

16 February 2009

The Directors
China Botanic Development Holdings Limited
Rm 1816-17, 18F,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

Dear Sirs

**ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT
OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF
CHINA BOTANIC DEVELOPMENT HOLDINGS LIMITED AND ITS SUBSIDIARIES**

Introduction

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of China Botanic Development Holdings Limited ("the Company") and its subsidiaries (collectively "the Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Open Offer (as defined in the Circular) might have affected the net tangible assets of the Group as if the Open Offer had taken place on 31 December 2007, for inclusion in the Company's circular dated 16 February 2009 for the Proposed Open Offer in the Proportion of One Offer Share for Every Two Shares Held on the Record Date; Connected Transaction: Loan Capitalization and Application for Whitewash Waiver ("the Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II of the Circular.

Respective responsibilities of the directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix IB and Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules

HLM & Co.

HLM & Co.

Certified Public Accountants

Hong Kong

Consolidated net tangible assets of the Group as at 31 December 2007 (Audited) HK\$'000 (Note 1)	Estimated net proceeds from the Open Offer HK\$'000 (Note 2)	Pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2007 (Unaudited) HK\$'000
<u>168,860</u>	<u>21,157</u>	<u>190,017</u>

Consolidated net tangible assets
per Share immediately before
completion of the Open Offer
(Note 3)

0.244

Unaudited pro forma adjusted
consolidated net tangible assets
per Share immediately after
completion of the Open Offer
(Note 4)

0.183

Notes:

1. The figure is based on the audited consolidated balance sheet of the Group as at 31 December 2007 as extracted from the published annual report of the Company for the year ended 31 December 2007.
2. The estimated net proceeds from the Open Offer are based on 345,968,750 Offer Shares issued at the Subscription Price of HK\$0.08 per Offer Share after deduction of share issue expenses of approximately HK\$1,200,000 and the estimated loan capitalization amount of HK\$ 5,320,000 and takes no account of any additional Offer Shares to be issued upon the exercise of any outstanding Share Options and the conversion of Convertible Notes on or before the Latest Lodging Date. Pursuant to the underwriting agreement, China Water has irrevocably undertaken to accept the Open Offer for 66,500,000 Offer Shares; it will be paid by the way of capitalization of a loan due to it.
3. Based on 691,937,500 Shares in issue immediately before completion of the Open Offer, assuming that no outstanding Share Options had been exercised and no conversion of Convertible Notes on or before the Latest Lodging Date.

4. Based on 1,037,906,250 Shares, on basis that 691,937,500 Shares were in issue as at 31 December 2007 and 345,968,750 Offer Shares were issued (assuming the Open Offer had been completed on 31 December 2007 and without taking account of any additional Offer Shares to be issued upon the exercise of any outstanding share Options and the conversion of Convertible Notes on or before the Latest Lodging Date).

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2007.