shareholders	<u>1,431,090,000</u>	<u>64.461</u>	<u>555,020,000</u>	<u>25.000</u>	<u>564,499,250</u>	<u>25.000</u>
<b>Total</b>	<b><u>2,220,080,000</u></b>	<b><u>100.000</u></b>	<b><u>2,220,080,000</u></b>	<b><u>100.000</u></b>	<b><u>2,257,997,000</u></b>	<b><u>100.000</u></b>

Notes:

- (1) Mr. Zhu Zefeng, the sole shareholder of the Offeror, holds Options granted under the Old Share Option Scheme exercisable into 500,000 Shares at an exercise price of HK\$0.60 with an exercise period expiring on 31 December 2017.
- (2) THCL is beneficially owned as to 89.02% and 10.98% by Mr. Zhu Xiaokun and Ms. Yu Yumei, respectively. Mr. Zhu Xiaokun and Ms. Yu Yumei are parents of Mr. Zhu Zefeng. THCL's shareholding set out in this table does not include the 50,000,000 Shares which THCL lent to an independent third party in December 2013, which were due but have not been returned.
- (3) SPHK is wholly and beneficially owned by Mr. Zhu Xiaokun.
- (4) Mr. Zhu Xiaokun holds Options granted under the Old Share Option Scheme exercisable into 2,700,000 Shares, of which Options for 500,000 Shares are at an exercise price of HK\$1.78 with an exercise period expiring on 18 August 2019 and Options for 2,200,000 Shares are at an exercise price of HK\$0.60 with an exercise period expiring on 31 December 2017.

- (5) Other Directors of the Company hold Options granted under the Old Share Option Scheme exercisable into a total of 3,067,000 Shares, of which Options for 1,467,000 Shares are at an exercise price of HK\$1.78 with an exercise period expiring on 18 August 2019 and Options for 1,600,000 Shares are at an exercise price of HK\$0.60 with an exercise period expiring on 31 December 2017.

## **10. INFORMATION ON THE GROUP**

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares have been listed on the main board of the Stock Exchange since 26 July 2007. The Group is principally engaged in the production and sales of die steel, high speed steel, cutting tools and titanium alloy.

## **11. INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP**

The Offeror intends that the Group will continue to operate its business in substantially its current state. Upon close of the Offers, the Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of formulating a sustainable business plan or strategy for the Group's long term development. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity has been identified nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and the Offeror has no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

The Board will cooperate with and provide support to the Offeror as regards the Offeror's intention regarding the Group and will continue to act in the best interests of the Group and the Shareholders as a whole.

## **12. PROPOSED CHANGES TO THE COMPOSITION OF THE BOARD AND THE COMPANY'S MANAGEMENT TEAM POST-COMPLETION**

As at the Latest Practicable Date, the Offeror has not decided on the future composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the articles of association of the Company and further announcement will be made by the Company as and when appropriate.

## **13. GENERAL MATTERS RELATING TO THE OFFERS**

### **Further Terms of the Offers**

In addition to the Conditions set out in this letter, the Share Offer is made on the basis that acceptance of the Share Offer by any person will constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Share Offer

are sold by such person or persons free from all third party rights, liens, charges, equities, adverse interests and encumbrances whatsoever and together with all rights attaching thereto as at the Closing Date or subsequently becoming attached to them, including the right to receive all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the Closing Date. In addition, the Option Offer will be subject to and conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Offers will be made in compliance with the Takeovers Code which is administered by the Executive. Sellers' ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Accepting Shareholder at the rate of HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable by the Offeror for such person's Shares and will be deducted from the cash amount due to such Accepting Shareholder. The Offeror will pay the buyer's ad valorem stamp duty in relation to the Share Offer on its own behalf. No stamp duty is payable in connection with the Option Offer.

#### **Availability of the Offers**

The Offeror intends to make the Share Offer and Option Offer available to all Independent Shareholders and Independent Optionholders, respectively, including those who are not resident in Hong Kong. The availability of the Share Offer and Option Offer to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

The Share Offer will be made for the securities of a Cayman Islands company and is subject to Hong Kong disclosure and other procedural requirements, which are different from those of the United States securities laws. In addition, US holders of the Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differs from United States format and style. The Share Offer will be extended into the United States pursuant to the applicable US tender offer rules or certain available exemption therefrom and otherwise in accordance with the requirements of the SFO. Accordingly, the Share Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which differ from those applicable under US tender offer procedures and law.

The receipt of cash pursuant to the Share Offer by a US holder of Shares may be a taxable transaction for US federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each US holder of Shares is urged to consult his independent professional adviser immediately regarding the tax consequences of acceptance of the Share Offer.

The financial information of the Group included in this Composite Document has been extracted from the audited financial statements of the Group for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 and unaudited financial statements of the Group for the six months ended 30 June 2017 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. Such financial information may not be wholly comparable to financial information of US companies or companies whose financial statements are solely prepared in accordance with Generally Accepted Accounting Principles in the United States.

It may be difficult for US holders of Shares to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of its officers and directors may be residents of a country other than the United States. In addition, most of the assets of the Offeror and the Group are located outside the United States. US holders of Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the securities laws of the United States. Further, it may be difficult for US holders of Shares to effect service of process within the United States upon the Offeror or the Company or their respective officers or directors or to enforce against them a judgment of a US Court predicated upon the federal or state securities laws of the United States.

In accordance with the normal Hong Kong practice and pursuant to Rule 14(e)-5(b) of the US Exchange Act, the Offeror hereby discloses that it or its affiliates or its nominees, or their respective brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Share Offer, before or during the period in which the Share Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Share Offer Price is increased to match any consideration paid in any such purchase or arrangement, if such consideration is higher than the Share Offer Price, if any. Any information about such purchases will be reported to the SFC and will be available on the SFC website at <http://www.sfc.hk/>.

The Offeror will comply with the requirements of the Takeovers Code in respect of overseas Shareholders and overseas Optionholders.

### Further agreements or arrangements

As at the Latest Practicable Date:

- (a) the Offeror and its Concert Parties have not received any irrevocable commitment to accept or reject the Offers;
- (b) save as disclosed in the section headed “Shareholding Structure of the Company” in this letter, the Offeror and its Concert Parties do not own or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (c) there is no outstanding derivative in respect of the securities in the Company which has been entered into by the Offeror or any of its Concert Parties;
- (d) there is 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 Offers;
- (e) there is no agreement or arrangement to which the Offeror or its Concert Parties is a party which relates to circumstances in which the Offeror may or may not invoke or seek to invoke a Condition to the Offers;
- (f) save for the lending of an aggregate of 50,000,000 Shares, representing approximately 2.252% of the total issued share capital of the Company, by THCL to an independent third party on 9 December 2013 which THCL has no knowledge as to whether they have been on-lent or sold and which return was due, there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its Concert Parties have borrowed or lent; and
- (g) none of the Offeror, Mr. Zhu Zefeng, Mr. Zhu Xiaokun, Ms. Yu Yumei and their respective Concert Parties has dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period prior to the date of the Announcement up to the Latest Practicable Date.

### Close of the Offers

The latest time on which the Offeror can declare the Share Offer unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Composite Document (or such later date to which the Executive may consent).

If all the Conditions are satisfied (or, if permissible, waived), Shareholders and Optionholders will be notified by way of an announcement in accordance with the Takeovers Code and the Listing Rules as soon as practicable thereafter.

### Acceptance of the Offers

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

### Additional information

Your attention is drawn to the “Letter from the Board” on pages 21 to 26 of this Composite Document, the “Letter from the Independent Board Committee” on pages 27 to 28 of this Composite Document and the “Letter from Optima Capital” on pages 29 to 52 of this Composite Document in relation to their respective recommendations and advice with respect to the Offers.

Your attention is also drawn to the additional information set out in the Appendices to this Composite Document, all of which form part of this Composite Document.

Yours faithfully,  
For and on behalf of  
**ABCI Capital Limited**



**Kevin Ma**  
*Head of Investment Banking*  
*Managing Director*



**Marco Wong**  
*Director*