

18 September 2009

To the Qualifying Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH OFFER
BY
OPTIMA CAPITAL LIMITED
ON BEHALF OF
CHEONG MING INVESTMENTS LIMITED
TO REPURCHASE UP TO 100,000,000 SHARES
AT HK\$0.38 PER SHARE IN CASH**

INTRODUCTION

On 23 July 2009, the Board announced that the Offer would be made by Optima Capital on behalf of the Company to repurchase up to 100,000,000 Shares at the price of HK\$0.38 per Share in cash.

This letter sets out details of the terms of the Offer. Further terms and procedures for acceptance of the Offer are set out in Appendix I to this document and the accompanying Form of Acceptance.

THE OFFER

Principal terms of the Offer

Optima Capital, on behalf of the Company, is making the Offer to repurchase up to 100,000,000 Shares at a price of HK\$0.38 per Share in cash.

The Shares to be acquired under the Offer shall be free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Latest Practicable Date (including the right to all dividends and distributions (if any) declared, made or paid on or after 23 July 2009, the date of the Announcement).

The Offer is made in full compliance with the Repurchase Code and the maximum amount payable by the Company under the Offer is HK\$38 million, which will be financed by internal resources of the Group. Optima Capital confirms that sufficient financial resources are available to the Company to enable it to satisfy acceptances of the Offer in full.

As at the Latest Practicable Date, the Company had 609,163,826 Shares and there were no outstanding options, warrants, derivatives or other securities which carry a right to subscribe for or which are convertible into Shares. The 100,000,000 Shares under the Offer represented about 16.42% of the entire issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not entered into any contracts in relation to any outstanding derivatives in respect of securities in the Company nor borrowed or lent any relevant securities in the Company.

All Shares repurchased under the Offer will be cancelled.

Further terms of the Offer are set out in Appendix I to this document and the accompanying Form of Acceptance.

The Offer Price

The Offer Price, being HK\$0.38 per Share, values the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$231.48 million. The Offer Price represents:

- (a) a premium of approximately 15.15% over the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 18.20% over the average closing price of HK\$0.3215 per Share for the last 10 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (c) a premium of approximately 28.94% over the average closing price of approximately HK\$0.2947 per Share for the last 30 consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (d) a premium of approximately 7.04% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 47.00% to the audited consolidated net asset value per Share of approximately HK\$0.717 as at 31 March 2009.

Assured Entitlements and scaling down arrangement on excess acceptances

The Management Shareholders held in aggregate 333,739,036 Shares as at the Latest Practicable Date and they have undertaken to the Company that they will not accept the Offer and will not dispose of any of the 333,739,036 Shares held by them during the Offer period. As at the Latest Practicable Date, no Shareholder has irrecoverably committed to accept the Offer.

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As a result of the undertakings of the Management Shareholders, the other Qualifying Shareholders will have assured entitlements to sell to the Company approximately 36.3% of the Shares they own as at the Record Time (to be rounded down to the nearest whole Share). For illustration purpose, the Assured Entitlement for every board lot of 2,000 Shares held by a Qualifying Shareholder is 726 Shares. Qualifying Shareholders may accept the Offer in respect of some or all of their Assured Entitlements. They may also accept the Offer in excess of their Assured Entitlements, subject to the scaling down mechanism described below.

The number of Shares which may be acquired from a particular Qualifying Shareholder who accepts the Offer may exceed his or her Assured Entitlement if any Qualifying Shareholder (in addition to the Management Shareholders, whose undertakings not to accept the Offer have been taken into account in determining the Assured Entitlements) either tenders no acceptances in respect of the Offer or accepts the Offer in respect of fewer Shares than is represented by his or her Assured Entitlement.

In the event that the total number of Shares acceded to the Offer exceeds 100,000,000 Shares, the Company will take up Shares in excess of the Assured Entitlements of the Accepting Shareholders on a pro rata basis in accordance with the following formula (save that the Company may in its absolute discretion round such figure up or down with the intention of avoiding (as far as practicable) Shares being held by Shareholders in odd lots or fractional entitlements):

$$\frac{(100,000,000 - A) \times C}{B}$$

A = Total number of Shares which Qualifying Shareholders have validly acceded to the Offer in respect of the Assured Entitlements

B = Total number of Shares which Qualifying Shareholders have validly acceded to the Offer in excess of the Assured Entitlements

C = Total number of Shares which the relevant Qualifying Shareholder has validly acceded to the Offer in excess of his or her Assured Entitlement

The decision of the Company as to any scaling down of acceptances of the Offer in excess of Assured Entitlements and as to the treatment of odd lots or fractional entitlements will be conclusive and binding on all Shareholders.

In the event that the total number of Shares validly acceded to the Offer is less than or is equal to 100,000,000 Shares, all Shares under excess acceptances will be acquired by the Company in full.

Condition of the Offer

The Offer is conditional upon the passing of an ordinary resolution to approve the Offer by the Shareholders at the SGM by way of poll. If the Offer is not approved by the Shareholders at the SGM, the Offer will lapse.

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As no Shareholder has a material interest in the Offer which is different from the interests of all other Shareholders, no Shareholder is required to abstain from voting on the ordinary resolution relating to the Offer at the SGM.

If the Offer is duly approved by the Shareholders, the Offer will remain open for acceptance for a period of 14 days after the date of the SGM. According to the expected timetable, the latest time for acceptance of the Offer is 4:00 p.m. on Tuesday, 20 October 2009. In case the total number of Shares validly acceded to the Offer is less than 100,000,000 Shares on the first closing date of the Offer, being Tuesday, 20 October 2009, the Company reserves its right to extend the Offer until such date as it may determine in accordance with the Codes (or as it is permitted by the Executive in accordance with the Codes). The Company will issue an announcement in relation to any extension of the Offer. In any event, if the Offer is extended, the Offer will remain open for acceptance for not less than 14 days after the first closing date of the Offer in accordance with the Codes.

Acceptances by Qualifying Shareholders under the Offer will be irrevocable and cannot be withdrawn after the Offer is declared unconditional except otherwise decided by the Executive pursuant to the Codes.

The Offer is not conditional on any minimum number of Shares tendered for acceptance.

Procedure for acceptance

If the Offer is declared unconditional, Qualifying Shareholders will be able to tender their Shares for acceptance under the Offer for a period of at least 14 days thereafter. The Company reserves the right to extend the time for acceptance of tenders under the Offer to the maximum period allowed under the Codes.

In order to accept the Offer, Qualifying Shareholders should complete and return the accompanying Form of Acceptance in accordance with the instructions printed in this document and the instructions printed on the Form of Acceptance. The instructions in this document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms of the Offer). A Form of Acceptance may be rejected as invalid if the procedures contained in this document and in the Form of Acceptance are not complied with.

The duly completed Form of Acceptance should be forwarded, together with the share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which the relevant Qualifying Shareholder wishes to accede to the Offer, by post or by hand to the Registrar, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "**Cheong Ming – Repurchase Offer**" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Registrar by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 20 October 2009, or such later time and/or date as the Company may, subject to the Codes, decide and announce.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) will be given.

Only one Form of Acceptance may be submitted by each Qualifying Shareholder to the Registrar.

Odd lots

Qualifying Shareholders should note that acceptance of the Offer may result in their holding odd lots of Shares. Accordingly, Cinda International Securities Limited has been appointed by the Company to arrange for matching of sale and purchase of odd lots of Shares in the market for a period of six weeks from the closing of the Offer if such odd lots arise as a result of the acceptance the Offer. Holders of Shares in odd lots who wish to take advantage of this arrangement either to dispose of their odd lots of Shares or to top up to board lots of 2,000 Shares may contact Mr. Leung Siu Wa of Cinda International Securities Limited at 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong at telephone number (852) 2235 7801 during office hours. Shareholders should note that successful matching of the sale and purchase of odd lots of Shares is not guaranteed. Shareholders are also recommended to consult their professional advisers if they are in doubt about the above arrangement.

Overseas Shareholders

The making of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdictions.

According to the Register, there was no Overseas Shareholder except one with registered address in Australia as at the Latest Practicable Date. The Company has obtained advice from its legal advisers in Australia that the making of the Offer to Australian resident Shareholders will require certain compliance and disclosure requirements under the Australian Securities and Investments Commission ("ASIC") unless a relief (the "Relief") from such requirements is granted by ASIC in accordance with the laws in Australia. In this connection, the Company has made an application to ASIC and obtained the Relief. Accordingly, the Offer will be extended to Overseas Shareholders with registered addresses in Australia.

It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consents which may be required or compliance with other necessary formalities or legal requirements, and where necessary, to seek legal advice.

Notwithstanding the above, each of the Excluded Shareholders will be entitled to attend and vote at the SGM (whether in person or by proxy).

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Nominee registration of Shares

Shareholders whose Shares are held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the Register. With a view to having equality of treatment of all Qualifying Shareholders, those registered holders of Shares who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Shares, whose investments are registered in nominee names (including those whose interests in the Shares are held through CCASS), to accept the Offer, it is essential that they provide instructions to their nominee agents of their intentions with regard to the Offer. Shareholders with their Shares held by a nominee company may consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s).

Responsibility for documents

All communications, notices, Forms of Acceptance, share certificate(s), transfer receipt(s), other document(s) of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Shareholder will be delivered or sent by, to and from them, or their designated agents, at their risk and none of the Company, Optima Capital, the Registrar or any of their respective directors or any other person involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may rise as a result.

Settlement

Pursuant to Rule 20.1 of the Takeovers Code, the Shares represented by acceptances in the Offer shall be paid for by the Company as soon as possible but in any event within 10 days of the later of the date on which the Offer becomes, or is declared, unconditional and the date of receipt of a duly completed acceptance. As the Offer allows Accepting Shareholders to accept the Offer in excess of their Assured Entitlements, subject to a scaling down mechanism, the Company is not able to determine how many Shares can be repurchased from the Accepting Shareholders who have accepted the Offer in excess of their Assured Entitlements until after the close of the Offer. In this regard, the Company has made an application for, and has been granted by the Executive, a waiver from strict compliance with Rule 20.1 of the Takeovers Code in respect of the Offer in the manner mentioned below.

Subject to the Offer becoming unconditional and provided that a duly completed Form of Acceptance, accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title or satisfactory indemnities required in respect thereof are received by the Registrar by no later than the Latest Time for Acceptance and are in order, the Registrar will inform the relevant Accepting Shareholder by post details of the repurchase of such Shareholder's Shares, including the number of Shares purchased in excess of such Shareholder's Assured Entitlement, if any. At the same time, the Registrar will send, by ordinary post at that Accepting Shareholder's risk, a remittance for the total amount of the Offer money as is due to that Accepting Shareholder under the Offer (subject to deduction of seller's ad valorem stamp duty payable on the Shares repurchased from such Shareholder) within 10 days after the close of the Offer.

If the Offer does not become unconditional, the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title will be returned and/or sent to each Accepting Shareholder by ordinary post at that Accepting Shareholder's own risk, within 10 days of the lapse of the Offer. Where such Shareholder has sent one or more transfer receipt(s) and in the meantime one or more share certificate(s) has/have been collected on that Shareholder's behalf in respect thereof, that Shareholder will be sent by ordinary post at that Shareholder's own risk, such share certificate(s) in lieu of the transfer receipt(s).

If tenders in excess of the Assured Entitlement of an Accepting Shareholder have not been purchased by the Company in full, the share certificate(s) or transfer receipt(s) or other document(s) of title in respect of the number of Shares not repurchased by the Company under the Offer or a replaced certificate therefor will be returned to him/her by ordinary post at his/her risk within 10 days after the close of the Offer.

Tax implications

Qualifying Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, its ultimate beneficial owners and parties acting in concert with any of them, Optima Capital, Taifook Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

GENERAL

For the purpose of the Codes, stockbrokers, banks and other intermediaries and investors are reminded of their responsibilities as stipulated under Rule 22 of the Takeovers Code as follows:

"Stockbrokers, banks and others who deal in the Shares on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates (as defined in the Takeovers Code) and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers (as defined in the Takeovers Code) who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any Shares undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

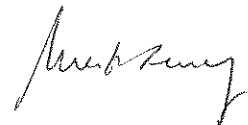
Intermediates are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in the Shares should appreciate that stockbrokers and other intermediates will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation."

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Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the recommendation in the "Letter from the Independent Board Committee" and the advice of Taifook Capital contained in the "Letter from Taifook Capital" in this document before deciding whether to accept the Offer, and to consult their professional advisers as they see fit.

Your attention is also drawn to the information set out in the appendices to this document which form part of this document.

Yours faithfully,
For and on behalf of



Optima Capital Limited
Mei H. Leung
Chairman