

29 September 2009

*To the Independent Board Committee*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFERS BY  
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED  
FOR AND ON BEHALF OF TEAMSUN TECHNOLOGY (HK) LIMITED  
FOR ALL THE ISSUED SHARES IN  
AUTOMATED SYSTEMS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR  
AGREED TO BE ACQUIRED BY  
TEAMSUN TECHNOLOGY (HK) LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND TO CANCEL ALL OUTSTANDING OPTIONS OF  
AUTOMATED SYSTEMS HOLDINGS LIMITED**

**INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee in relation to the terms of the Offers, details of which are set out in the composite offer and response document dated 29 September 2009 (the “**Composite Offer Document**”) jointly issued by the Offeror and the Company to the Shareholders and the Optionholders, of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Composite Offer Document unless the context otherwise requires.

On 6 May 2009, the Company and the Offeror jointly announced that on 24 April 2009, the Vendors entered into the Share Purchase Agreement with the Offeror, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares for cash consideration in an aggregate sum of approximately HK\$262.4 million. As mentioned in the “Letter from the Board” contained in the Composite Offer Document (the “**Letter from the Board**”), completion of the Share Purchase Agreement took place on 23 September 2009 and at Completion, the Offeror and parties acting in concert with it acquired 203,431,896 Shares, representing approximately 65.3% and 68.4% of the entire issued share capital of the Company as at the Latest Practicable Date and as at the date of the Joint Announcement respectively. As set out in the Letter from the Board, the reduction in percentage of Shares held by the Offeror and parties acting in concert with it was due to the exercises of certain Options by the Optionholders after the date of the Joint Announcement, which increased the number of total issued Shares from

- 1 -

297,427,000 as at the date of the Joint Announcement to 311,403,000 as at the Latest Practicable Date. In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make the General Offer for all the Disinterested Shares and to make a comparable offer for all the Options in compliance with Rule 13 of the Takeovers Code upon Completion.

Mr. Lai Yam Ting, Ready and Mr. Lau Ming Chi, Edward, both being executive Directors, and Mr. Kuo Chi Yung, Peter, a non-executive Director, maintain stock brokerage accounts with Taifook Securities Company Limited ("**Taifook Securities**"), a fellow subsidiary of us. Mr. Lam Kwong Shing, a director of certain subsidiaries of the Company, had maintained with Taifook Securities a stock brokerage account which had been closed as at the Latest Practicable Date. We consider that the above matters do not affect our independence in giving advice to the Independent Board Committee, given that (i) the provision of stock brokerage services to the aforesaid persons is in the ordinary and usual course of business of Taifook Securities; and (ii) the revenue generated from the provision of stock brokerage services to the aforesaid persons in the past two years was insignificant to Taifook Securities.

In our capacity as the independent financial adviser to the Independent Board Committee, our role is to provide you with our independent opinion and recommendations as to whether the terms of the Offers are fair and reasonable, and our advice to you as to whether or not you should recommend the Independent Shareholders to accept the General Offer and the Optionholders to accept the Option Offer. The Independent Board Committee, the composition of which is set out in the "Letter from Independent Board Committee" of the Composite Offer Document, has also been established to advise the Independent Shareholders and the Optionholders in respect of the terms of the Offers. Our appointment has been approved by the Independent Board Committee.

#### **BASES AND ASSUMPTIONS**

In formulating our recommendation, we have relied on the financial and other information and facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such financial and other information and facts provided and any representations made to us, or contained in the Composite Offer Document, have been properly extracted from the relevant underlying accounting records (in case of financial information) and made after due and careful inquiry by the Directors and/or management of the Group. We have also assumed that all such financial and other information and facts provided and any representations made to us, or contained in the Composite Offer Document, were complete, true and accurate at the time they were made and continue to be so at the date of despatch of the Composite Offer Document and during the period up to the close of the Offers. We have been advised by the Directors and/or management of the Group that to the best of their knowledge and belief all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company as set out below:

- (i) a copy of the Share Purchase Agreement;
- (ii) the annual report of the Company for the year ended 31 March 2009 (the "**2009 Annual Report**");

- (iii) the announcement of the Company dated 26 August 2009 in relation to the consolidated first quarterly results of the Group for the three months ended 30 June 2009 (the "First Quarterly Results Announcement"); and
- (iv) the Composite Offer Document.

We have also discussed with the Directors and/or management of the Group with respect to the terms of the Offers, and considered that we have reviewed sufficient information to reach an informed view and have no reason to doubt the completeness, truth or accuracy of the information and facts provided and representations made to us. We have not, however, conducted an independent verification of the information nor have we conducted any form of investigation into the businesses, affairs, financial positions or prospects of the Group and the associated companies of the Company, the CSC Group and its associates as well as the Offeror and its associates.

We have not considered the tax implications on the Independent Shareholders and the Optionholders of their acceptances or non-acceptances of the General Offer and the Option Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders and the Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the General Offer and the Option Offer and, if in any doubt, should consult their own professional advisers.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion in respect of the terms of the Offers, we have considered the following principal factors and reasons:

### **1. Background of and reasons for the Offers**

On 24 April 2009, the Vendors entered into the Share Purchase Agreement with the Offeror, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares for cash consideration in an aggregate sum of approximately HK\$262.4 million. At Completion, which took place on 23 September 2009, the Offeror and parties acting in concert with it acquired approximately 65.3% of the entire issued share capital of the Company. As such, the Offeror is required to make the General Offer for all the Disinterested Shares and to make a comparable offer for all the Options.

### **2. Information about the Group**

#### **(A) Principal business of the Group**

The Group is principally engaged in the business of information technology, providing systems integration, information technology infrastructure, software and consulting services, engineering support for products and solutions, managed services as well as supplying information technology and associated products in Hong Kong, Macau, Taiwan, the PRC and Thailand.

(B) *Financial performance of the Group*

Set out below are a summary of the unaudited consolidated financial information of the Remaining Business for the two financial years ended 31 March 2009 and the three months ended 30 June 2009 and 30 June 2008 based on the 2009 Annual Report and the First Quarterly Results Announcement, and the Remaining Group's unaudited pro forma consolidated net assets value as at 31 March 2009 based on the unaudited pro forma assets and liabilities statement of the Remaining Group as at 31 March 2009 as set out in Appendix III to the Composite Offer Document:

	<b>The Remaining Business (Note 1)</b>			
	<b>For the three months ended</b>		<b>For the year ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>31 March</b>	<b>31 March</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
Turnover from external customers (Note 2)	287.1	332.1	1,361.0	1,315.1
Segment profit (Note 2)	19.0	23.8	88.3	93.2
Segment profit margin	6.6%	7.2%	6.5%	7.1%
Profit after taxation (Note 3)	6.6	11.0	35.5	71.0
	<b>As at 30 June</b>	<b>31 March</b>	<b>31 March</b>	
	<b>2009</b>	<b>2009</b>	<b>2008</b>	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Net assets value (Note 4)	496.0	479.2	500.6	
Remaining Group's pro forma consolidated net assets value as at 31 March 2009 (Note 5)			HK\$602.8 million	
Remaining Group's pro forma consolidated net assets value as at 31 March 2009 net of the Special Dividend (Note 6)			HK\$316.3 million	

*Notes:*

- The Remaining Business comprises (i) the business of information technology in providing systems integration, software and consulting services, engineering support for products and solutions, managed services save for the Business ("IT Services"); and (ii) the business of information technology in supplying information technology and associated products save for the Business ("IT Products").

2. The consolidated turnover of the Remaining Business represents the aggregate of the audited (or in respect of the three months ended 30 June 2009 and 30 June 2008, unaudited) consolidated turnover from external customers of the IT Services and IT Products as published in the 2009 Annual Report or the First Quarterly Results Announcement. The consolidated segment profit of the Remaining Business represents the aggregate of the audited (or in respect of the three months ended 30 June 2009 and 30 June 2008, unaudited) consolidated segment profit of the IT Services and IT Products as published in the 2009 Annual Report or the First Quarterly Results Announcement.
3. The consolidated profit after taxation of the Remaining Business for the year ended 31 March 2009 and 31 March 2008 represents the audited consolidated profit after taxation of the Group less the unaudited consolidated profit after taxation of the Business (determined based on the segment profit relating to the Business after allocating relevant incomes and expenses attributable to the Business) as published in the 2009 Annual Report. The consolidated profit after taxation of the Remaining Business for the three months ended 30 June 2009 and 30 June 2008 is based on the First Quarterly Results Announcement.
4. The consolidated net assets value of the Remaining Business represents the audited (or in respect of 30 June 2009, unaudited) consolidated net assets value of the Group less the unaudited consolidated net assets value of the Business (representing the segment assets less segment liabilities of the Business as published in the 2009 Annual Report or the First Quarterly Results Announcement).
5. The Remaining Group's pro forma consolidated net assets value as at 31 March 2009 is based on the unaudited pro forma assets and liabilities statement of the Remaining Group as at 31 March 2009 (as set out in Appendix III to the Composite Offer Document), which is prepared based on (i) the audited consolidated balance sheet of the Group as at 31 March 2009; and (ii) the assumption that the Disposal had been completed on 31 March 2009 after incorporating certain unaudited pro forma adjustments. The Remaining Group's pro forma consolidated net assets value as at 31 March 2009 of approximately HK\$602.8 million has not taken into account the distribution of the Special Dividend.

The Remaining Group's pro forma consolidated net assets value as at 31 March 2009 of approximately HK\$602.8 million is different from the consolidated net assets value of the Remaining Business as at 30 June 2009 of approximately HK\$496.0 million due to the difference in consolidated net assets value of the Remaining Business as at 31 March 2009 and 30 June 2009 attributable to the operations for the three months ended 30 June 2009 and the fact that the consolidated net assets value of the Remaining Business as at 30 June 2009 has not taken into account the pro forma adjustments relating to: (i) the consideration for the Disposal of HK\$125 million and the estimated professional and legal fees and other expenses of approximately HK\$3.0 million in relation to the Disposal; (ii) the capital expenditure of HK\$3.9 million borne by ASL HK in respect of Hardware Assets purchased by ASL HK during the period from 1 April 2009 to the date of the GAT Closing, and has not included the net current assets of the Business, including inventories, trade receivables, other receivables, trade payables and other payables in relation to the Business, which will be reimbursed by CSC HK (if realisable by CSC HK) to the Group after the GAT Closing. Details of the aforesaid are set out in the notes to the unaudited pro forma assets and liabilities statement of the Remaining Group as at 31 March 2009 as set out in Appendix III to the Composite Offer Document.

6. The Remaining Group's pro forma consolidated net assets value as at 31 March 2009 net of the Special Dividend is calculated by deducting the Special Dividend of approximately HK\$286.5 million from the Remaining Group's pro forma consolidated net assets value as at 31 March 2009 of approximately HK\$602.8 million.

During the year ended 31 March 2009, the Group recorded a growth of approximately 3.5% in turnover from external customers from the Remaining Business, from approximately HK\$1,315.1 million for the year ended 31 March 2008 to approximately HK\$1,361.0 million. However, the segment profit margin of the Remaining Business decreased from approximately 7.1% for the year ended 31 March 2008 to approximately 6.5% for the year ended 31 March 2009. As advised by the Directors, the decrease in segment profit margin was attributable to the increase in service delivery that demanded a higher cost structure, especially in meeting the delivery commitment in the fourth quarter

which caused the reduction of profit. As advised by the Directors, the decrease in the profit after taxation of the Remaining Business for the year ended 31 March 2009 was also mainly attributable to recognition of a gain on disposal of available-for-sale investments of approximately HK\$20.7 million for the year ended 31 March 2008 and the decrease in interest income by approximately HK\$4.4 million as a result of decline in interest rate during the year ended 31 March 2009.

For the three months ended 30 June 2009, turnover from external customers from the Remaining Business decreased by approximately 13.5% to approximately HK\$287.1 million, from approximately HK\$332.1 million in the corresponding period of 2008. As advised by the Directors, the decrease in turnover was mainly attributable to the decrease in product sales in the commercial sector, as affected by the slowdown in the global economy. Both the segment profit and profit after taxation of the Remaining Business for the three months ended 30 June 2009 remained lower than those for the corresponding period of 2008, which as advised by the Directors, was mainly attributable to the decrease in turnover as explained above.

Based on the decrease in the profit of the Remaining Business for the year ended 31 March 2009 and the three months ended 30 June 2009 as compared to their respective corresponding year/period in 2008, we are not aware of any immediate signs of strong profit growth.

*(C) Outlook of the Group's business environment*

As mentioned in the 2009 Annual Report, with a view to strengthening the Group's presence in the Greater China, the Group continues to explore opportunities of partnering with strong PRC information technology service providers, to support the Group to serve existing Hong Kong and Taiwan clients for their mainland's operations as well as to sell solutions and services to PRC local enterprises, with Hong Kong continuing to serve as the center of excellence for the Group to capitalise new business opportunities in its existing operations in the region.

On the other hand, despite the global economic downturn, according to the data available on the website of the National Bureau of Statistics of China as at the Latest Practicable Date, the PRC has been able to attain a growth rate of approximately 7.1% in its gross domestic product for the first two quarters of 2009 as compared to the same period in 2008. However, the robust market will also drive new competitors into the PRC such that the information technology market in the PRC will become more and more competitive. As mentioned in the First Quarterly Results Announcement, the Group sees opportunities to capture information technology demand from customers who have operations in China or are keen to pursue Mainland's untapped potential. The Group sees an opportunity to expand operations within the Pearl River Delta region and recognises Shanghai's potential as an international finance centre in the region. With the termination of the Territorial Agreement, the Group is free to expand into the PRC market. We understand from the Directors that the Company is considering various business development plans for the expansion of the Group into the PRC market or other overseas territories but these plans are still under consideration and have not been finalised. As advised by the Directors, as at the Latest Practicable Date, no decision had been made and no agreement, arrangement or understanding had been entered into in respect of the business development plans and there was no expected time line to finalise these plans.

*(D) Further analysis*

In assessing whether the Remaining Business's financial performance may improve in the near future, we have taken into account the following factors:

- (i) it was noted that for the year ended 31 March 2009, due to, among others, the decrease in segment profit margin of the Remaining Business, the increase in turnover of the Remaining Business had not turned into a higher level of profit. For the three months ended 30 June 2009, the segment profit margin of the Remaining Business remained lower than that for the three months ended 30 June 2008. There is no guarantee that the financial performance of the Remaining Business will improve significantly in the near future given the competitive operating environment of the information technology industry and the business development plans of the Group for expansion into regions are still under consideration by the management and have not been finalised;
- (ii) the segment profit margins of the Remaining Business fluctuate from year to year. As advised by the Directors, this is largely due to the changes in revenue mix and general economic environment and the revenue of the Remaining Business is derived from various services, products and solutions provided to the customers, which have different cost structures and profit margins. In addition, the turnover and profit of the Remaining Business will be affected by the general economic environment. As such, the profitability of the Remaining Business is subject to factors that may be beyond the control of the Group from the Directors' view; and
- (iii) the Company is still considering various business development plans for the future expansion of the Group in the PRC or other overseas territories, accordingly the future prospects of the Group's business are yet to be ascertained.

After considering the above factors, we concur with the Directors' view that there is no guarantee that the Group's financial performance will be improved significantly in the near future.

Taking into account: (i) the segment profit margin of the Remaining Business for the year ended 31 March 2009 and for the three months ended 30 June 2009 was lower than that in their respective last corresponding year/period; (ii) there was no material turnover growth of the Remaining Business for the year ended 31 March 2009 as compared to the year ended 31 March 2008 and the turnover of the Remaining Business for the three months ended 30 June 2009 decreased as compared to the three months ended 30 June 2008; (iii) the uncertainties of the general economic environment following the global financial crisis; and (iv) the business development plans for future expansion of the Group are still under consideration and have not been finalised, we concur with the view of the Directors that there is no guarantee that the prospects of the Group's business will have a significant improvement in the near future.

### 3. Information about the Offeror

#### (A) Principal business of the Offeror

As set out in the “Letter from DTCFL” contained in the Composite Offer Document (the “Letter from DTCFL”), the Offeror is a company incorporated in Hong Kong on 19 April 2004 with limited liability. The sole director of the Offeror is Mr. Wang Weihang. The Offeror is a direct wholly-owned subsidiary of and ultimately controlled by Beijing Teamsun, a joint stock company with limited liability established under the laws of the PRC and whose shares are listed on the Shanghai Stock Exchange. The Offeror is the window company of Beijing Teamsun in Hong Kong and mainly provides administrative support to the clients of Beijing Teamsun in the PRC and Hong Kong.

As set out in the Letter from DTCFL, Beijing Teamsun is an integrated information technology service provider in China, with business scope covering information technology product service, application software development, value-added distribution, system integration. Its headquarter is located in Beijing, with wholly-invested subsidiaries in the United States of America and Hong Kong, and branches over China.

#### (B) Intention of the Offeror

As set out in the Letter from DTCFL, the Offeror intends to maintain the listing status of the Company and to maintain the existing management of the Group and not to discontinue the employment of the employees of the Group as a result of the Offers, and to continue its existing operations with focus in Hong Kong, Macau, Taiwan and Southeast Asia, whilst positioning the Company as the major platform for the Offeror’s expansion and collaboration in these regions.

As set out in the Letter from DTCFL, following Completion, the Offeror intends to conduct a detailed review on the Remaining Business of the Group for the purpose of formulating business plans and strategies for the business development of the Group as a whole. The Offeror also intends to assist the Company to develop its potentials in the PRC market by introducing the products and technologies having their competitive advantages in the PRC market to facilitate the Group’s expansion in the Greater China region. It is also the intention of the Offeror to formulate incentive plans where appropriate to attract new talents for the Group. As at the Latest Practicable Date, the Offeror has no intention to introduce any major changes to the business of the Group or to dispose of or re-deploy the assets of the Group, other than in the ordinary course of the business of the Group, following Completion.

### 4. Principal terms of the Offers

As set out in the Letter from DTCFL, DTCFL, on behalf of the Offeror, is making the General Offer to acquire all the Disinterested Shares, and a comparable offer for all the Options in compliance with Rule 13 of the Takeovers Code, on the following basis:

**For each Share. . . . . HK\$1.29 in cash**



As at the Latest Practicable Date, there were a total of 311,403,000 Shares in issue (of which 203,431,896 Shares were owned by the Offeror).

**For each 1,000 Options. . . . . HK\$0.01 in cash**

As at the Latest Practicable Date, there were a total of 1,966,000 outstanding Options which may confer rights to the Optionholders to subscribe for new Shares. All outstanding Options have exercise prices higher than the Offer Price and accordingly such Options are out of the money (when comparing with the Offer Price). In this situation, the Option Offer is being made only at a nominal price of HK\$0.01 for each 1,000 Options. As set out in the Letter from the Board, pursuant to the share option schemes of the Company adopted on 16 October 1997 and 8 August 2002, Optionholders shall be entitled to exercise the outstanding Options granted under the share option scheme of the Company adopted on 16 October 1997 in full within 21 days after the date on which the Offers become or are declared unconditional (i.e. the commencement date of the Offers) and for outstanding Options granted under the share option scheme of the Company adopted on 8 August 2002, within 14 days after the date on which the Offers become or are declared unconditional (i.e. the commencement date of the Offers). For those Optionholders who do not accept the Option Offer, Options that are not exercised within the said 21 days or 14 days period (as the case may be) will in the event lapse and be determined.

As set out in the Letter from DTCFL, the Offers are unconditional in all respects and are not conditional upon acceptances being received in respect of a minimum number of Shares or Options (as the case may be) nor any other conditions.

Further terms of the Offers, including, among others, the procedures for acceptance, are set out in Appendix I to the Composite Offer Document.

## **5. The Offer Price**

### *(A) Historical market price and liquidity of the Shares*

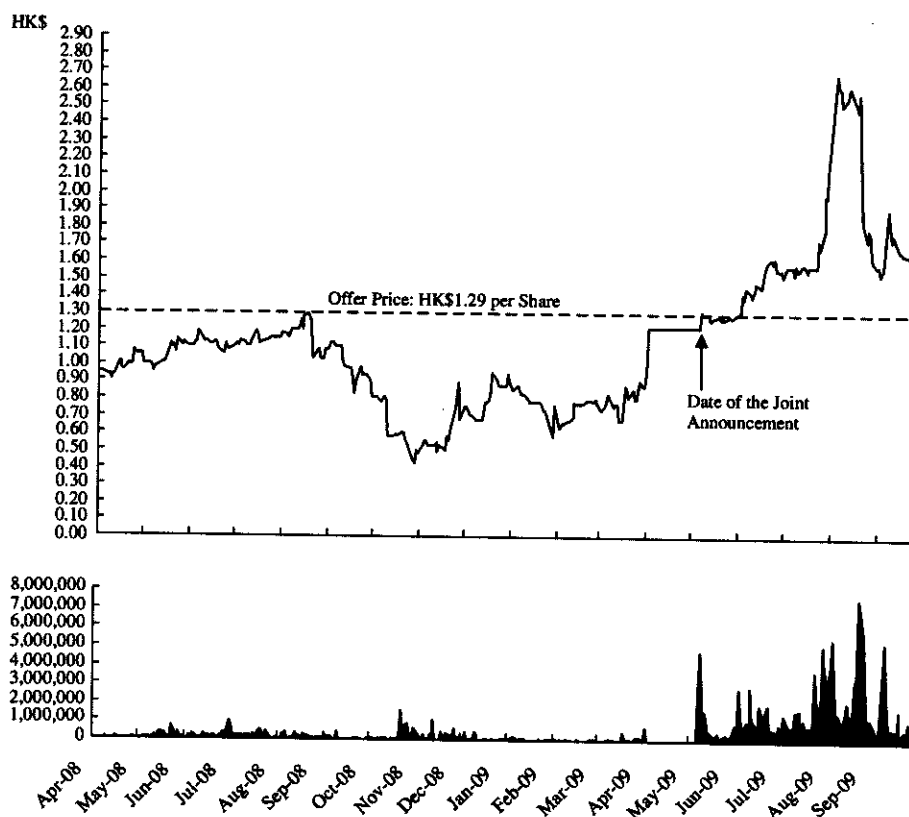
#### *(a) Share price*

As stated in the Letter from the Board, after the GAT Closing, the Company distributed the proceeds under the Disposal and surplus cash of the Company for the Special Dividend to all Shareholders (including CSA Holdings and CSC International) whose names appeared on the register of members of the Company on 21 August 2009. The Special Dividend amounted to HK\$0.92 per Share and was distributed on 10 September 2009. The Shares commenced trading at ex-entitlement to such Special Dividend on 20 August 2009. Shareholders whose names appeared on the register of members of the Company on the Dividend Record Date are entitled to the Special Dividend regardless of their acceptance or non-acceptance of the General Offer.

When comparing and analysing the Offer Price relative to the historical price performance of the Shares, we have made adjustments to the historical daily closing prices of Shares prior to 20 August 2009, being the date of ex-Special Dividend, by deducting the amount of Special Dividend per Share (“Adjusted Prices”).

The following chart shows the closing price (as adjusted by deducting the Special Dividend in respect of the closing prices prior to 20 August 2009) and trading

volume of the Shares as quoted on the Stock Exchange from 1 April 2008, being the first trading day of the month falling twelve months prior to 2 April 2009 (the last trading day of the Shares immediately prior to the suspension of trading in the Shares from 11:58 a.m. on 2 April 2009 pending the release of the Joint Announcement), to the Latest Practicable Date (both dates inclusive):



Source: Bloomberg

The Offer Price represents:

- (i) a premium of approximately 6.6% over the Adjusted Price of HK\$1.21 per Share as quoted on the Stock Exchange on 2 April 2009;
- (ii) a premium of approximately 33.0% over the Adjusted Price of HK\$0.97 per Share as quoted on the Stock Exchange on 1 April 2009, being the last full trading day of the Shares immediately prior to the publication of the Joint Announcement (the “**Last Full Trading Day**”);
- (iii) a premium of approximately 49.3% over the average Adjusted Price of HK\$0.864 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Full Trading Day;
- (iv) a premium of approximately 60.8% over the average Adjusted Price of HK\$0.802 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Full Trading Day;

- (v) a discount of approximately 18.4% to the closing price of HK\$1.58 per Share on the Latest Practicable Date;
- (vi) a premium of approximately 21.4% over the Remaining Group's unaudited pro forma consolidated net assets value (net of the Special Dividend) of approximately HK\$1.063 per Share ("**Pro forma NAV per Share of Remaining Group**") (calculated based on the Remaining Group's unaudited pro forma consolidated net assets value as at 31 March 2009 (net of the Special Dividend) of approximately HK\$316.3 million as mentioned above and 297,427,000 Shares in issue as at 31 March 2009).

As shown in the above chart, during the period from 1 April 2008 to 2 April 2009 (both dates inclusive) (the "**Pre-Announcement Period**"), the highest and lowest Adjusted Prices of the Shares were HK\$1.29 per Share recorded on 18 August 2008 and HK\$0.42 per Share recorded on 28 October 2008 and 29 October 2008 respectively. The Offer Price is the same as the highest Adjusted Price per Share and represents a premium of approximately 207.1% over the lowest Adjusted Price per Share during the Pre-Announcement Period.

Trading in the Shares was suspended during the period from 11:58 a.m. on 2 April 2009 up to and including 6 May 2009 pending the release of the Joint Announcement. During the period from 7 May 2009 to the Latest Practicable Date (both dates inclusive) (the "**Post-Announcement Period**"), the highest and lowest Adjusted Prices of the Shares as quoted on the Stock Exchange were HK\$2.68 per Share recorded on 4 August 2009 and HK\$1.25 per Share recorded on 14 May 2009 respectively. The Offer Price represents a discount of approximately 51.9% to the highest Adjusted Price per Share and a premium of 3.2% over the lowest Adjusted Price per Share during the Post-Announcement Period.

It was noted that during the Pre-Announcement Period, the Adjusted Prices of the Shares were below or equal to the Offer Price while the Adjusted Prices of the Shares have increased following the publication of the Joint Announcement. Such increase may be due to the market speculation on the Group's future business prospects as a result of the change of the controlling Shareholder and the improvement in general stock market sentiment as evidenced by the general increase in Hang Seng Index. However, as the overall liquidity of the Shares was low in particular during the Pre-Announcement Period, there is no certainty that such level of share price will be sustained. The closing price of the Shares also decreased from a high of HK\$2.68 per Share (being Adjusted Price after deducting the Special Dividend of HK\$0.92 per Share) on 4 August 2009 to HK\$1.58 on the Latest Practicable Date.

(b) Trading volume

The following table sets out the trading volume of the Shares during the period from 1 April 2008 to the Latest Practicable Date (both dates inclusive) (the "Review Period"):

Month/period	Total trading volume for the month/period (Shares)	Average daily trading volume for the month/period (Shares) (Note 1) (approximately)	Percentage of average daily trading volume to the total number of Shares in issue (Note 2) (approximately)	Percentage of average daily trading volume to the total number of Shares held by public Shareholders (Note 3) (approximately)
<b>2008</b>				
April	676,000	32,190	0.01%	0.04%
May	2,952,000	147,600	0.05%	0.19%
June	3,054,000	152,700	0.05%	0.19%
July	4,208,000	191,273	0.06%	0.24%
August	2,550,000	134,211	0.05%	0.17%
September	1,344,000	64,000	0.02%	0.08%
October	5,118,000	243,714	0.08%	0.31%
November	4,174,000	208,700	0.07%	0.26%
December	2,023,000	96,333	0.03%	0.12%
<b>2009</b>				
January	1,004,000	55,778	0.02%	0.07%
February	634,000	31,700	0.01%	0.04%
March	1,684,000	76,545	0.03%	0.10%
April (from 1 April 2009 to 2 April 2009, both dates inclusive) (Note 4)	718,000	359,000	0.12%	0.45%
May (from 7 May 2009 onwards) (Note 4)	14,224,000	889,000	0.30%	1.11%
June	23,805,000	1,082,045	0.36%	1.32%
July	35,559,000	1,616,318	0.52%	1.71%
August	52,943,000	2,521,095	0.81%	2.62%
From 1 September 2009 to the Latest Practicable Date, both dates inclusive	18,583,000	978,053	0.31%	1.02%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day. For the purpose of calculating the average daily trading volume, 2 April 2009 is counted as one trading day.

2. Calculated based on the total number of Shares in issue as at the end of each month/period.
3. Calculated based on the total number of Shares held by public Shareholders as at the end of each month/period.
4. Trading in the Shares on the Stock Exchange was suspended during the period from 11:58 a.m. on 2 April 2009 up to and including 6 May 2009 pending the release of the Joint Announcement.

As illustrated in the above table, the average daily trading volume of the Shares in each month during the Pre-Announcement Period ranged from 31,700 Shares in February 2009 (representing approximately 0.01% of the total number of Shares in issue at the month end and approximately 0.04% of the total number of Shares held by the public Shareholders at the month end) to 359,000 Shares in April 2009 (representing approximately 0.12% of the total number of Shares in issue at the month end and approximately 0.45% of the total number of Shares held by the public Shareholders at the month end).

Trading volume of the Shares increased to 3,004,000 Shares on 7 May 2009, the date of publication of the Joint Announcement. However, the average daily trading volume of the Shares during the Post-Announcement Period was low, ranging from 889,000 Shares in May 2009 (representing approximately 0.30% of the total number of Shares in issue at the month end and approximately 1.11% of the total number of Shares held by the public Shareholders at the month end) to approximately 2,521,095 Shares in August 2009 (representing approximately 0.81% of the total number of Shares in issue at the month end and approximately 2.62% of the total number of Shares held by the public Shareholders at the month end).

In view of the above, we consider that the overall liquidity of the Shares was low in the Review Period. As such, Independent Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares. We consider that the Offer provides an alternative exit to such Shareholders to realise their investment in the Shares.

*(B) Earnings and net assets value*

Based on the unaudited consolidated pro forma profit after taxation of the Remaining Group for the year ended 31 March 2009 of approximately HK\$35.5 million (being the pro forma profit for the year of the Remaining Group of approximately HK\$106.8 million less the expected gain on Disposal after taxation of approximately HK\$71.3 million as set out in Appendix III to the Composite Offer Document) and the 297,075,000 weighted average number of Shares in issue for the year ended 31 March 2009 as published in the 2009 Annual Report, the unaudited consolidated pro forma earnings per Share of the Remaining Group was approximately HK\$0.1196 (“**EPS of Remaining Group**”) for the year ended 31 March 2009. Based on the aforesaid earnings per Share, the Offer Price of HK\$1.29 per Share represents a price earnings ratio of approximately 10.8 times. In calculating the EPS of the Remaining Group, the gain on Disposal of approximately HK\$71.3 million as stated in the unaudited pro forma income statement of the Remaining Group for the year ended 31 March

2009 have not been taken into account as it is a one-off gain arising from the Disposal and does not arise from the normal business operations of the Remaining Group.

Based on the Pro forma NAV per Share of Remaining Group as set out in the paragraph headed “(a) Share price” above, the Offer Price of HK\$1.29 per Share represents a price to book multiple of approximately 1.2 times.

For the purpose of assessing the fairness and reasonableness of the Offer Price, we have identified eight Hong Kong listed companies principally engaged in similar business as that of the Remaining Group. We have excluded China Information Technology Development Limited (“**China Information Technology**”), a Hong Kong listed company principally engaged in the provision of information technology services, as its latest published audited consolidated annual results are in respect of the financial year ended 31 December 2007, which was more than 20 months ago, and its shares had been suspended from trading on the Stock Exchange since 29 January 2009, and accordingly, the latest published audited consolidated annual results and latest stock price of China Information Technology do not reflect the recent financial position of the China Information Technology group and the effect of recent economic market situation. Trading in shares of China Information Technology on the Stock Exchange remained suspended as at the Latest Practicable Date. We consider that the list of comparables is an exhaustive list of relevant comparable companies.

We have reviewed and compared the price earnings ratios (“**PER**”) and price to book multiples (“**P/B**”) of the seven comparable companies (“**Comparable Companies**”) with the PER and P/B of the Remaining Group as implied by the Offer Price. The valuation multiples of the Comparable Companies have been computed on a historical basis, using the financial data obtained from their respective latest published annual reports for the year ended 31 December 2008 or the year ended 31 March 2009 (where applicable), or the interim reports or interim results announcement for the six months ended 30 June 2009 (where applicable) and based on their respective closing prices of shares.

Company/stock code	Principal business	PER (Notes 1 and 3) (approximately)						P/B (Notes 2 and 3) (approximately)						
		Market capitalisation (HK\$ million)	Based on LPD	Based on LFTD	Based on 30-Day Average	Based on 90-Day Average	Based on 180-Day Average	Based on 360-Day Average	Based on LPD	Based on LFTD	Based on 30-Day Average	Based on 90-Day Average	Based on 180-Day Average	Based on 360-Day Average
			Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)	Closing Price (times)
Computer Aid Technologies Holdings Limited (46)	Provision of system and network integration services, application development services, information technology solutions implementation and related maintenance outsourcing services, provision of enterprise software applications and related operation outsourcing and e-business services, and property and treasury investments	310.9	9.5	7.0	9.7	9.1	7.9	7.0	0.9	0.7	0.9	0.9	0.8	0.7
Founder Holdings Limited (418)	Software development and system integration	412.6	17.4	8.6	17.6	17.7	13.8	13.3	1.1	0.5	1.1	1.1	0.8	0.8
Chinasoft International Limited (354)	Development and provision of solutions and information technology system, provision of information technology consulting, training, outsourcing services and sale of standalone software and hardware products	838.5	11.7	8.3	12.0	13.4	10.8	11.7	0.9	0.7	1.0	1.1	0.9	0.9
Wai Chai Group Holdings Limited (1013) ("Wai Chai") (Note 4)	Sales and service, provision of integration services of computer and communication systems, design, consultation, production of information system software and management training services, and sale of communication systems equipment for intelligent buildings and provision of installation services	646.9	N/A	N/A	N/A	N/A	N/A	N/A	7.7	4.3	8.4	7.7	6.3	N/A

Company/stock code	Principal business	Market capitalisation (HK\$ million)	PEB (Notes 1 and 3) (approximately)						P/B (Notes 2 and 3) (approximately)					
			Based on LFD Closing Price	Based on LFTD Closing Price	Based on 30-Day Average Closing Price	Based on 90-Day Average Closing Price	Based on 180-Day Average Closing Price	Based on 360-Day Average Closing Price	Based on LFD Closing Price	Based on LFTD Closing Price	Based on 30-Day Average Closing Price	Based on 90-Day Average Closing Price	Based on 180-Day Average Closing Price	Based on 360-Day Average Closing Price
			(times)	(times)	(times)	(times)	(times)	(times)	(times)	(times)	(times)	(times)	(times)	(times)
Excel Technology International Holdings Limited (8048)	Sale of enterprise software products and provision of maintenance services, provision of systems integration services and resale of complementary hardware and software products, provision of consultancy services, and services in respect of application service provider business	98.5	N/A	N/A	N/A	N/A	N/A	N/A	1.1	0.3	1.1	0.9	0.6	0.7
Computech Holdings Limited (8081) ("Computech")	Provision of information technology services, including consultancy, technical support, systems integration, development and sales of relevant hardware and software products	296.7	N/A	N/A	N/A	N/A	N/A	N/A	19.3	2.9	9.6	5.9	4.3	4.0
Armatage Technologies Holding Limited (8213)	Provision of information solutions and design, development, sales of application software packages and magazine publication	57.0	N/A	N/A	N/A	N/A	N/A	N/A	2.2	0.9	2.4	2.6	1.7	1.5
Mean			12.9	7.9	13.1	13.4	10.8	10.7	4.7	1.5	3.5	2.9	2.2	1.4
Mean (for the purpose of calculating the mean of P/Bs, excluding Wai Chien and Computech)			12.9	7.9	13.1	13.4	10.8	10.7	1.2	0.6	1.3	1.3	1.0	0.9
Median			11.7	8.3	12.0	13.4	10.8	11.7	1.1	0.7	1.1	1.1	0.9	0.9
High			17.4	8.6	17.6	17.7	13.8	13.3	19.3	4.3	9.6	7.7	6.3	4.0
Low			9.5	7.0	9.7	9.1	7.9	7.0	0.9	0.3	0.9	0.9	0.6	0.7
					PEB (approximately) (times)					P/B (approximately) (times)				
The Company	(based on the Offer Price)				10.8					1.2				

Source of information for Comparable Companies: Bloomberg, [www.hkex.com.hk](http://www.hkex.com.hk) and annual reports and interim reports or interim results announcement of the respective companies above. Amounts denominated in Renminbi ("RMB"), if any, have been translated into HK\$ at an exchange rate of RMB 1 = HK\$1.124 for comparison purpose only.



*Notes:*

- (1) PERs of the Comparable Companies are calculated based on the closing price per share as quoted on the Stock Exchange and the basic earnings per share as disclosed in the latest published annual report of the relevant company for the year ended 31 December 2008. PER of the Company is calculated based on the Offer Price and the EPS of Remaining Group.

Each of Excel Technology International Holdings Limited, Computech and Armitage Technologies Holding Limited was loss making for the year ended 31 December 2008 or 31 March 2009 (as the case may be). Wai Chun recorded a net loss for the year ended 31 March 2009 before the gain on debt restructuring as part of the restructuring proposal for the purpose of the withdrawal of winding-up petitions and discharge of the provisional liquidators of Wai Chun. Accordingly, no PER is presented for each of the aforesaid four companies and the aforesaid four companies have been excluded in arriving at the mean, median, high and low of the PERs shown above.

- (2) P/Bs of the Comparable Companies are calculated based on the closing price per share as quoted on the Stock Exchange and the consolidated net assets value per share calculated by dividing consolidated net assets value attributable to the shareholders of the respective companies (in the case of Computer And Technologies Holdings Limited, Founder Holdings Limited, Chinasoft International Limited, Excel Technology International Holdings Limited and Computech) as at 30 June 2009 as disclosed in the latest published unaudited interim report or interim results announcement of the relevant company, or (in case of Wai Chun and Armitage Technologies Holding Limited) as at 31 March 2009 as disclosed in the latest published annual report of the relevant company, by the number of ordinary shares of the relevant company in issue as at the respective balance sheet date. P/B of the Company is calculated based on the Offer Price and the Pro forma NAV per Share of Remaining Group.
- (3) PERs and P/Bs of the Comparable Companies are calculated based on the following closing prices: (i) the closing price per share as quoted on the Stock Exchange on the Latest Practicable Date or in the event that trading of shares of the relevant company on the Stock Exchange has been suspended on the Latest Practicable Date, the last trading day of the shares immediately prior to the Latest Practicable Date (“LPD Closing Price”); (ii) the closing price per share as quoted on the Stock Exchange on the Last Full Trading Day (“LFTD Closing Price”); (iii) the average of the closing prices per share as quoted on the Stock Exchange for the 30 consecutive trading days of the shares up to and including the Latest Practicable Date (“30-Day Average Closing Price”); (iv) the average of the closing prices per share as quoted on the Stock Exchange for the 90 consecutive trading days of the shares up to and including the Latest Practicable Date (“90-Day Average Closing Price”); (v) the average of the closing prices per share as quoted on the Stock Exchange for the 180 consecutive trading days of the shares up to and including the Latest Practicable Date (“180-Day Average Closing Price”); and (vi) the average of the closing prices per share as quoted on the Stock Exchange for the 360 consecutive trading days of the shares up to and including the Latest Practicable Date (“360-Day Average Closing Price”).
- (4) The P/B of Wai Chun based on 360-Day Average Closing Price is not presented as trading in the shares of Wai Chun on the Stock Exchange has been suspended during the period from 17 December 2004 to 24 August 2008. Accordingly, the aforesaid company has been excluded in arriving at the mean, median, high and low of the P/Bs based on 360-Day Average Closing Price.

The PER of the Company based on the Offer Price is lower than the mean, but within the range, of the PERs of the Comparable Companies calculated based on the LPD Closing Price, 30-Day Average Closing Price or the 90-Day Average Closing Price. On the other hand, the PER of the Company based on the Offer Price is higher than or approximately the same as the mean of the PERs of the Comparable Companies calculated based on the LFTD Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price.

The P/B of the Company based on the Offer Price is within the range of, and higher than the median of, the P/Bs of the Comparable Companies calculated based on the LPD Closing Price, LFTD Closing Price, 30-Day Average Closing Price, 90-Day Average Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price. However, the P/B of the Company based on the Offer Price is lower than the mean of the P/Bs of the Comparable Companies, which is mainly attributable to the fact that the P/Bs of Computech and Wai Chun are exceptionally high (being approximately 19.3 times and 7.7 times

respectively based on the LPD Closing Price) as compared to the P/Bs of the other Comparable Companies. We have reviewed the latest financial reports and share price movement of the two companies and noted that:

- (i) both companies recorded losses from their ordinary course of business in respect of their latest financial years (in the case of Computech, for the year ended 31 December 2008 and the six months ended 30 June 2009, and in the case of Wai Chun, for the two years ended 31 March 2009);
- (ii) the closing price of Computech surged significantly from HK\$0.475 per share on 25 August 2009 to HK\$1.88 per share on 23 September 2009, being the last trading day of the shares of Computech prior to the Latest Practicable Date and Computech had not made any announcement about its business and financial positions and outlook during the period from 25 August 2009 to 23 September 2009 which we consider can account for such significant price increase;
- (iii) the closing price of Wai Chun also increased from HK\$0.061 per share on 27 March 2009 to HK\$0.12 per share on the Latest Practicable Date and Wai Chun had not made any announcement about its business and financial positions and outlook during the aforesaid period which we consider can account for such significant price increase;
- (iv) the size of business of both companies are much smaller than that of the Remaining Group, as evidenced by the relatively lower consolidated net assets value of both companies as compared to the Remaining Group (the unaudited consolidated net assets value of Computech as at 30 June 2009 was approximately HK\$15.3 million and the audited consolidated net assets value of Wai Chun as at 31 March 2009 was approximately HK\$83.5 million, as compared to the unaudited pro forma consolidated net assets value (net of the Special Dividend) of the Remaining Group as at 31 March 2009 of approximately HK\$316.3 million, while the audited consolidated turnover of Computech for the year ended 31 December 2008 and Wai Chun for the year ended 31 March 2009 was approximately HK\$38.8 million and HK\$152.9 million respectively, as compared to the unaudited consolidated turnover of the Remaining Group of approximately HK\$1,361.0 million; and
- (v) based on the published information of the two companies available on the website of the Stock Exchange, we are not aware of any underlying business and financial factors of both companies which support the exceptionally high P/Bs and the recent increase in share price of both companies.

Given the above, in particular, the exceptionally high P/Bs of the two companies cannot be accounted for by their fundamentals and financial performance, we consider that it may not be appropriate to include them as comparables when assessing the fairness and reasonableness of the Offer Price. As such, we have also calculated the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun. We note that the P/B of the Company based on the Offer Price is slightly lower than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LPD Closing

Price, 30-Day Average Closing Price or 90-Day Average Closing Price, and is higher than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LFTD Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price.

Based on the above and having considered:

- (i) the PER of the Company based on the Offer Price is higher than or approximately the same as the mean of the PERs of the Comparable Companies calculated based on the LFTD Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price;
- (ii) notwithstanding that the PER of the Company based on the Offer Price is lower than the mean of the PERs of the Comparable Companies calculated based on the LPD Closing Price, 30-Day Average Closing Price or 90-Day Average Closing Price, such results may be partly attributable to the improvement in the general market sentiment of the stock market in recent months, as evidenced by the increase in Hang Seng Index from around 11,300 points on 9 March 2009 to around 21,000 points on the Latest Practicable Date, and the stock market may still be susceptible to the adverse impact brought about by the global financial crisis. Accordingly, the current stock market prices may not be sustainable;
- (iii) based on the decrease in the profit of the Remaining Business for the year ended 31 March 2009 and the three months ended 30 June 2009 as compared to their respective corresponding year/period in 2008, there are no signs of strong profit growth of the Remaining Business;
- (iv) the P/B of the Company based on the Offer Price is higher than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LFTD Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price and is slightly lower than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LPD Closing Price, 30-Day Average Closing Price or 90-Day Average Closing Price;
- (v) even when Computech and Wai Chun are included, the P/B of the Company based on the Offer Price is still within the range of, and higher than the median of, the P/Bs of the Comparable Companies;
- (vi) the Offer Price was higher than or equal to the Adjusted Prices of the Shares in the one-year Pre-Announcement Period; and
- (vii) given the low liquidity of the trading of the Shares, the Independent Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares,

we consider that the Offer Price is fair and reasonable.

(C) *Dividends*

The following table sets out the dividend yields and total dividend yields of the Comparable Companies and the Company:

<b>Company/stock code</b>	<b>Dividend yield (Notes 1 and 3)</b>	<b>Total dividend yield (Notes 2 and 3)</b>
Computer And Technologies Holdings Limited (46)	4.9%	6.5%
Founder Holdings Limited (418)	Nil	Nil
Chinasoft International Limited (354)	Nil	Nil
Wai Chun (1013)	Nil	Nil
Excel Technology International Holdings Limited (8048)	Nil	Nil
Computech (8081)	Nil	Nil
Armitage Technologies Holding Limited (8213)	Nil	Nil
<b>Average</b>	<b>0.7%</b>	<b>0.9%</b>
<b>The Company (based on the Offer Price) (Note 3)</b>	<b>3.1%</b>	<b>74.4%</b>

Source: [www.hkex.com.hk](http://www.hkex.com.hk) and annual reports of the respective companies above

*Notes:*

1. The dividend yield of the Comparable Companies represents the dividend, but excluding special dividend (if any), per ordinary share in respect of the last financial year of the Comparable Companies, being the year ended 31 March 2009 for Wai Chun and Armitage Technologies Holding Limited, and the year ended 31 December 2008 for the other Comparable Companies, as disclosed in the latest published annual report of the relevant company, divided by the LPD Closing Price of the Comparable Companies. A special dividend of 2 HK cents has been proposed by Computer And Technologies Holdings Limited and no special dividend has been proposed by the other Comparable Companies in respect of their respective last financial year.
2. The total dividend yield of the Comparable Companies represents the dividend, including special dividend (if any), per ordinary share in respect of the last financial year of the Comparable Companies, being the year ended 31 March 2009 for Wai Chun and Armitage Technologies Holding Limited, and the year ended 31 December 2008 for the other Comparable Companies, as disclosed in the latest published annual report of the relevant company, divided by the LPD Closing Price of the Comparable Companies. A special dividend of 2 HK cents has been proposed by Computer And Technologies Holdings Limited and no special dividend has been proposed by the other Comparable Companies in respect of their respective last financial year.

3. The dividend yield of the Company represents the dividend, but excluding special dividend, per ordinary share in respect of the year ended 31 March 2009 as disclosed in the 2009 Annual Report, divided by the Offer Price. The total dividend yield of the Company represents the aforesaid dividend per ordinary share in respect of the year ended 31 March 2009 plus the Special Dividend, divided by the Offer Price. The Company has declared/proposed an interim dividend of 4 HK cents in respect of the financial year ended 31 March 2009 and the Special Dividend of 92 HK cents subsequent to the year end date.

As illustrated in the above table, the dividend yields of the Company based on the Offer Price are approximately 3.1% (excluding special dividend) and approximately 74.4% (including special dividend) respectively. The dividend yields of the Comparable Companies range from nil to approximately 4.9% (excluding special dividend) and from nil to approximately 6.5% (including special dividend). We also note that the Company had declared dividends in the past few years, with the dividend per share in respect of the financial year ended 31 March 2007 and 2008 being 15 HK cents (which includes a special dividend of 6 HK cents) and 21 HK cents (which includes a special dividend of 11 HK cents) respectively. Accordingly, the Shares may be an attractive investment for investors.

However, Independent Shareholders should note that given that: (i) the Offeror had made no representation on the dividend policy of the Company; (ii) the bank balances and cash of the Group were significantly reduced as a result of the distribution of the Special Dividend; and (iii) there is no certainty that future profit of the Remaining Group will be improved significantly in the near future, there is no certainty whether the Company will continue to declare dividends or maintain dividends at a similar level after the change of the controlling Shareholder.

## 6. Option Offer Price

As advised by the Directors, as at the Latest Practicable Date, the Company had 1,966,000 outstanding Options entitling the holders thereof to subscribe for an aggregate of 1,966,000 Shares with exercise prices ranging from HK\$1.95 to HK\$3.40 per Share.

Pursuant to the Takeovers Code, where an offer is made for equity share capital and the offeree company has convertible securities outstanding, equality of treatment is required in respect of the offer made to the holders of the convertible securities. Accordingly, we have adopted the “see-through” price approach in evaluating the terms of the Option Offer. The “see-through” price refers to the Offer Price per Share less the exercise price per Share payable on exercise of an Option, and will be the minimum offer price for an option under a general offer. As all the outstanding Options have an exercise price higher than the Offer Price, such Options are out of the money (when comparing with the Offer Price) and for such Options, the Option Offer is being made only at a nominal price of HK\$0.01 for each 1,000 Options. On the basis that a “see through” price has been adopted to make the Option Offer and given our view that the Offer Price is fair and reasonable as mentioned above, we consider that the Option Offer Price is fair and reasonable.

## **RECOMMENDATION**

### **1. The General Offer**

Having considered the above principal factors and reasons, in particular:

- (i) the segment profit margin of the Remaining Business decreased from approximately 7.1% for the year ended 31 March 2008 to approximately 6.5% for the year ended 31 March 2009 and from approximately 7.2% for the three months ended 30 June 2008 to approximately 6.6% for the three months ended 30 June 2009, and there is no certainty that the Group's financial performance will be improved significantly in the near future and after the change of the controlling Shareholder;
- (ii) we understand from the Directors that the business development plans of the Group for expansion into regions are still under consideration by the management and have not been finalised, accordingly the future prospects of the Group's business have yet to be ascertained;
- (iii) the Offer Price is the same as the highest Adjusted Price per Share and represents a premium of approximately 207.1% over the lowest Adjusted Price per Share during the Pre-Announcement Period and a premium of approximately 21.4% over the Pro forma NAV per Share of Remaining Group;
- (iv) the trading volume of the Shares was low during the Review Period, which implies that it may be difficult for the Shareholders to dispose of a large number of Shares in the market without exerting downward pressure on the prices of the Shares;
- (v) the PER of the Company based on the Offer Price are either within the range of, or higher than the mean of, the PERs of the Comparable Companies;
- (vi) the P/B of the Company based on the Offer Price is higher than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LFTD Closing Price, 180-Day Average Closing Price or 360-Day Average Closing Price and is slightly lower than the mean of the P/Bs of the Comparable Companies excluding Computech and Wai Chun based on the LPD Closing Price, 30-Day Average Closing Price or 90-Day Average Closing Price. Even when Computech and Wai Chun are included, the P/B of the Company based on the Offer Price is still within the range of, and higher than the median of, the P/Bs of the Comparable Companies; and
- (vii) there is no certainty whether the Company will continue to declare dividends or maintain dividends at a similar level after the change of the controlling Shareholder,

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

However, Independent Shareholders should note that the closing price of the Shares as at the Latest Practicable Date was higher than the Offer Price. Accordingly, Independent Shareholders may be able to sell all or some of their Shares on the market at a price higher than the Offer Price. The Independent Shareholders who wish to realise all or part of their investment in the Shares should monitor the Share price performance during the period of the General Offer. In the event that the market price of the Shares exceed the Offer Price and the sale proceeds, net of all transaction costs, exceed the amount receivable under the General Offer, Independent Shareholders should consider selling their Shares in the market instead of accepting the General Offer. Independent Shareholders should also note that the overall trading volume of the Shares has been low during the Review Period. Accordingly, they may or may not be able to dispose of their Shares in the market without exerting downward pressure on the price of the Shares. The General Offer provides the Independent Shareholders an opportunity and alternative exit for the Independent Shareholders to realise their investment in the Shares.

Independent Shareholders who are attracted by the future prospects of the Group and are confident on the Offeror may consider retaining some or all of their Shares.

## 2. The Option Offer


Based on our recommendations in respect of the General Offer and our discussion of the Option Offer Price in the paragraph headed "6. Option Offer Price" above, we consider that the Option Offer Price is fair and reasonable so far as the Optionholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Optionholders to accept the Option Offer.

However, in the event that the trading price of the Shares is higher than the aggregate of the exercise price per Share of the Options and the Option Offer Price during the period of the Option Offer, the Optionholders may consider exercising their Options and selling the Shares in the market if the sale proceeds of the Shares net of all transaction costs and after deducting the exercise price of the Options, exceed the amount receivable under the Option Offer. Notwithstanding the aforesaid, Optionholders should note that as the overall trading volume of the Shares has been low during the Review Period, it is uncertain whether a large number of Shares could be sold in the market without exerting a significant downward pressure of the price of the Shares, not to mention the fact that there might be a time lag between the date of exercise of the Options and the date of issue of the Shares. The Optionholders should exercise caution in doing so and monitor the market closely.

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



**Derek C. O. Chan**  
*Managing Director*



**Kenneth Ng**  
*Director*