



3 March 2011

*To the Independent Board Committee  
of Oriental City Group Holdings Limited*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF  
TIAN LI HOLDINGS LIMITED  
FOR ALL THE ISSUED SHARES IN  
ORIENTAL CITY GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY TIAN LI HOLDINGS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee in connection with the Offer, details of which are set out in the Composite Document, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

On 13 January 2011, the Offeror and the Company jointly announced that on 5 January 2011, the Offeror and the Vendor entered into the S&P Agreement. Pursuant to the S&P Agreement, the Vendor agreed to sell and the Offeror agreed to acquire 402,000,000 Shares at consideration of HK\$40,200,000 (equivalent to HK\$0.1 per Sale Share). Completion took place immediately after the signing of the S&P Agreement. Immediately following Completion, the Offeror and parties acting in concert with it were interested in 429,000,000 Shares, representing 71.5% of the then entire issued share capital of the Company. Accordingly, the Offeror was required to make the Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. The principal terms of the Offer are set out under the section headed "The Offer" of "Letter from Kingston Securities" in the Composite Document. Kingston Securities is making the Offer for and on behalf of the Offeror.



In accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code, an independent board committee comprising all the non-executive Directors who have no direct or indirect interest in the Offer, other than as a shareholder of the offeree company should be constituted to advise the Independent Shareholders on the Offer. Accordingly, the Independent Board Committee, comprising Ms. Wong Lai Chun, Mr. Chan Chun Wai, Mr. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung, all being the non-executive Directors without any conflict of interest in the Offer, has been formed to consider and advise the Independent Shareholders in respect of the Offer. We have been appointed by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in connection with the Offer and in particular as to whether the terms of the Offer are fair and reasonable and to give an opinion and recommendation as regards the acceptance of the Offer.

#### **BASIS OF OUR ADVICE**

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Composite Document and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations contained or referred to in the Composite Document and all information and representations which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate as at the date of the despatch of the Composite Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statements in the Composite Document, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and the Offeror.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or non-acceptance of the Offer since they vary depending on respective individual circumstances. The Independent Shareholders who are overseas residents or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

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



## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the Offer and in giving our recommendation to the Independent Board Committee, we have taken into account the following principal factors and reasons:

### **(A) Background**

On 13 January 2011, the Offeror and the Company jointly announced that on 5 January 2011, the Offeror and the Vendor entered into the S&P Agreement. Pursuant to the S&P Agreement, the Vendor agreed to sell and the Offeror agreed to acquire 402,000,000 Shares at consideration of HK\$40,200,000 (equivalent to HK\$0.1 per Sale Share). Completion took place immediately after the signing of the S&P Agreement.

Immediately following Completion, the Offeror and parties acting in concert with it were interested in 429,000,000 Shares, representing 71.5% of the then entire issued share capital of the Company. As a result, the Offeror was required to make the Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

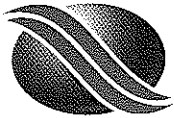
As at the Latest Practicable Date, there were 600,000,000 Shares in issue, the entire issued share capital of the Company is valued at HK\$6,000,000 at HK\$0.01 per share. The Company has no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe. Excluding the 402,000,000 Sale Shares having been acquired by the Offeror pursuant to the S&P Agreement and 27,000,000 Shares already been owned by the Offeror and parties acting in concert with it, 171,000,000 Shares will be subject to the Offer and are valued at HK\$17,100,000 based on the basis of the Offer Price.

### **(B) Historical financial performance and prospects of the Group**

The Company is incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the GEM since 28 August 2009. The Company is an investment holding company and through its subsidiaries, is principally engaged in the cards and payment related businesses, namely the card acceptance business and the co-branded card partnership business in Thailand and the PRC respectively.

We have discussed with the Company and were given to understand that the Group conducts its business through business partnerships with prestigious organizations and financial institutions such as China UnionPay Company Limited (中國銀聯股份有限公司) (“CUP”), whose identity/logo is borne on all bank cards issued by domestic banks in the PRC. The revenue of the Group is recognized in combined income statements as (i) annual and transaction fee income which includes card acceptance transaction fee in card acceptance business, and annual and transaction fee in co-branded card business; and (ii) foreign exchange rate discount income.

As stated in the prospectus of the Company dated 24 August 2009 (“Prospectus”), CUP is the sole domestic interbank card operator in the PRC. Founded in March 2002, CUP is an association for the PRC’s banking card industry, operating under the approval of the People’s Bank of China. It is also the only interbank network in the PRC excluding Hong Kong and Macau, linking the ATMs of some fourteen major banks and many smaller banks throughout mainland China. It is also an Electronic Funds Transfer Point of Sale network. CUP cards can be used in over 61 further countries and regions outside China, including the United States, Japan, Singapore, Thailand, Germany, Switzerland, France, Australia and New Zealand. CUP releases information and news periodically to the public. CUP is both the largest customer and the largest supplier of the Group. CUP is an Independent Third Party of the Group.



Based on the information as set out in the third quarterly results announcement for the nine months ended 31 December 2010 (“2010 Q3 Report”), the interim report of the Group for the six months ended 30 September 2010 (“IR 2010”), the annual report of the Group for the year ended 31 March 2010 (“AR 2010”) and the Prospectus, the key financial results of the Group for the respective years/periods are summarized as follows:

**Table A: Summary of the financial results of the Group**

	For the year ended 31 March			For the six months ended 30 September		For the nine months ended 31 December	
	2008	2009	2010	2009	2010	2009	2010
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue	7,280,097	7,807,445	12,464,267	3,434,059	3,805,877	8,293,292	7,576,652
Gross profit	3,392,405	2,703,180	4,179,398	988,989	1,753,362	2,694,249	3,206,958
Profit/(loss) before taxation	345,156	47,512	(1,019,395)	(853,918)	(1,187,757)	(804,749)	(1,674,624)
Profit/(loss) attributable to equity holders of the Company	345,156	(145,451)	(1,879,136)	(892,598)	(1,251,514)	(1,362,304)	(2,058,927)
Profit attributable to minority interests	-	500,940	385,600	3,499	25,529	279,335	178,084

Source: 2010 Q3 Report, IR 2010, AR 2010 and the Prospectus

**Table B: Summary of the financial positions of the Group**

	As at 31 March			As at 30 September	
	2008	2009	2010	2009	2010
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$	HK\$
Non-current assets	580,822	833,642	458,695	676,499	544,013
Current assets	10,908,747	10,593,883	24,552,725	26,882,176	24,175,568
Total assets	11,489,569	11,427,525	25,011,420	27,558,675	24,719,581
Current liabilities	8,848,258	8,406,314	2,236,256	4,330,672	3,034,166
Non-current liabilities	-	-	328,963	316,092	348,728
Total liabilities	8,848,258	8,406,314	2,565,219	4,646,764	3,382,894
Net assets	2,641,311	3,021,211	22,446,201	22,911,911	21,336,687

Source: IR 2010, AR 2010 and the Prospectus

Note: The 2010 Q3 Report didn't contain a balance sheet to set out the financial position of the Group as at 31 December 2010.



*(i) Financial year ended 31 March 2009 versus financial year ended 31 March 2008*

For the year ended 31 March 2009, the Group recorded revenue of approximately HK\$7.81 million, representing an increase of approximately 7% as compared to approximately HK\$7.28 million for the year ended 31 March 2008. According to the Prospectus, the slight increase of the Group's revenue was mainly due to the increase in CUP cards acceptance transaction volume as growing number of Chinese tourists in Thailand and increase in the number of the Group's point-of-sale ("POS") card terminals in Bangkok, Pattaya and Phuket. Nonetheless, the result attributable to equity holders of the Company slipped from a profit of approximately HK\$0.35 million for the year ended 31 March 2008 to a loss of approximately HK\$0.15 million for the year ended 31 March 2009. We note from the Prospectus that the loss attributable to equity holders of the Company for the year ended 31 March 2009 was mainly caused by (i) Oriental City Group (Hainan) Services Ltd., a wholly-owned subsidiary of the Company, was still recording loss and (ii) corporate expenses incurred by the Company.

*(ii) Financial year ended 31 March 2010 versus financial year ended 31 March 2009*

The Group's revenue for the year ended 31 March 2010 amounted to approximately HK\$12.46 million, representing an increase of approximately 60% as compared to approximately HK\$7.81 million for the corresponding period in 2009. As stated in the AR 2010, the increase in the Group's revenue was mainly due to the significant increase in CUP card acceptance transaction volume as a result of the increase of the POS terminals and the growing number of Chinese tourists in Thailand for the year. The loss attributable to equity holders of the Company was approximately HK\$1.88 million for the year ended 31 March 2010 as compared to approximately HK\$0.15 million for the corresponding period in 2009. According to the AR 2010, the loss was mainly attributable to (i) the general increase in administrative and operating expenses and (ii) the Group recorded a deferred tax credit amounting to approximately HK\$0.31 million for the year ended 31 March 2009 which was the initial recognition in that year, but for the year ended 31 March 2010, no such further deferred tax credit was recorded and income tax expenses of approximately HK\$0.47 million were recognised.

*(iii) Six months ended 30 September 2010 versus six months ended 30 September 2009*

For the six months ended 30 September 2010, the Group recorded revenue of approximately HK\$3.81 million, representing an increase of approximately 11% as compared with that of approximately HK\$3.43 million recorded in the corresponding period in 2009. According to the IR 2010, the increase in the revenue was mainly due to the Group had signed a marketing service agreement with an independent third party in November 2009 to provide marketing services and consultancy services which generated income amounted to approximately HK\$0.78 million during the six months ended 30 September 2010. Since the marketing service was newly introduced in November 2009, no such income was recorded for the six months ended 30 September 2009. The loss attributable to equity holders of the Company was approximately HK\$1.25 million for the six months ended 30 September 2010 as compared to that of approximately HK\$0.89



million recorded in the corresponding period in 2009. We note from the IR 2010 that the increase in the loss attributable to equity holders of the Company was mainly caused by (i) the increase of the general administrative expenses of the Group by approximately 67% to approximately HK\$2.65 million for the six months ended 30 September 2010 as compared with those of in the corresponding period in 2009; (ii) the increase of the selling and distribution costs by approximately 21% to approximately HK\$0.29 million for the six months ended 30 September 2010 as compared with those recorded in the corresponding period in 2009; and (iii) the Group's revenue generated from Thailand decreased by approximately 12% to approximately HK\$3.01 million for the six months ended 30 September 2010 from approximately HK\$3.41 million for the corresponding period in 2009 as affected by the political unrest and violence occurred in Thailand during the period.

*(iv) Nine months ended 31 December 2010 versus nine months ended 31 December 2009*

For the nine months ended 31 December 2010, the Group recorded revenue of approximately HK\$7.58 million, representing a decrease of approximately 9% as compared to approximately HK\$8.29 million recorded for the corresponding period in 2009. According to the 2010 Q3 Report, the decrease in the Group's revenue was mainly due to the significant decrease in CUP cards acceptance transaction volume as the number of Chinese tourists in Thailand dropped significantly as well as the termination of the participation agreement between Oriental City Group (Thailand) Company Limited, a subsidiary of the Company, and Siam Commercial Bank Public Company Limited in respect of electronic data capture machines on 10 May 2010. The loss attributable to equity holders of the Company was approximately HK\$2.06 million for the nine months ended 31 December 2010 compared with approximately HK\$1.36 million for the corresponding period in 2009. We note from the 2010 Q3 Report that the increase in the loss attributable to equity holders of the Company was mainly caused by (i) the aforesaid decrease in revenue; and (ii) general increase in administrative and operating expenses by approximately 47% from approximately HK\$3.02 million for the nine months ended 31 December 2009 to approximately HK\$4.45 million.

*(v) Financial position of the Group*

The Group recorded unaudited consolidated total assets of approximately HK\$24.72 million as at 30 September 2010 (30 September 2009: approximately HK\$27.56 million), representing a slight decrease of approximately 1% when compared with the Group's audited consolidated total assets of approximately HK\$25.01 million as at 31 March 2010. The consolidated net assets also decreased by approximately 5% from approximately HK\$22.45 million as at 31 March 2010 to approximately HK\$21.34 million as at 30 September 2010 (30 September 2009: approximately HK\$22.91 million) which was mainly resulted from the loss made during the six months ended 30 September 2010.



(vi) *Prospects and outlook*

We note from the IR2010 and the Directors that the Company has been expanding cautiously in Thailand. In addition, it is expected that CUP will reply the application by the Group to commence the card acceptance business in Laos. In order to maintain a continuous and healthy growth in the business development of the Group, as well as to diversify the business risk of the Group, the Company is currently seeking investment opportunities in the areas of internal consumption-related business in China, property investment and environmental-friendly energy business for enhancing its revenue on a stable and long term basis.

In view of the fact that (i) the Group recorded loss attributable to equity holders of the Company for each of the two financial years ended 31 March 2010 and the nine months ended 31 December 2010; and (ii) the business performance of the Group maybe dependent on the political stability of Thailand, we consider that the prospects and outlook of the Group remain uncertain.

(C) **The Offer**

Kingston Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share. . . . . HK\$0.1 in cash**

The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrance and together with all rights accruing or attaching to them on or after the Completion Date or subsequently become attached to them, including the rights to receive in full all dividends and distributions, if any, declared, made or paid on or after the Completion Date.

The Offer Price of HK\$0.1 per Offer Share is determined based on the price per Sale Share paid by the Offeror under the S&P Agreement and represents:

- (i) a discount of approximately 90% to the closing price of HK\$1 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 80.4% to the closing price of HK\$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 80.4% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive Trading Days up to and including the Last Trading Day of HK\$0.510 per Share;
- (iv) a discount of approximately 80.7% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive Trading Days up to and including the Last Trading Day of HK\$0.517 per Share; and



- (v) a premium of approximately 193.3% over the unaudited consolidated net asset value of the Group attributable to the equity holders of the Company of approximately HK\$0.0341 per Share as at 30 September 2010 (based on the unaudited consolidated accounts of the Company for the six months ended 30 September 2010 and the number of Shares in issue as at the Latest Practicable Date).

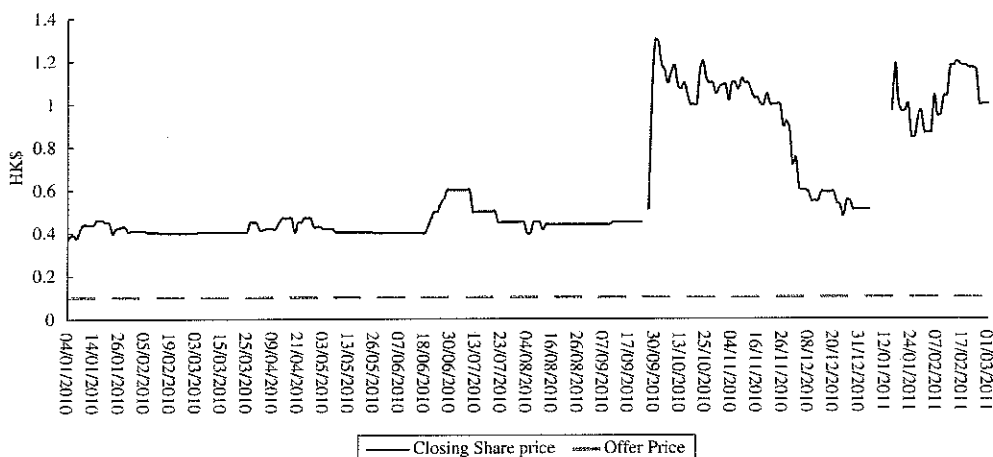
Further terms and conditions of the Offer, including the procedures for acceptance, are set out in the letter headed "Letter from Kingston Securities" and Appendix I to the Composite Document.

#### (D) Historical performance of the Shares

##### (i) Share Price

We have reviewed the movements in closing prices of the Shares during the period from 4 January 2010 up to the Latest Practicable Date (the "Review Period"). The closing prices of the Shares during the Review Period are set out below:

Chart A: The closing prices of the Shares during the Review Period



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading in the Shares on the Stock Exchange was suspended on 27 September 2010 and from 6 January 2011 to 13 January 2011.

During the Review Period, the lowest closing price of the Shares was HK\$0.365 which was recorded on 4 January 2010 and the highest closing price of the Shares was HK\$1.3 which was recorded on 30 September 2010. The Offer Price represents a discount of approximately 72.6% and approximately 92.3% respectively to such lowest and highest closing prices per Share during the Review Period.





As shown in Chart A above, the closing prices of the Shares were generally traded at around HK\$0.4 per Share during the period from 4 January 2010 to the end of September 2010. On 27 September 2010, the trading of the Shares was suspended and an announcement in relation to proposed rights issue with bonus issue of the Shares (the "Proposed Rights Issue") was published on the same day. Subsequent to the release of such announcement, the closing price of the Shares rose sharply and surged to HK\$1.3 on 30 September 2010, and since then the closing prices of the Shares traded at around \$1.0. On 11 November 2010, the Company published an announcement in relation to the termination of the Proposed Rights Issue in view of no suitable investment opportunities was identified and the GEM Listing Rules requirement (For more details, please refer to the announcement of the Company dated 11 November 2010). Thereafter, the closing price of the Shares was generally followed a downward trend from HK\$1.06 to HK\$0.51. The trading of the Shares was suspended again during 6 January 2011 to 13 January 2011 pending for the release of the Joint Announcement. The closing price of the Shares was HK\$0.97 on the trading day immediately after publication of the Joint Announcement, representing a significant increase of approximately 90.2% over the closing price of the Shares of HK\$0.51 on the Last Trading Day. Afterwards, the closing price of the Shares had generally traded between HK\$0.85 to HK\$1.2 up to the Latest Practicable Date.

We are aware that the Offer Price represents discounts to the recent market prices of the Shares and might appear not attractive to the Independent Shareholders. Nevertheless, taking into account that (i) the Group had occurred continuous losses for the past two financial years and for the nine months ended 31 December 2010; (ii) uncertainty in future prospects due to the business performance of the Group maybe dependent on the political stability of Thailand as described in the subsection headed "Historical financial performance and prospects of the Group"; and (iii) the substantial premium represented by the Offer Price over the unaudited net asset value of the Group attributable to the equity holders of the Company per Share as at 30 September 2010, we consider that the Offer Price is fair and reasonable and advise the Independent Shareholders should not solely rely on the market prices to make their decision to accept the Offer or not and should consider all the above factors as well. In addition, based on the low liquidity of the Shares as described in the subsection headed "Liquidity of the Shares" below, we are of the view that for the Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares.

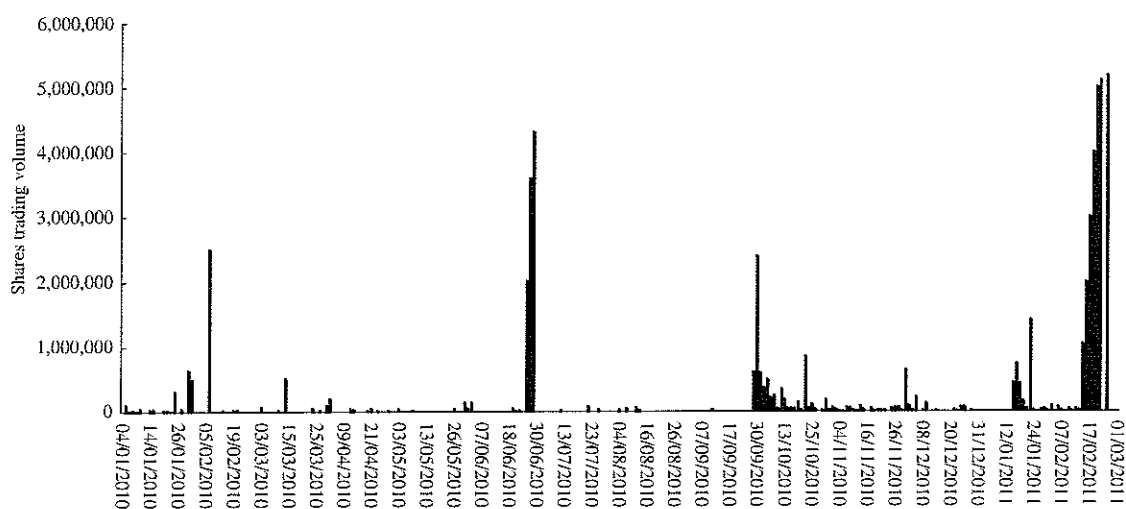
We would like to remind the Independent Shareholders that there is no guarantee that the trading price of the Shares will sustain and be higher than the Offer Price during and after the offer period in respect of the Offer. The Independent Shareholders, in particular those who may wish to realize their investments in the Shares, are thus reminded to closely monitor the market price of the Shares during the period of the Offer remains open for acceptance.



*Liquidity of the Shares*

The table below sets out average daily trading volume of the Shares for the respective month/period, as well as the respective percentages of average daily trading volume compared to the entire issued share capital of the Company and to the total number of Shares in public hand during the Review Period:

Chart B: Trading volume



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading in the Shares on the Stock Exchange was suspended on 27 September 2010 and from 6 January 2011 to 13 January 2011.



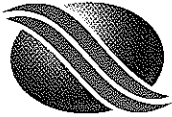
Table C: Trading volume

Month	Average daily trading volume	Percentage of average daily trading volume for the month/ period to total number of issued Shares	Percentage of average daily trading volume for the month/ period to the total number of Shares in public hand
	Number of shares	(Note 2) %	(Note 3) %
		(approximately)	(approximately)
<b>2010</b>			
January	65,500	0.011	0.046
February	170,556	0.028	0.121
March	42,609	0.007	0.030
April	8,421	0.001	0.006
May	12,000	0.002	0.009
June	485,238	0.081	0.344
July	6,667	0.001	0.005
August	7,273	0.001	0.005
September (Note 1)	152,159	0.025	0.108
October	204,755	0.034	0.145
November	32,502	0.005	0.023
December	60,535	0.010	0.043
<b>2011</b>			
January (Note 1)	1,420,000	0.038	0.164
February (1 February to the Latest Practicable Date)	5,172,000	0.224	0.953

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Trading in the Shares on the Stock Exchange was suspended on 27 September 2010 and from 6 January 2011 to 13 January 2011;
2. Calculated based on the entire issued share capital of the Company of 600,000,000 Shares as at the Latest Practicable Date; and
3. Calculated based on a total of 141,000,000 issued Shares held in public hands as at the Latest Practicable Date.



As illustrated in Table C above, the average daily trading volume of the Shares per month was within the range of approximately 0.001% to 0.224% as to the total number of issued Shares as at the Latest Practicable Date and approximately 0.005% to 0.953% as to the total number of the Shares held in public hands as at the Latest Practicable Date. Among the 282 trading days during the Review Period, 153 trading days have recorded no trading of Shares, representing more than half of the trading days during the Review Period.

Based on the generally low liquidity during the Review Period, we consider that the Independent Shareholders who may wish to realize their investment in the Company, especially those with relatively sizable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Nevertheless, the Independent Shareholders who intend to dispose part or all of their Shares are reminded to closely monitor the market price and the liquidity of the Shares during the Offer Period and consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the disposal of such Shares in the open market would exceed that receivable under the Offer.

**(E) Comparison with comparable companies and other offers**

**(i) Comparable companies**

The Company is an investment holding company and through its subsidiaries, is principally engaged in the cards and payment related businesses. In forming our opinion of the Offer Price, we have identified and reviewed a total of four companies listed on the Stock Exchange which are principally engaged in provision of payment-related services, which we consider are exhaustive and are in similar business natural as the Company (the "Comparables"). We have compared the valuation of the Group based on the Offer Price against those Comparables and the results of which are set forth in the table below:



Table D: Comparables

Company name/ (Stock code)	Year end date	Closing share price as at 5 January 2011 (Note 1)	Market capitalisation as at 5 January 2011	Latest published net assets/ (liabilities) per share attributable to the equity holder published on or before 5 January 2011	PB Ratio as at the Last Trading Date
Universal Technologies Holdings (1026) (Note 2)	31-Dec	HK\$0.28	Approximately HK\$432.36 million	Approximately HK\$0.1775	Approximately 1.59 times
Palmpay China (Holdings) Limited (8047) (Note 3)	31-Mar	HK\$0.073	Approximately HK\$196.10 million	Approximately HK\$0.1571	Approximately 0.46 times
Jian ePayment Systems Limited (8165) (Note 4)	31-Dec	HK\$0.17	Approximately HK\$154.02 million	Approximately HK\$(0.0099)	NA
China Communication Telecom Services Co. Limited (8206) (Note 5)	31-Mar	HK\$2.01	Approximately HK\$2,401.34 million	Approximately HK\$(0.0450)	NA
				<b>Maximum</b>	1.59
				<b>Minimum</b>	0.46
				<b>Mean</b>	1.03
				<b>Median</b>	1.03
			Offer Price		
The Company	31-Mar	HK\$0.1	Approximately HK\$306.00 million	Approximately HK0.0341	Approximately 2.93 times

Sources: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the financial reports of the respective companies



*Notes:*

1. The S&P Agreement was signed on 5 January 2011;
2. It is principally engaged in provision of payment solutions and related services, furniture manufacturing, timber trading and other trading;
3. It is principally engaged in provision of mobile payment gateway services in the PRC;
4. It is principally engaged in development and operation of back end electronic receipt/payment and data recording and processing software system; and manufacturing and distribution of the associated commercial applications in PRC; and
5. Pursuant to the announcement of China Communication Telecom Services Company Limited ("China Com") dated 1 December 2010, China Com intended to undergo a substantial disposal, and thereafter the remaining group would be principally engaged in the business of provision of promotion and management services for an electronic smart card "Shentong Card" which could be used to pay mobile and fixed line phone recharge fees, transportation fees, online trading fees and utilities fees etc; Such disposal was duly passed by the shareholders of China Com on 20 January 2011.

*(a) Price to earnings multiple ("PE Ratio") and the dividend yield*

The PE Ratio (as represented by the current share price divided by its latest published annual earnings per share) and the dividend yield (as represented by the latest published annual dividend payment per share divided by its current share price) are widely adopted traditional valuation approaches by the investing community in assessing the fair value of the companies which are profit making and/or paying dividend regularly respectively.

As illustrated in the Table A above, the Company recorded loss attributable to its equity holders of approximately HK\$0.15 million, HK\$1.88 million and HK\$2.06 million for the two financial years ended 31 March 2010 and the nine months ended 31 December 2010 respectively. Besides, we have also reviewed the dividend payment history of the Company and noted that the Company has not paid and/or declared any dividend to the equity holders of the Company since its listing on the GEM on 28 August 2009. Hence, we consider that it would not be feasible and meaningful to assess the Offer Price by using the PE Ratio and the dividend yield valuation approach.

*(b) Price to book multiple ("PB Ratio")*

The PB Ratio (as represented by the current share price divided by its latest published consolidated net asset values per share attributable to the equity holder of the Company) is another widely adopted traditional valuation approach in valuing a company, in particular loss-making company, and provides another prospective for analyzing and assessing those loss-making companies.



As at 30 September 2010, the Group recorded unaudited consolidated net asset value of the Group attributable to the equity holders of the Company of approximately HK\$0.0341 per Share (based on the unaudited consolidated accounts of the Company for the six months ended 30 September 2010 and the number of Shares in issue as at the Latest Practicable Date), and the Offer Price represents a premium of such net asset value per Share over 190%. As illustrated in Table D above, we note that the PB Ratio of the Company as at the Last Trading Date was approximately 2.93 times, which is higher than the range of approximately 0.46 times to approximately 1.59 times of the Comparables, and also higher than the mean and median of the Comparables.

Based on the above analysis and from the sole perspective assessment of the Offer Price with reference to the Comparables in terms of PB Ratio, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

**(F) Background and intention of the Offeror**

*(i) Background*

The Offeror is an investment holding company incorporated in the BVI with limited liability. The Purchaser is legally and beneficially owned as to 70% by Mr. Cheng and as to 30% by Ms. Cheng. Immediately before Completion, the Offeror and parties acting in concert with it were interested in 27,000,000 Shares, of which Mr. Cheng was personally interested in 27,000,000 Shares, representing 4.5% of the entire issued share capital of the Company. Immediately prior to the entering into of the S&P Agreement, each of the Offeror and its ultimate beneficial shareholders are Independent Third Parties. Other than the entering into of the S&P Agreement, the Offeror has not conducted any business since its incorporation.

Mr. Cheng, aged 40, graduated from California State University, Sacramento with major in finance. He is a private investor who has extensive experience in investment management and securities analysis. He has about 15 years of experience in investment with hedge fund groups responsible for investment portfolios with a primary focus in Asia.

Ms. Cheng, aged 37, graduated from San Francisco State University with major in marketing. She is the sister of Mr. Cheng. She has about 10 years of experience in investment. She also has about 3 years' experience as business consultant in Wang On Group Limited, a company listed in the main board of the Stock Exchange.



*(ii) Intention of the Offer in relation to the Group*

As set out in the “Letter from Kingston Securities” to the Composite Document, it is the intention of the Offeror that the Group will continue with its existing principal businesses. The Offeror does not intend to introduce any major changes to the existing operations and business of the Company after the Offer. The Offeror will, shortly after the close of the offer, conduct a more detailed review on the operations of the Group with a view to formulate a comprehensive business strategy for the Group and subject to the result of the review, the Offeror may explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or deploy the assets of the Group other than those in its ordinary course of business.

As at the Latest Practicable Date, the Offeror has no intention or plans for any acquisition or disposal of assets and/or business by the Group. Accordingly, we consider that there should not be any material change to the operations of the Group following the completion of the Offer.

*(iii) Directors, management and employees*

As at the Latest Practicable Date, the Board made up of 5 Directors, comprising one executive Director, namely Mr. Yu Chun Fai, one non-executive Director, namely Ms. Wong Lai Chun, and three independent non-executive Directors, namely Mr. Chan Chun Wai, Mr. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung. We note that the Offeror intends that it will nominate Mr. Cheng and Ms. Cheng as executive Directors and Mr. Lee Kin Fai and Mr. Chow King Lok as independent non-executive Directors on such date as the Takeovers Code permits. Ms. Wong Lai Chun will resign as non-executive Director and Mr. Chan Wing Cheung, Joseph and Mr. Tsang Siu Tung will resign as independent, non-executive Directors after the close of the Offer or such date as the Takeovers Code permits. Except Mr. Cheng and Ms. Cheng, the biographies of the other proposed Directors are set forth below:

Mr. Lee Kin Fai (“Mr. Lee”), aged 38, is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. He holds a Master of Business Administration from the Manchester Business School of University of Manchester, United Kingdom. He was an executive director of Apollo Solar Energy Technology Holdings Limited (Stock Code: 566), a company listed on the main board of the Stock Exchange, during January 2009 to August 2010. Mr. Lee is currently an independent non-executive Director of Epro Limited, a company listed on GEM.





Prior to joining Apollo Solar Energy Technology Holdings Limited in 2004, he worked in another company listed on the main board of the Stock Exchange and an international accounting firm. Mr. Lee has more than 10 years' experience in accounting, audit and taxation field.

Mr. Chow King Lok (“**Mr. Chow**”), aged 64, is currently a registered technical director of Hong Kong Building Department, a committee member of Hong Kong Shatin Industries and Commerce Association Ltd., and a director of an engineering company. He has a bachelor degree in Mechanical Engineering from Cheng Kung University, Taiwan. Mr. Chow is currently an independent non-executive Director of Apollo Solar Energy Technology Holdings Limited (Stock Code: 566), a company listed on the main board of the Stock Exchange.

Aforementioned in the sub-sectioned headed “Intention of the Offer in relation to the Group” above, the Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board), we consider that no material change in the existing business of the Group upon completion of the Offer. We note from the biographies of the proposed Directors that they have no relevant experience in cards and payment related business and hence the Independent Shareholders are reminded that it is uncertain whether the change in the composition of the Board would affect the existing business of the Group and its business direction in the future.

## **RECOMMENDATION**

We have discussed with Ms. Wong Lai Chun, a Shareholder interested in 6,000,000 Shares as at the Latest Practicable Date and the dissenting member of the Independent Board Committee, and were given the understanding that she does not consider the terms of the Offer to be fair and reasonable and does not recommend the Independent Shareholders to accept the Offer because the Offer Price represents discounts to the recent market prices of the Shares and might not appear to be attractive to the Independent Shareholders.

Nevertheless, having considered the above factors and reasons, and in particular that:

- (i) the future business performance of the Group remains uncertain due to the political stability of Thailand;
- (ii) no dividend has been paid to the equity holders of the Company by the Group after listing on the GEM on 28 August 2009;
- (iii) the loss-making position attributable to the equity holders of the Company for the two financial years ended 31 March 2010 and for the nine months ended 31 December 2010;
- (iv) the PB Ratio represented by the Offer Price falls above the range, mean and median of those Comparables; and
- (v) the trading liquidity of the Shares was very thin during the Review Period;



we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the Share price and the market price of the Share as at the Latest Practicable Date was HK\$1, which was significantly higher than the Offer Price, and there is no guarantee that the current market price will or will not sustain and will or will not be higher than the Offer Price during and after the close of the Offer. The Independent Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period of the Offer remain open for acceptance and shall, having regard to their own circumstances, consider selling the Shares (as the case may be) in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares would be higher than that receivable under the Offer.

In any case, the Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision to realize or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,  
For and on behalf of  
**Cinda International Capital Limited**

**Thomas Lai**  
*Executive Director*

**Robert Siu**  
*Executive Director*