

28 April 2016

To the Independent Board Committee

Dear Sirs or Madams,

**UNCONDITIONAL MANDATORY CASH OFFER BY
CHINA GALAXY
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE
ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, details of which are set out in this Composite Document dated 28 April 2016 jointly issued by the Offeror and the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 27 February 2016, the Offeror and the Company entered into the Subscription Agreement pursuant to which the Offeror has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,000,000,000 Subscription Shares at the subscription price of HK\$0.08 per Subscription Share. Completion has taken place at 21 April 2016. As at the Latest Practicable Date, the Offeror and parties acting in concert it were interested in 1,128,000,000 Shares, representing approximately 54% of the entire issued share capital of the Company. As such, China Galaxy is, on behalf of the Offeror and pursuant to Rule 26.1 of the Takeovers Code, making the Offer to acquire all the issued Shares (other than those already acquired or agreed to be acquired by the Offeror and parties acting in concert with it).

The Independent Board Committee, comprising all the non-executive Directors, namely Mr. Wing Kee Eng, Lee, Mr. Leung Kwok Keung, Professor Lu Ting Jie and Mr. Liu Kejin, has been formed to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Offer. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in this respect and our appointment has been approved by the Independent Board Committee.

As at the Latest Practicable Date, Lego did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego. We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. In the last two years, Lego has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the Subscription (details of which were set out in the circular of the Company dated 30 March 2016). Apart from normal professional fees paid or payable to us in connection with such appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and opinions expressed to us by them and that all information or representations regarding the Group and the Offer provided to us by the Group, the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible. The Shareholders will also be informed by us as soon as practicable should there be any material changes to our opinion after the Latest Practicable Date throughout the Offer Period. We have also relied on the responsibility statements made by the directors of the Company and the Offeror contained in 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, the management of the Group, the advisers of the Company and/or the Offeror (where applicable).

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or the Offeror or any of their respective subsidiaries or associates.

PRINCIPAL TERMS OF THE OFFER

China Galaxy, on behalf of the Offeror, is making the Offer in accordance with the Takeovers Code on the following terms:

For every Offer Share accepted under the Offer HK\$0.08 in cash

The Offer Price of HK\$0.08 per Offer Share is the same as the subscription price pursuant to the Subscription Agreement and was determined after arm's length negotiations between the Offeror and the Company.

The Offer will be extended to all Independent Shareholders in accordance with the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, right of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the Completion Date, 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 is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of the Shares or any other conditions.

Further details of the Offer including, among others, the expected timetable and the terms and procedures of acceptance of the Offer, are set out in the sections headed "Expected timetable", "Letter from China Galaxy" and Appendix I to the Composite Document and the Form of Acceptance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

1. Information and historical financial performance of the Group

1.1 Principal business of the Group

The Company is an investment holding company incorporated in the Cayman Islands and through its subsidiaries, is principally engaged in provision of train information systems, and development of various community mobile internet applications and related services through the licensed utilisation of the CA-SIM patented technology.

1.2 Financial performance of the Group

The following table is a summary of the audited financial information of the Group for the two financial years ended 31 March 2015 and the unaudited financial information of the Group for the six months ended 30 September 2014 and 30 September 2015, as extracted from the annual report (“**2014/15 Annual Report**”) of the Company for the financial year ended 31 March 2015 and the interim report (“**2015 Interim Report**”) of the Company for the six months ended 30 September 2015, respectively.

	For the financial year ended 31 March		For the six months ended 30 September	
	2014 HK\$'000 (audited)	2015 HK\$'000 (audited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	68,133	75,427	43,896	20,589
Gross profit/(loss)	14,181	1,747	4,084	(2,539)
(Loss) for the year/period	(56,822)	(42,468)	(1,758)	(9,993)

	As at 31 March 2014 HK\$'000 (audited)	As at 31 March 2015 HK\$'000 (audited)	As at 30 September 2015 HK\$'000 (unaudited)
	Intangible assets	2,420	31,687
Cash and cash equivalents	29,297	18,677	12,619
Pledged bank deposit	808	–	–
Total assets	125,033	126,618	108,572
Net assets	96,998	87,154	76,004

	For the financial year ended 31 March		For the six months ended 30 September	
	2014 HK\$'000 (audited)	2015 HK\$'000 (audited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash (used in) operating activities	(3,641)	(10,577)	(6,872)	(5,092)
Net cash generated from/(used in) investing activities	584	(174)	283	191
Net cash generated from financing activities	–	48	–	–

As illustrated in the tables above, the revenue of the Group amounted to approximately HK\$75.4 million for the financial year ended 31 March 2015, representing an increase of approximately 10.7% as compared to the prior year. According to the 2014/15 Annual Report, the increase in turnover was mainly attributable to the increase in revenue generated from the supply, development and integration of passenger information management system in the PRC. Despite the increase in revenue, the gross profit margin decreased substantially from approximately 20.8% for the financial year ended 31 March 2014 to approximately 2.3% for the financial year ended 31 March 2015, which was mainly due to the decrease in the unit price of the passenger information systems delivered under newly signed contracts of the Group arising from heightened competition in the rail transit industry, as well as the increase in cost of sales which included the increase in investment in research and development for system solutions of new projects, increase in hiring and salary adjustments of staff in engineering and manufacturing departments, as well as the increase in costs of social insurance in compliance with government requirements. In this regard, the Group continued to be loss making and recorded loss after tax of approximately HK\$42.5 million for the financial year ended 31 March 2015. The reduction in loss was primarily due to the decrease in other operating expenses, which comprised of the provision for product maintenance warranty made during the financial year, from approximately HK\$38.7 million for the financial year ended 31 March 2014 to approximately HK\$23.1 million for the financial year ended 31 March 2015.

As disclosed in the 2015 Interim Report, as a result of the postponed delivery of equipment under the passenger information system supply contracts signed in the previous two years and hence the delay in recognition of revenue, the revenue of the Group decreased significantly from approximately HK\$43.9 million for the six months ended 30 September 2014 to approximately HK\$20.6 million for the six months ended 30 September 2015, representing a decrease of approximately 53.1%. Furthermore, due to the decrease in selling prices of items delivered as a result of intense market competition during the period as well as the costs of sales of the Group included research and development expenses and production costs which were relatively fixed expenses in nature, the Group recorded gross loss for the six months ended 30 September 2015 as compared to the gross profit recorded in the corresponding period in the prior financial year. The Group's loss for the period also escalated from approximately HK\$1.8 million for the six months ended 30 September 2014 to approximately HK\$10.0 million for the six months ended 30 September 2015.

As at 31 March 2015, the Group had cash and cash equivalents of approximately HK\$18.7 million, representing a decrease of approximately 36.2% as compared to approximately HK\$29.3 million as at 31 March 2014. As at 30 September 2015, the cash position of the Group further deteriorated to approximately HK\$12.6 million, representing a decrease of approximately 32.4% as compared to that as at 31 March 2015. On the other hand, we also noted that the intangible assets, which comprised of software and the sole and exclusive right for certain applications of the CA-SIM (the “**Application Rights**”) at Panyu Region, Guangdong Province of the PRC (the “**Territory**”) held by the Group, formed a significant portion of the total assets of the Group. Other than the intangible assets, assets of the Group primarily consisted of (i) trade and other receivables, substantial amount of which are past-due; and (ii) inventories.

Given the loss making result of the Group, the net cash used in operating activities amounted to approximately HK\$10.6 million for the financial year ended 31 March 2015, representing a substantial increase in cash outflow as compared to approximately HK\$3.6 million recorded in the financial year ended 31 March 2014. The Group continued to record negative cash flow from operating activities of approximately HK\$5.1 million for the six months ended 30 September 2015. On the other hand, no significant net cash flow has been generated from investing activities or financing activities during the two financial years ended 31 March 2015 and the six months ended 30 September 2015. In light of the cash position of the Group as at 30 September 2015 only amounted to approximately HK\$12.6 million and the continuous net cash outflow, should the Group fail to improve its profitability and cash flow or conduct any financing activities, the Group might not have sufficient working capital in foreseeable future.

As advised by the management of the Group, the competition in the passenger information system market was increasingly intense, resulting to the decreasing trend in selling prices of products and hence the margin generated from this business segment. During the financial year ended 31 March 2015, the Company acquired the Application Rights from IEL and the Group commenced the promotion on the application of CA-SIM patented technology and undertook substantive work in relation to the planning towards a “Smart City” by the local government and information collection, management, services and future long-term operation and maintenance of the project in the Territory during the six months ended 30 September 2015. In light of the favourable policies on the development of “Smart City” promulgated by the PRC government, the management of the Company expected that the financial performance of the Group may improve following the development of the CA-SIM application business segment. Nonetheless, Shareholders should bear in mind that the Group may or may not be able to successfully develop the “Smart City” using the Application Rights as expected given that the business segment is new to the Group and that the expansion plan may or may not lead to the turnaround of the Group’s financial position.

2. Information on the Offeror and its intentions regarding the Group

2.1 Information on the Offeror

The Offeror is an investment holding company incorporated in the BVI and a direct wholly-owned subsidiary of IEL, a substantial shareholder of the Company. IEL is a Company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 1328). IEL, through its subsidiaries, is a customer relationship management outsourcing service provider which principally engages in the provision of inbound and outbound services to companies in various service-oriented industries and the research and development, production and sales of RF-SIM products and the licensing of RF-SIM operation rights in markets other than Hong Kong and Macau as well as the research and development and technology transfer of CA-SIM application right to customers. As confirmed by the management of IEL, IEL has spent considerable efforts in the research and development of RF-SIM cards for over a decade, making its CA-SIM a product with exclusive proprietary rights.

2.2 Intention of the Offeror regarding the Group

(a) Business

As set out in the “Letter from China Galaxy” of the Composite Document, following the close of the Offer, it is the intention of the Offeror to continue with the existing principal businesses of the Group. The Offeror has indicated that it will conduct a more detailed review on the operations of the Group with a view to formulate a suitable business strategy for the Company and will 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. As at the Latest Practicable Date, the Offeror has no intention or concrete plans for any acquisition or disposal of assets and/or business by the Group and has no intention to (i) discontinue the employment of any employees of the Group (save for a change in the composition of the Board to be discussed below); (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business; or (iii) introduce any major changes in the existing operations and business of the Group.

(b) Maintain listing of the Company

The Offeror intends to maintain the listing of the Shares on the GEM after the close of the Offer. The directors of the Offeror had jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists in the Shares. The Stock Exchange has stated that if, upon the close of the

Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares under the GEM Listing Rules.

(c) Proposed change of Board composition of the Company

As at the Latest Practicable Date, the Board is made up of six Directors, comprising two executive Directors, namely Mr. Ma Yuanguang and Mr Hu Tiejun; one non-executive Director, namely Mr. Wing Kee Eng, Lee; and three independent non-executive Directors, namely Mr. Liu Kejin, Professor Lu Ting Jie and Mr. Leung Kwok Keung. After the despatch of the Composite Document, the Offeror will nominate new Director(s) to the Board, representing a majority of the Board.

In light of that, among other things, the Offeror will review the operations of the Group and explore and consider any other business opportunities which may arise in the market from time to time and intends to change the entire Board composition, we are of the view that the future prospects of the Group are uncertain.

3. The Offer Price

Comparison of value

The Offer Price of HK\$0.08 is equal to the subscription price under the Subscription Agreement and represents:

- (i) a discount of approximately 46.31% to the closing price of HK\$0.149 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 45.95% to the average closing prices of approximately HK\$0.148 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 47.71% to the average closing prices of approximately HK\$0.153 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

- (iv) a discount of approximately 49.37% to the average closing prices of approximately HK\$0.158 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 59.39% to the average closing prices of approximately HK\$0.197 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of 75.00% to the closing price of HK\$0.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a premium of approximately 14.29% over the unaudited consolidated net asset value of approximately HK\$0.07 per Share as at 30 September 2015 (based on the unaudited consolidated statement of financial position of the Company as at 30 September 2015 and the number of Shares in issue as at the date of the Joint Announcement).

Historical performance of Share price

We have reviewed the daily closing price of the Shares during the period commencing from 27 February 2015 up to and including the Latest Practicable Date (the “**Review Period**”), being the approximate one-year period before the Latest Practicable Date. The comparison of closing price of the Shares during the Review Period and the Offer Price are illustrated as follows:



Source: The Stock Exchange web-site (www.hkex.com.hk)

During the Review Period, the daily closing price of the Shares as quoted on the Stock Exchange ranged from HK\$0.108 to HK\$0.61. The Offer Price hence represents a discount of approximately 25.9% to the lowest closing price and a discount of approximately 86.9% to the highest closing price of the Shares. Based on the chart above, it is also noted that the Offer Price lies below the range of the closing prices of the Shares for the entire Review Period. However, Shareholders should note that there are no guarantees that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period.

Historical trading volume and liquidity of the Shares

In assessing the fairness of the Offer Price, we have further assessed the average daily trading volume of the Shares in each month below, and the respective percentages of the Shares' average trading volume as compared to (i) the total number of issued Shares of the Company as at the Latest Practicable Date and (ii) the total number of issued Shares held by the public as at the Latest Practicable Date are shown as below:

	Number of trading days	Average daily trading volume (the "Average Volume") Shares	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date (Note 1) %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date (Note 2) %
2015				
March	22	860,345	0.12	0.04
April	19	4,041,579	0.57	0.19
May	19	12,152,889	1.73	0.58
June	22	13,232,273	1.88	0.63
July	22	4,121,364	0.59	0.20
August	21	1,274,286	0.18	0.06
September	20	788,500	0.11	0.04
October	20	1,103,500	0.16	0.05
November	21	1,218,571	0.17	0.06
December	22	537,273	0.08	0.03
2016				
January	20	889,500	0.13	0.04
February	18	266,667	0.04	0.01
March	21	1,173,810	0.17	0.06
April (up to and including the Latest Practicable Date)	16	9,569,119	1.36	0.46

Source: The Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Based on 703,900,300 Shares held by the public as at the Latest Practicable Date.
2. Based on 2,088,807,500 Shares in issue as at the Latest Practicable Date.

From the above table, we noted that trading in the Shares had been inactive during the Review Period. Save for May 2015, June 2015 and April 2016, the Shares' monthly average daily trading volume had been below 0.6% of the total number of issued Shares held by the public as at the Latest Practicable Date.

Having regard that the overall trading liquidity of the Shares was relatively low during the Review Period, the Independent Shareholders should note that if they wish to realise their investments in the Company, especially those with bulk quantities of Shares, they might not be able to dispose the Shares in the market without exerting a downward pressure on the market price of the Shares in short term. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and shortly after the Offer Period. In such circumstance, the Offer represents an exit for the Independent Shareholders to realise their investment in the Company at the Offer Price, should they wish to do so.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the 2014/15 Annual Report, the 2015 Interim Report and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer.

Comparison with comparable companies

Price-to-earnings ratio (“P/E”) and price-to-book ratio (“P/B”) are the most commonly used benchmarks. Particularly, for companies that generate recurring revenue and income, P/E analysis is the most appropriate approach for valuation. However, as the Group is loss making for the two financial years ended 31 March 2015, the P/E is therefore not applicable. Therefore, for the purpose of our analysis, we have adopted P/B analysis to assess the fairness and reasonableness of the terms of the Offer.

We have tried to identified companies listed on the Stock Exchange that (i) are principally engaged in similar line of business to the Group and generate a majority (i.e. over 50%) of their revenue from the business of information system and solutions for infrastructure and transportation in their respective latest financial year; and (ii) have positive net asset value based on their latest published financial statements. To the best of our knowledge and as far as we are aware of, we have identified six companies (the “Comparables”) that were engaged in similar line of business to the Group and with positive net asset value, which represented an exhaustive list. The table below illustrates the details of the Comparables:

Company name	Stock code	Principal business	Market capitalisation (HK\$ million) (Note 1)	P/B (times) (Note 2)
TravelSky Technology Limited	696	Provision of aviation information technology service, distribution of information technology service, as well as accounting, settlement and clearing services.	42,723	2.95

Company name	Stock code	Principal business	Market capitalisation (HK\$ million) (Note 1)	P/B (times) (Note 2)
Automated Systems Holdings Limited	771	Supplying of information technology and associated products, providing systems integration, software and consulting services, engineering support for products and solutions and managed services.	466	0.68
China City Railway Transportation Technology Holdings Company Limited	1522	Design, implementation & sale, & maintenance, of application solutions for the networking & controlling systems of public transport & other companies, & the lease of civil communication transmission systems to telecommunication companies.	1,928	1.58
Nanjing Sample Technology Company Limited	1708	Provision of visual identification and RFID technologies based full solutions to intelligent traffic, customs logistics and health care and other application areas.	4,752	2.32
Vodatel Networks Holdings Limited	8033	Provision of network and systems infrastructure and applications, customer network management system and customised software solutions.	215	0.81

Company name	Stock code	Principal business	Market capitalisation (HK\$ million) (Note 1)	P/B (times) (Note 2)
Powerleader Science & Technology Group Ltd.	8236	Provision of cloud server & cloud storage related equipment; provision of research and development, design, manufacturing and sale of cloud computing equipment related components, provision of development & services of cloud computing related software & platform.	957	0.97
		Maximum		2.95
		Minimum		0.68
		Average		1.55
The Company	8060	Provision of train information systems, and development of various community mobile Internet applications and related services through the licensed utilisation of the CA-SIM patented technology.	167 (Note 3)	2.20 (Note 3)

Source: The Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. The market capitalisations are calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.
2. The P/Bs of the Comparables are calculated based on their respective market capitalisations and net asset value from their latest published annual results or reports.
3. The implied market capitalisation and P/B of the Company is calculated based on the Offer Price of HK\$0.08 and the unaudited net asset value based on the unaudited consolidated statement of financial position of the Company as at 30 September 2015 and the number of Shares in issue as at the Latest Practicable Date.

As shown above, the Comparables were trading at P/B ranging from approximately 0.68 times to approximately 2.95 times (the “**Market Range**”). The implied P/B of the Company (based on the Offer Price) of approximately 2.20 times is thus within the aforesaid market range, which we consider to be fair and reasonable so far as the Independent Shareholders are concerned. Among the Comparables, we further noted that the P/B of companies with market capitalisation of below HK\$1.0 billion were relatively lower. In the case of companies with market capitalisation above HK\$1.0 billion were excluded, the implied P/B of the Company (based on the Offer Price) of approximately 2.20 times is higher than the P/Bs of the Comparables ranging from approximately 0.68 times to approximately 0.97 times. Therefore, we are of the view that the Offer Price is fair and reasonable to the Independent Shareholders.

RECOMMENDATION

We have considered the principal factors discussed above and, in particular, the following in arriving at our opinion:

- (a) the deteriorating financial performance and financial position of the Group;
- (b) the Offeror will explore and consider any other business opportunities and hence the future prospects of the Group are uncertain;
- (c) although the Offer Price lies below the range of the closing prices of the Shares for the entire Review Period, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period;
- (d) the Offer Price represents a premium of approximately 14.29% over the unaudited consolidated net asset value of approximately HK\$0.07 per Share as at 30 September 2015;
- (e) the trading liquidity of the Shares was relatively thin during the Review Period and the disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the extremely thin trading volume of the Shares; and
- (f) the results of the market comparison as set forth under the sub-section headed “Comparison with comparable companies” of this letter,

we consider that the terms of the Offer (including the Offer Price) 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.

However, given that the Offer Price represents discounts to the recent market prices of the Shares (including but not limited to the closing price of the Shares as at the Latest Practicable Date) but due to the low trading liquidity of the Shares, disposal of large block of Shares by the Independent Shareholders in the open market would likely to trigger price slump of the Shares. We would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the “Letter from China Galaxy” and Appendix I to the Composite Document.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited

Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 18 years of experience in the finance and investment banking industry.