

4 June 2015

To: The Independent Board Committee and the Independent Securities Holders of Enviro Energy International Holdings Limited

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY GET NICE SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES AND THE OUTSTANDING
WARRANTS OF ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL THE OUTSTANDING OPTIONS OF
ENVIRO ENERGY INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Securities Holders in relation to the Offers by Get Nice Securities for and on behalf of the Offeror. Details of the Offers are set out in this Composite Document to the Independent Securities Holders dated 4 June 2015, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

As stated in the Joint Announcement, on 5 May 2015, the Offeror and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Offeror has agreed to acquire and the Vendors have agreed to sell the Sale Shares, being 2,207,485,423 Shares and the Sale Warrants, exercisable into 596,474,532 Shares, for a total consideration of HK\$240 million. The consideration for the Sale Shares is approximately HK\$239,940,352.54, equivalent to approximately HK\$0.1087 per Sale Share and the consideration for the Sale Warrants is HK\$59,647.46, equivalent to approximately HK\$0.0001 per Sale Warrant. The Sale and Purchase Completion took place on 7 May 2015.

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Immediately following the Sale and Purchase Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 2,207,485,423 Shares, representing approximately 42.12% of the existing issued ordinary share capital of the Company and upon the Sale Warrants Delivery, the Offeror and the parties acting in concert with it will be interested in 596,474,532 Warrants, representing approximately 56.95% of all outstanding Warrants issued by the Company.

As at the Latest Practicable Date, the Company had received exercise notices of 17,928,600 Warrants and 24,149,758 Options, which in aggregate are exercisable into 42,078,358 Shares and are expected to be issued and allotted during the Offer Period.

Pursuant to Rules 26.1, 13.1 and 13.5 of the Takeovers Code, the Offeror is required to make conditional mandatory general offers in cash for all the issued Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it), the Warrant Offer (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) and the Option Offers to the holders of the outstanding Warrants and Options in the period prior to the close of the Offers.

THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen has been established to advise the Independent Securities Holders in connection with the Offers. The Independent Board Committee has approved the appointment of Opus Capital as the Independent Financial Adviser to the Independent Board Committee and the Independent Securities Holders in the same regard.

Interests of the independent non-executive Directors

The personal interest of Mr. David Tsoi represents an interest in 2,128,379 underlying Shares in respect of the Options granted to Mr. David Tsoi.

The personal interest of Mr. Lo Chi Kit represents an interest in 1,560,811 underlying Shares in respect of the Options granted to Mr. Lo Chi Kit. Amongst these Options, Mr. Lo Chi Kit has submitted a notice to the Company on 1 June 2015 to exercise 425,676 Options and the Company is yet to issue the new Shares pursuant to the terms of the Options.

The personal interest of Mr. Tam Hang Chuen represents an interest in 1,500,000 Shares and an interest in 1,151,352 underlying Shares in respect of the Options granted to Mr. Tam Hang Chuen. Amongst these Options, Mr. Tam Hang Chuen has submitted a notice to the Company on 1 June 2015 to exercise 425,676 Options and the Company is yet to issue the new Shares pursuant to the terms of the Options.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Offers, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

BASIS OF OUR ADVICE

In formulating our advice and recommendation, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Composite Document and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Composite Document, the omission of which make any such statement contained in the Composite Document misleading. We have no reason to suspect that any relevant information have been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group and the Offeror.

We have not considered the tax consequences on the Independent Securities Holders of their acceptance or non-acceptance of the Offers since they are particular to their own individual circumstances. In particular, the Independent Securities Holders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regards to the Offers and, if in any doubt, should consult their own professional advisers.

This letter is issued to the Independent Board Committee and the Independent Securities Holders solely in connection for their consideration of the terms of the Offers, 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 purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations on the Offers to the Independent Board Committee and the Independent Securities Holders, we have taken into account the following principal factors and reasons:

Information on the Group

The principal activity of the Company is investment holding. The Group is principally engaged in investment holding, natural resources and information technology related business. The Shares were listed on the Growth Enterprise Market of the Stock Exchange on 6 June 2007 and the listing of the Shares was transferred to the Main Board of the Stock Exchange on 17 December 2010.

The Company indirectly holds approximately 90% equity interest of PT. Bara Hugo Energy (“**BHE**”) which in turn holds 37.5% equity interest of PT. Grasada Multinational (“**GM**”), which holds a mining permit covering the Maros Marble Project in southwestern Sulawesi, Indonesia (the “**GM Quarry**”). BHE also holds warrants in GM which upon exercise will bring its shareholding in GM to 60%. Assuming the full conversion of all outstanding warrants of GM, the Group would hold approximately 54.15% controlling interest of the enlarged capital of GM and have control over the financial and operating decisions of GM. Accordingly, the Group consolidates its interest in GM as a subsidiary. As advised by the Management, the GM Quarry is still at assessment stage and no production activities have commenced on the GM Quarry.

The mining permit for the GM Quarry is due to expire on 22 January 2017 and is renewable for two 10-year periods. The management of BHE is in the process of liaising with the local Indonesian partners of GM, who are responsible for the licensing issues, on extending the permit after its expiry. As advised by the Management, BHE does not foresee any material legal impediment in renewing the mining permit.

The Company also has a co-operation agreement with another Indonesian marble company whereby the Group has been appointed as the general distributor in Indonesia and exclusive distributor overseas for some of its marble products. The Group also has an exclusive right to use cutting and processing facilities as well as a warehouse, all of which located in the Jakarta area.

In addition, the Group has a distribution agreement with a company from the Sultanate of Oman that opened the Mideast marble market to the Company by appointing that company as a distributor of the Group’s Indonesian marble products in Oman and the surrounding region.

The Company recently completed a distribution in specie of its assets and liabilities in the gas exploration in China (the “**Distribution in Specie**”) on 18 February 2015. The Group undertook a restructuring exercise where a private company (the “**Privateco**”) was incorporated as a wholly-owned subsidiary of the Group and the Group transferred all its equity interests in Aces Diamond International Ltd. (“**Aces Diamond**”) and Chavis International Ltd. (“**Chavis**”) to the Privateco (collectively the “**Privateco Group**”).

Both Aces Diamond and Chavis collectively hold approximately 71.61% of the issued common shares and preferred shares in the capital of TerraWest Energy Corp. (“TWE”), and TWE in turn holds a 47% interest in and is the operator in the first and currently the only, foreign-operated coalbed methane production sharing contract (the “PSC”) in the Junggar Basin of Xinjiang in the PRC. China National Petroleum Corporation (“CNPC”) holds the remaining 53% of the PSC. As disclosed in the announcement of the Company dated 28 April 2014 and 7 July 2014, TWE had declared a dispute with CNPC in relation to the PSC and is currently involved in a long-drawn arbitration process (the “Arbitration”) as TWE purportedly terminated the PSC and sought an award of damages from CNPC. Such termination is not effective until it has been ruled by the arbitration tribunal following the hearing. Please refer to the circular to Shareholders dated 12 January 2015 issued by the Company (the “Circular”) for details of the Distribution in Specie.

As disclosed in the Circular, it is the intention that the Privateco Group will not conduct any business other than to be involved in the Arbitration. The Board considered that any public disclosure of information regarding the Arbitration may affect the negotiation and outcome of a possible settlement and the timing of the Arbitration may take a long time, and the existence of an Arbitration within the Group affects the Company’s funding ability on other projects. Accordingly, the Group undertook the distribution of the shares in Privateco to its existing Shareholders.

As advised by the Management, the Arbitration is still on-going. However it should be that any outcome from the Arbitration will no longer have any financial impact on the Group.

Historical financial information on the Group

The table below summaries the Group’s consolidated financial information for the two years ended 31 December 2013 and 2014, as extracted from the annual report for the year ended 31 December 2014 (the “2014 Annual Report”). The discontinued operation represents the gas exploration activities in China pursuant to the Distribution in Specie mentioned above under the heading of “Information on the Group”.

We have assessed two years of financial data rather than a longer period for illustrative purposes as we are of the opinion this is more appropriate since there was a discontinued operation in oil exploration in China which is held by Allied Resources Limited. The gas exploration in China held by Aces Diamond and Chavis was still considered as a continuing operation in the financial year ended 31 December 2012.

Table 1: Highlights of the financial results of the Group

	For the year ended	
	31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,154	1,043
Gross profit	888	403
Profit/(loss) before taxation	16,020	(88,775)
Profit/(loss) for the year from continuing operations	16,020	(88,775)
Profit for the year from discontinued operation	1,227	1,592
Profit/(loss) for the year	17,247	(87,183)
– <i>Equity holders of the Company</i>	20,723	(84,431)
– <i>Non-controlling interests</i>	(3,476)	(2,752)

Source: 2014 Annual Report

The segmental results from the continuing operations and discontinued operation is set out below, as extracted from the 2014 Annual Report:

Table 2: Breakdown of financial results of the Group

	Continuing operations				Discontinued operation	
	Information technology related services in Hong Kong		Marble rock mining and distribution in Indonesia		Gas exploration in China	
	2013	2014	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	96	52	1,058	991	—	—
Gross profit	51	41	837	362	—	—
Segmental results	(2,491)	(2,087)	(7,010)	(4,537)	1,227	1,592

Source: 2014 Annual Report

As stated in the 2014 Annual Report, the Group's revenue recorded approximately HK\$1.0 million for the year ended 31 December 2014 (“**FY2014**”), representing a decrease of approximately 9.6% compared to the financial year ended 31 December 2013 (“**FY2013**”). As advised by the Management, the decrease in revenue was mainly due to limited funding available that restricted the opening of the marble trading business. The PSC project was still in exploration and evaluation phases and did not generate any revenue for the two financial years. Gross profit however recorded a higher decrease of approximately 54.6% from approximately HK\$0.9 million in FY2013 to approximately HK\$0.4 million in FY2014. The Management explained that the significant decrease in gross profit was mainly attributable to competitive pricing in the marble trading business that resulted in a significant drop in gross profit margin and the timing of cost recognition.

The Group recorded a loss before taxation from continuing operations for FY2014 amounting to approximately HK\$88.8 million, as compared to a profit before taxation of approximately HK\$16.0 million for FY2013. Despite the decrease of approximately 19.6% in the administration and operating expenses from approximately HK\$64.1 million in FY2013 to approximately HK\$51.6 million in FY2014 due to a decrease in share-based payment expenses and measures to reduce the operating cash outflows including remuneration of senior management, the significant worsening in the results for FY2014 was also attributable to a fair value loss in the issuance of the Warrants of approximately HK\$38.9 million based on an independent valuation performed by the valuer. The 1,048,063,800 Warrants were issued in conjunction with the open offer exercise completed in November 2014. The profit recorded in FY2013 was mainly attributable to an one-off event from a gain on disposal of its wholly-owned subsidiary, Allied Resources Limited, where the disposal was completed in March 2013.

The Company did not declare any dividend for FY2013 and FY2014.

Financial position of the Group

Set out below is the consolidated statement of financial position of the Group as at 31 December 2013 and 2014, as extracted from the 2014 Annual Report:

Table 3: Financial position of the Group

	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	2,078	1,278
Exploration and evaluation assets	1,205,190	141,070
Available-for-sale investment	377	347
Club memberships	2,700	2,700
Deposit	881	467
	<u>1,211,226</u>	<u>145,862</u>
Current assets		
Inventories	—	1,228
Trade receivables	196	108
Deposits, prepayments and other receivables	4,576	2,271
Financial asset at fair value through profit or loss	900	630
Bank balances and cash	37,493	29,033
	<u>43,165</u>	<u>33,270</u>
Assets of disposal group classified as held for distribution	—	977,157
Total assets	<u>1,254,391</u>	<u>1,156,289</u>
Current liabilities		
Trade and other payables	29,646	23,455
Non-current liabilities		
Deferred tax liabilities	228,428	—
Liabilities of disposal group classified as held for distribution	—	217,572
Total liabilities	<u>258,074</u>	<u>241,027</u>
Capital and reserves		
Share capital	8,734	13,101
Share premium and reserves	677,439	613,541
Equity attributable to equity holders of the Company	686,173	626,642
Non-controlling interests	310,144	288,620
Total Equity	<u>996,317</u>	<u>915,262</u>

Source: 2014 Annual Report

As at 31 December 2014, the assets and liabilities of the disposal group classified as held for distribution amounted to approximately HK\$977.2 million and approximately HK\$217.6 million respectively. This represented the assets and liabilities of Aces Diamond and Chavis to be distributed pursuant to the Distribution in Specie mentioned above in this letter under the heading of “Information on the Group”. These disposal assets were recognised as “Exploration and evaluation assets” as at 31 December 2013. There was no material difference in the total assets of approximately HK\$179.1 million as at 31 December 2014 (without taking into account of the values of these disposal assets totalling approximately HK\$0.98 billion), when compared to the total assets of approximately HK\$192.7 million as at 31 December 2013 (without taking into account of the values of these disposal assets totalling approximately HK\$1.06 billion).

There was no deferred tax liabilities as at 31 December 2014 since the entire deferred tax liabilities and deferred tax assets totaling approximately HK\$228.4 million as at 31 December 2013 represented the liabilities and assets of the disposal group classified as held for distribution. The Group has no borrowings as at 31 December 2014.

As at 31 December 2014, the equity attributable to the equity holders of the Company was approximately HK\$626.6 million, and based on the number of issued share capital of 5,240,327,160 Shares as at 31 December 2014, the equity attributable to the equity holders of the Company per Share was approximately HK\$0.12 per Share.

Liquidity and Financial Resources

As stated in the 2014 Annual Report, the Group mainly financed its operations with funds raised from its previous share placements, open offer in November 2014 and proceeds from the disposal of Allied Resources Limited in March 2013. During FY2014, the Group reported net operating cash outflow of HK\$42.6 million. As the Group has no banking facilities or other committed financing arrangement available and taking into account the bank balances and cash as at 31 December 2014 amounting to approximately HK\$29.2 million, there is uncertainty on the Group’s ability to continue as a going concern.

Having considered that: (i) the small scale of the exiting marble trading business which may take time to grow organically; (ii) the GM Quarry has yet to commence production; (iii) the minimal business activities from the information technology segment (contributing approximately 5% to the total turnover in FY2014 and registered a loss in FY2013 and FY2014); (iv) it was stated in the 2014 Annual Report that there is uncertainty on the Group’s ability to continue as a going concern; and (v) no dividend has been paid in the recent two years, we consider the Offers provide viable exits for the Independent Securities Holders should they wish to realise their investment in the Company at this point in time.

Future prospects of the Group

As stated in the China Stone Industry Development Report 2015, where marble is considered one type of the stone, China has since 2005 ranked first as a stone production country in the world, followed by in export and consumption in later years. Therefore we have taken the view that the market demand and growth in China is a good barometer for the global demand and growth in the marble industry. The China Stone Industry Development Report 2015 predicted China's stone industry development, trend, stone import and export is expected to grow about 3%. Furthermore the transformation and upgrading of the stone industry in China in 2015 will further accelerate where the stone industry will continue to maintain steady growth.

The current principal business of the Group is marble trading and marble mining after the Distribution in Specie where its main products are raw marble block and marble slabs. Despite the promising outlook in the global marble market industry, as disclosed in the section headed "Historical financial information of the Group" in this letter above, revenue in FY2014 decreased as the Company has limited funding which restricted its opening up of the marble business to develop its market share. Furthermore, as disclosed in the section headed "Liquidity and Financial Resources" in this letter above, there is uncertainty on the Group's ability to continue as a going concern. We are given to understand by the Management that: (i) the Group is still developing the marble business in Indonesia via its distribution business in order to assess the market demand for marble; (ii) the commencement of production activities at the GM Quarry is still uncertain; (iii) there is intense price competition in marble selling prices and there is no general price benchmark as prices are generally determined based on the marble block's quality, appearance such as colour, pattern, texture, size and quantity; and (iv) the Group's current marble trading business is relatively small in scale due to funding limitation. Accordingly, we are of the view that the future business outlook of the Group is uncertain.

Information on the Offeror

As set out in the "Letter from Get Nice Securities" in the Composite Document (the "**Letter from Get Nice Securities**"), the Offeror is an investment holding company incorporated in BVI with limited liability on 10 April 2015. As at the Latest Practicable Date, the Offeror is wholly owned by Epic Wise International Limited, a company incorporated in BVI with limited liability, which entire issued share capital is in turn owned by Mr. Suen. The sole Director of the Offeror is Mr. Suen.

Mr. Suen, aged 54, holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, minerals and raw materials, electrical and electronic consumer products, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is deemed to be a controlling shareholder of the Company via his interests in the Offeror. Mr. Suen was a non-executive director of BEP International (as defined in the Letter from Get Nice Securities) until 1 June 2015 and was an executive director and the chairman of BEP International until 27 January 2014. Mr. Suen was also an executive director and the chairman of Mission

Capital (as defined in the Letter from Get Nice Securities) until 3 March 2015, and an executive director and the chairman of Huajun Holdings Limited (*formerly known as New Island Printing Holdings Limited*) (stock code: 377) until 25 September 2014. Mr. Suen was also a non-executive director of Hailiang International (as defined in the Letter from Get Nice Securities) until 3 June 2014 and an executive director and the chairman of Hailiang International until 11 September 2012. All of the shares of the above-mentioned companies are listed on the Main Board of the Stock Exchange in Hong Kong.

Based on Mr. Suen's extensive experience in the metal and minerals industry, the Offeror is well equipped to lead the Group in its existing marble business operations. Nevertheless the future prospect of the Group will very much depend on the Offeror's formulation of the long-term business plans and strategy of the Company after its review of the financial position and the operations of the Company.

Intention of the Offeror regarding the Group and proposed change of Board composition

Business

As set out in the "Letter from Get Nice Securities" in the Composite Document, the Offeror intends to continue the existing principal businesses of the Group. With regard to the current financial situation of the Group, subject to further due diligence, the Offeror may procure the Company to conduct equity and/or debt financing following the close of the Offers in order to improve the financial position of the Group. Furthermore, the Offeror also intends to identify opportunistic investments and/or joint ventures that will provide positive synergies effect to the existing businesses of the Group. However, the Offeror will have to conduct a review on the financial position and the operations of the Company before it may formulate any long-term business plans and strategy of the Company, explore other business opportunities and consider whether any asset disposal, asset acquisition, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate to enhance the long term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. The Offeror has no intention to: (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Maintain listing status of the Group

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and each of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

In the event that after the completion of the Offers, the public float of the Company falls below 25%, the Offeror and the Company will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offers to ensure that sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the 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, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

Proposed change of Board composition

The Board is currently made up of five Directors, comprising two executive Directors, being Mr. Chan and Dr. Arthur Ross Gorrell, and three independent non-executive Directors, being Mr. David Tsoi, Mr. Lo Chi Kit and Mr. Tam Hang Chuen.

As disclosed in the “Letter from Get Nice Securities” in the Composite Document, under the Sale and Purchase Agreement, the Vendors have agreed to procure such Directors as may be required by the Offeror to resign from the Board with effect from after the First Closing Date of the Offers or after the date when the Offers become or are declared unconditional, whichever is the latest, or the earliest time permitted under the Takeovers Code. In this respect, as requested by the Offeror, all the existing Directors except for Mr. David Tsoi, an independent non-executive Director, have agreed to resign from the Board with effect from the earliest time permitted under the Takeovers Code.

The Offeror intends to nominate the following directors to the Board with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code:

1. Mr. Suen be appointed as an executive Director and the Chairman of the Board;
2. Mr. Sue Ka Lok be appointed as an executive Director and the Chief Executive Officer of the Company;
3. Mr. Lai Ming Wai be appointed as an executive Director;
4. Mr. Chiang Bun be appointed as an independent non-executive Director; and
5. Ms. Leung Pik Har, Christine be appointed as an independent non-executive Director.

Please refer to the “Letter from Get Nice Securities” for the profiles of the proposed directors mentioned above.

Principal terms of the Offers

Share Offer

For each Offer Share **HK\$0.1087 in cash**

The Offer Price of HK\$0.1087 per Offer Share is equal to the purchase price per Sale Share (rounded up to four decimal places) paid by the Offeror under the Sale and Purchase Agreement.

Warrant Offer

For each Offer Warrant **HK\$0.0001 in cash**

As at the Latest Practicable Date, the Company has 1,047,423,024 Warrants remain outstanding. As the exercise price of the Warrants are above the Offer Price, all the Warrants are out-of-money and the Warrant Offer will be made at a nominal value.

Option Offers

For cancellation of each Offer Option A **HK\$0.0001 in cash**

For cancellation of each Offer Option B **HK\$0.0001 in cash**

For cancellation of each Offer Option C **HK\$0.0001 in cash**

For cancellation of each Offer Option D **HK\$0.0001 in cash**

For cancellation of each Offer Option E **HK\$0.0001 in cash**

For cancellation of each Offer Option F **HK\$0.0001 in cash**

For cancellation of each Offer Option G **HK\$0.0001 in cash**

As at the Latest Practicable Date, the Company has 336,610,136 Options remain outstanding (including the 36,891,892 Options beneficially interested by Mr. Chan). As the exercise price of the Options are above the Offer Price, all the Options are out-of-money and the Option Offers will be made at a nominal value. As stated in the Letter from Get Nice Securities, 17,928,600 Warrants and 24,149,758 Options are expected to be exercised into Shares.

Undertaking

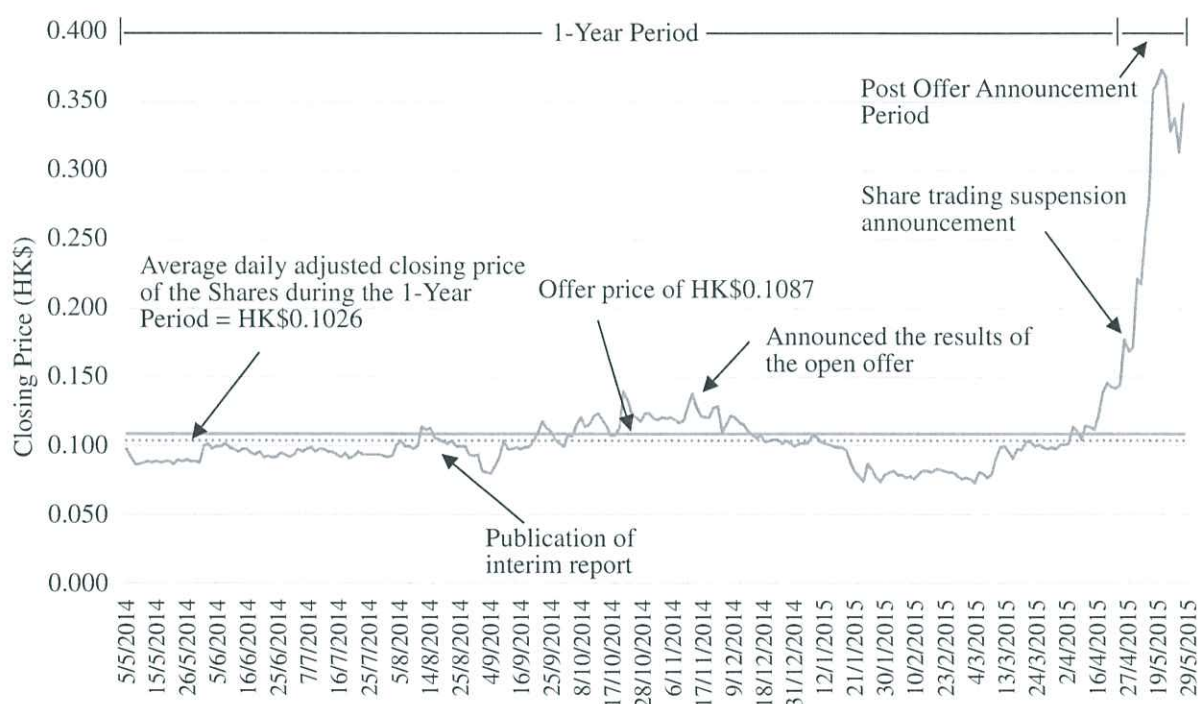
As at the Latest Practicable Date, Mr. Chan is legally and beneficially interested in Options exercisable into a total of 36,891,892 Shares. Mr. Chan has undertaken to the Offeror that he will not exercise any Options held by him and will not tender his Options for acceptance under the Option Offers. Mr. Chan has agreed to tender his Options for cancellation with effect from the First Closing Date.

Trading performance of the Shares

Historical price performance of the Shares

The chart below illustrates the closing price level of the Shares as quoted on the Stock Exchange during the twelve-month period preceding the Sale and Purchase Agreement, from: (i) 5 May 2014 up to 4 May 2015, being the Last Trading Day prior to the Shares suspension for the Joint Announcement published on 14 May 2015 (“**1-Year Period**”), and (ii) 15 May 2015 up to the Latest Practicable Date (the “**Post Offer Announcement Period**”, and together with the 1-Year Period, collectively known as the “**Review Period**”). The historical Share prices have been adjusted to take into account of the open offer completed in November 2014.

Chart 1: Historical adjusted price performance of the Shares



Source: Stock Exchange

The adjusted Share price fluctuates between the range of HK\$0.074 and HK\$0.141 per Share between the period of May 2014 to March 2015. The Directors are of the view that they are not aware of any reasons which may have caused the increase in Share price to HK\$0.141 and the relatively sizeable trading volume of 150,438,000 Shares on 23 October 2014. There was also a surge in Share price to HK\$0.139 on 14 November 2014 just prior to the Company announced the results of the open offer on the same day.

The average daily adjusted closing price of the Shares for the 1-Year Period was HK\$0.1026, which is lower than the Offer Price. The Offer Price is therefore at a premium of approximately 5.95% over the average daily adjusted closing price for the 1-Year Period.

Trading in Shares was suspended from 5 May 2015 to 14 May 2015 pending the release of the Joint Announcement. Prior to that, the Share price started to surge on 29 April 2015 with the closing price of HK\$0.179. The Shares resumed trading on 15 May 2015 subsequent to the publication of the Joint Announcement and continued its upward surge in Share price, eventually closing at HK\$0.223. The Directors are of the view that they are not aware of any reasons which may have caused the increase in Share price. Nevertheless, it is noted that the Share price performance has generally been fluctuating and thereafter outperforming both the Hang Seng Composite Index (“**HSI**”) and Hang Seng Composite Small Cap Index (“**HSI Small Cap**”) during the Review Period. As at the Latest Practicable Date, the price of the Shares closed at HK\$0.350 per Share.

Chart 2: Historical adjusted price performance of the Shares against HSI and HSI Small Cap



We believe that the recent upswing of the closing price of the Shares is likely to be attributable to the market reaction to the publication of the Joint Announcement and therefore, the sustainability of the current price level of the Shares could be uncertain. Furthermore the recent surge in Share price may or may not indicate a positive reaction by the market about the prospect of the Group in view of the Offers.

Independent Securities Holders should note that although the Offer Price represents a discount of approximately 68.94% and 37.17% to the closing price of HK\$0.350 per Share on the Latest Practicable Date and HK\$0.173 per Share on the Last Trading Day, respectively, there is no assurance that the trading price of the Shares will continue to sustain at such level or to be significantly higher or lower than the Offer Price during the period of acceptance of the Share Offer. Independent Securities Holders should be reminded to closely monitor the market price of the Shares during the period for the acceptance of the Share Offer.

Trading liquidity

The table below sets out the average daily trading volume of the Shares and the percentages of the average trading volume to then the total issued share capital of the Company during the Review Period:

Table 4: Historical trading volume of the Shares

Month	Average daily closing price (HK\$)	Number of trading days in each month	Average daily trading volume (the "Average Volume")	Issued Shares for each month	Average Volume as a percentage of the then total number of Shares in issue
2014					
May	0.0908	19	3,026,739	3,493,546,000	0.09%
June	0.0973	20	1,874,800	3,493,546,000	0.05%
July	0.0961	22	1,549,182	3,493,546,000	0.04%
August	0.1026	21	19,611,238	3,493,546,000	0.56%
September	0.0997	20	22,334,446	3,493,546,000	0.64%
October	0.1187	21	26,399,619	3,493,546,000	0.76%
November	0.1243	16	15,966,473	5,240,319,000	0.30%
December	0.1109	16	12,500,188	5,240,327,160	0.24%
2015					
January	0.0958	21	15,127,952	5,240,331,576	0.29%
February	0.0810	18	5,272,611	5,240,947,176	0.10%
March	0.0908	22	15,266,591	5,240,959,776	0.29%
April	0.1251	19	40,650,026	5,240,959,776	0.78%
May	0.2990	11	216,989,545	5,240,959,776	4.14%
June (up to and include the Latest Practicable Date)	0.3325	2	112,143,600	5,240,959,776	2.14%

Source: Stock Exchange

As illustrated in the above table, the trading liquidity of the Shares ranged from the highest Average Volume of approximately 4.14% to the lowest Average Volume of approximately 0.04% as compared to the respective total number of Shares in issue during the Review Period. The daily trading volume of the Shares during the Review Period ranged from approximately 0 Shares to approximately 564,348,000 Shares, representing approximately 0% and 10.77% of the total number of Shares in issue during the Review Period, respectively. The liquidity of the Shares, in our view, was generally thin during the Review Period. The increase in the trading volume after the Joint Announcement is in our view related to the Offers, and may not continue after the close of the Offers.

Given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Securities Holders to dispose of a significant number of Shares in the open market without causing an adverse downward impact on the market price level of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the

Independent Securities Holders can receive by the disposal of their Shares in the open market. The Offers, therefore, represents an opportunity for the Independent Securities Holders, particularly for those who hold a large quantity of Shares, to dispose of their entire holdings at the Offer Price if they so wish.

Comparison with the adjusted net assets value of the Group

In preparing our analysis, we have also considered the adjusted audited consolidated net assets value of the Group as at 31 December 2014 (the “Adjusted NAV”) as extracted from the 2014 Annual Report and adjustments made by excluding the assets, liabilities and non-controlling interests of the disposal group classified as held for distribution to take account of the effect of the Distribution in Specie.

Set out below is the calculation of the Adjusted NAV of the Group as at 31 December 2014:

Table 5: Adjusted NAV of the Group

	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity attributable to equity holders of the Company as extracted from the 2014 Annual Report		626,642
<i>Less: Disposal group classified as held for distribution (Note 1)</i>		
Asset of disposal group classified as held for distribution	977,157	
Liabilities of disposal group classified as held for distribution	(217,572)	
Non-controlling interests of disposal group classified as held for distribution	<u>(197,544)</u>	
		<u>(562,041)</u>
Adjusted net assets attributable to equity holders of the Company		<u><u>64,601</u></u>
Adjusted NAV per Share (Note 2)		HK\$0.0123

Notes:

- (1) All figures are extracted from the 2014 Annual Report.
- (2) The Adjusted NAV per Share attributable to equity holders of the Company is calculated based on the total number of issued Shares of 5,240,959,776 as at the Latest Practicable Date.

The Offer Price of HK\$0.1087 per Offer Share therefore represents a premium of approximately 783.74% over the Adjusted NAV attributable to the owners of the Company of approximately HK\$0.0123 per Share as at 31 December 2014, as shown in the table above.

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-book ratios (the “**P/B ratio(s)**”) in our analysis. We have not considered applying the price-earnings ratios (the “**P/E ratio(s)**”) as the Company is at a loss making position and no earnings could then be applied to calculate the P/E ratio. We have searched for comparable companies listed on the Stock Exchange which are primary engaged in businesses similar to those of the Group. We identified 3 comparable companies (the “**Comparables**”), all of which are in similar line of business as the Group’s (i.e. principally engaged in marble distribution and related business). To the best of our knowledge, effort and endeavour and based on our search conducted, the list of Comparables is exhaustive and we consider the Comparables are fair and representative comparables to the Company. Independent Securities Holders should note that the business, operation and prospect of the Company are not exactly the same as the Comparables and we have not conducted any in-depth investigation into business and operations of the Comparables save for the aforesaid selection criteria. Nevertheless, the Comparables can still be a meaningful reference in assessing the fairness and reasonableness of the Offer Price. Our relevant findings are summarised in the table below.

Table 6: Comparison parameters of the Comparables

Company	Stock code	Principal activities	Share price as at the Latest Practicable Date HK\$	Market Capitalisation as at Latest Practicable Date HK\$ million	Approximate net assets value (NAV) ¹ HK\$ million	P/B ratio ² times
Future Bright Mining Holdings Ltd	2212	Marble exploration and sale of marble	1.38	485.76	52.50	9.25
Artgo Holdings Ltd	3313	Mining, processing, distribution and sales of marble stones	1.8	2,400.00	1,209.03	1.99
China Kingstone Mining Holdings Ltd	1380	Marble mining, production and sales of marble and marble related products	0.28	1,019.24	375.42	2.71
				Minimum		1.99
				Maximum		9.25
				Average		4.65
				Offer Price		
Company	1102		0.1087	569.69	64.60	8.82 ³

Source: Stock Exchange

Notes:

- (1) The net asset values attributable to owners of the Comparables are extracted from their respective latest annual reports
- (2) P/B ratios of the Comparables are calculated based on their respective closing prices as at the Latest Practicable Date and the net asset value attributable to owners of the Comparables, divided by the total number of issued shares as at Latest Practicable Date
- (3) The implied P/B ratio of the Company is calculated based on the Offer Price multiplied by 5,240,959,776 Shares in issue of the Company as at Latest Practicable Date over the adjusted consolidated net asset value attributable to equity holders of the Company of approximately HK\$64.6 million.

As illustrated in the above table, the P/B ratios of the Comparables ranged from approximately 1.99 times to approximately 9.25 times. The average P/B ratios of the Comparables are approximately 4.65 times. The implied P/B ratio of the Company, based on the Offer Price of HK\$0.1087, is approximately 8.82 times, which is within the range of the Comparables' P/B ratio and higher than the average of the P/B ratios of the Comparables. As such, we consider the Offer Price, with reference to the above implied P/B ratio, is fair and reasonable given the current market valuation and pricing of shares on the other listed companies in the industry.

DISCUSSION AND ANALYSIS

We consider that the terms of the Offers, including the Offer Price are fair and reasonable so far as the Independent Securities Holders are concerned after taking into account the above principal factors and reasons, in particular:

1. the uncertainty on whether the Group can continue as a going concern and improve its business prospects and profitability in the future given the small scale of its marble trading business and the Group's sole GM Quarry in Indonesia is still at assessment stage with no clear indication on the timing of its commencement in mining activity. In addition, no detailed business plan has been provided by the Offeror on the future business development of the Group and therefore the future prospects of the Group is uncertain;
2. the daily trading volume of the Shares has been thin in general during the Review Period and the Independent Securities Holders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse downward impact on the market price level of the Shares. The Offers, therefore, represent an opportunity for the Independent Securities Holders to dispose of their entire holdings at the Offer Price of HK\$0.1087, which represents a premium of approximately 783.74% over the Adjusted NAV attributable to the owners of the Company of approximately HK\$0.0123 per Share;
3. the Offer Price represents a premium of approximately 5.95% over the average daily adjusted closing price of the Shares for the 1-Year Period; and

4. the P/B Ratio of the Company calculated based on the theoretical market capitalisation represented by the Offer Price of approximately 8.82 times compares favourably against the Comparables which are engaged in marble mining related businesses where the business activities are similar to that of the Group.

RECOMMENDATION

Based on the above principal factors and reasons, we consider the terms of the Offers to be fair and reasonable so far as the Independent Securities Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Securities Holders on the following in respect of the Offers:

In respect of the Share Offer

The Shareholders should accept the Share Offer. However, it should be noted that even before the publication of the Joint Announcement, the Shares have been trading at a premium to the Offer Price. Independent Securities Holders (including Optionholders who exercised the Options at any time within 14 days after the date on which the Offers have become or are declared unconditional to its full extent or to the extent specified in such notice and Warrantholders who exercised the Warrants prior to the close of the Offers), in particular those who intend to accept the Share Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Share Offer. The Independent Securities Holders who intend to accept the Share Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Share Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Share Offer.

In respect of the Warrant Offer

The Warrants with the exercise price of HK\$0.21 per Share was out-of-the-money as at the Last Trading Day. Therefore it is fair and reasonable to offer to acquire the Offer Warrants from the Warrantholders at the nominal value of HK\$0.0001. However the Share prices have been trading above the Warrants exercise price of HK\$0.21 after the Joint Announcement was made and as at the Latest Practicable Date. The Share prices traded within the range of HK\$0.199 to HK\$0.395 from 15 May 2015 up to the Latest Practicable Date and closed at HK\$0.350 as at the Latest Practicable Date. Accordingly the Warrants are now in-the-money as at the Latest Practicable Date.

As mentioned above under the section headed “Historical price performance of the Shares”, the recent surge in the Share price is likely to be attributable to the market reaction to the Joint Announcement and therefore the sustainability of the Share price is uncertain. Whilst there is no guarantee that the current market price

of the Shares will sustain and result in the Warrants to continuously be in-the-money during the period for the acceptance of the Warrant Offer, the Warrantholders are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Warrant Offer and shall, having regard to their own circumstances and investment objectives, consider exercising their Warrants into new Shares and selling their Shares in the open market, instead of accepting the Warrant Offer, if the net proceeds from the exercise of the Warrants and sale of such Shares, net of all transaction costs, would be higher than the Warrants Offer.

In respect of the Option Offers

The Options were out-of-the money as at the Last Trading Day. Therefore we are of the view that it is fair and reasonable to offer to acquire the Options from the Optionholders at the nominal value of HK\$0.0001. However the Share prices have been trading above the exercise price of some of the Options after the Joint Announcement was made and as at the Latest Practicable Date. The Share prices traded within the range of HK\$0.199 to HK\$0.395 from 15 May 2015 up to the Latest Practicable Date and closed at HK\$0.350 as at the Latest Practicable Date. The status of the Options as at the Latest Practicable Date are as follows:

Table 6: Status of the Options as at the Latest Practicable Date

Offer Options	Exercise Price HK\$	Status as at Latest Practicable Date (Note 1)
A	0.1632	In-the-money
B	0.5145	Out-of-money
C	0.5286	Out-of-money
D	0.3622	Out-of-money
E	0.3947	Out-of-money
F	0.3066	In-the-money
G	0.1149	In-the-money

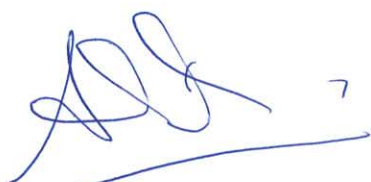
Note:

- (1) The status of the Options as at the Latest Practicable Date has been derived based on the closing price of the Shares of HK\$0.350 as at the Latest Practicable Date and without any consideration to the transaction costs involved in selling the Shares.

As mentioned above under the section headed “Historical price performance of the Shares”, the recent surge in the Share price is likely to be attributable to the market reaction to the Joint Announcement and therefore the sustainability of the Share price is uncertain. Whilst there is no guarantee that the current market price of the Shares will sustain and result in some of the Options to continuously be in-the-money during the period for the acceptance of the Option Offers, the Optionholders with their Options which are in-the-money as at the Latest Practicable Date (without taking into account of the transaction costs) are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of

the Option Offers and shall, having regard to their own circumstances and investment objectives, consider exercising their Options into new Shares and selling their Shares in the open market, instead of accepting the Option Offers, if the net proceeds from the exercise of their Options and sale of such Shares, net of all transaction costs, would be higher than the Options Offers. The Optionholders with their Options which are out-of-money as at the Latest Practicable Date (without taking into account of the transaction costs) should instead accept the Option Offers.

Yours faithfully,
For and on behalf of
Opus Capital Limited



Alvin Lai
Chief Executive Officer



Koh Kwai Yim
Executive Director



Pang Tsz Chung
Associate Director

Mr. Alvin Lai is the Chief Executive Officer of the Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Alvin Lai has over 15 years of financial industry, investments, corporate finance and legal experience in Asia and Australia. Mr. Lai is a qualified legal practitioner in New South Wales, Australia. Mr. Alvin Lai has participated in and completed various advisory transactions, including those involving companies listed in Hong Kong in respect of the Takeovers Code.

Ms. Koh Kwai Yim is the Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 15 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.

Mr. Pang Tsz Chung is the Associate Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Mr. Pang has participated in and completed various advisory transactions including those involving companies listed in Hong Kong in respect of the Takeovers Code for over 8 years.