

1 March 2017

To: The independent board committee of Advanced Card Systems Holdings Limited

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
FORTUNE (HK) SECURITIES LIMITED
ON BEHALF OF
HNA ECOTECH PIONEER ACQUISITION
TO ACQUIRE ALL THE ISSUED SHARES OF
ADVANCED CARD SYSTEMS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED
BY HNA ECOTECH PIONEER ACQUISITION AND PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 1 March 2017 jointly issued by the Company and the Offeror 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 requires otherwise.

On 9 January 2017 (after trading hours), the Vendors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell and the Offeror has agreed to purchase an aggregate of 196,171,395 Shares, representing approximately 61.39% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK\$521,815,910 (being approximately HK\$2.66 per Share).

Immediately prior to Completion, none of the Offeror and parties acting in concert with it owned any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion, the Offeror and parties acting in concert with it owned in aggregate 196,171,395 Shares, representing approximately 61.39% of the entire issued share capital of the Company. The Offeror is therefore upon Completion required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

An Independent Board Committee comprising Ms. Kaung Cheng Xi Dawn, Mr. Lo Kar Chun, SBS, JP and Mr. Yim Kai Pung (all being independent non-executive Directors) has been formed to advise the Offer Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

The directors of the Offeror and directors of HNA Group jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Vendors, the Group or their respective director(s)), and confirms, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than that expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than that expressed by directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statements in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendors, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer.

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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) Background and terms of the Offer

On 9 January 2017 (after trading hours), the Vendors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell and the Offeror has agreed to purchase an aggregate of 196,171,395 Shares, representing approximately 61.39% of the entire issued share capital of the Company as at the Latest Practicable Date, for a total cash consideration of HK\$521,815,910 (being approximately HK\$2.66 per Share).

Immediately prior to Completion, none of the Offeror and parties acting in concert with it owned any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Immediately after Completion, the Offeror and parties acting in concert with it owned in aggregate 196,171,395 Shares, representing approximately 61.39% of the entire issued share capital of the Company. The Offeror is therefore upon Completion required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Shares not already owned and/or agreed to be acquired by it and/or parties acting in concert with it.

The Offer

For each Offer Share HK\$2.66 in cash

Further details of the Offer are set out in Appendix I to the Composite Document and the accompanying Form(s) of Acceptance and Transfer.

As at the Latest Practicable Date, there were 319,564,892 Shares in issue and the Company has no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities.

Based on the offer price of HK\$2.66 per Offer Share (the “Offer Price”), the entire issued share capital of the Company is valued at HK\$850,042,612.72. The Offer is made to the Offer Shareholders.

As the Offeror and parties acting in concert with it held in aggregate 196,171,395 Shares as at the Latest Practicable Date, 123,393,497 Shares are subject to the Offer. Based on the Offer Price of HK\$2.66 per Offer Share, the total consideration of the Offer would be HK\$328,226,702.02 (assuming full acceptance of the Offer).

(2) Financial information on the Group

With reference to the Board Letter, the Group is principally engaged in the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services. The Group’s principal business activities are currently classified into four different product and service lines, namely, readers, terminals, card operating systems and solutions business, which currently includes automatic fare collection solutions and intelligent transportation systems solutions.

Set out below is a summary of the consolidated financial information on the Group for the six months ended 30 June 2015, the six months ended 30 June 2016 and each of the two years ended 31 December 2015 as extracted from the interim report of the Company for the six months ended 30 June 2016 (the “2016 Interim Report”) and annual report of the Company for the year ended 31 December 2015 (the “2015 Annual Report”):

	For the six months ended 30 June 2016 HK\$'000 (unaudited)	For the six months ended 30 June 2015 HK\$'000 (unaudited)	For the year ended 31 December 2015 HK\$'000 (audited)	For the year ended 31 December 2014 HK\$'000 (audited)
Revenue	57,731	106,920	234,526	246,323
<i>Sale of smart card products, software and hardware</i>	55,928	102,197	232,874	245,529
<i>Smart card related services</i>	1,803	4,723	1,652	794
Gross profit	28,930	53,705	116,239	121,857
Profit/ (loss) for the year/period	(19,863)	9,354	20,304	23,724

As depicted from the above table, the Group recorded revenue and profit of approximately HK\$234.53 million and HK\$20.30 million for the year ended 31 December 2015 (“FY2015”), representing a decrease of approximately 4.79% and 14.42% respectively as compared to those for the year ended 31 December 2014 (“FY2014”). With reference to the 2015 Annual Report, the last quarter of 2015 was marked by global economic downturn. The business climate of the smart card and smart card reader market was conservative compared to other years.

With reference to the 2016 Interim Report, the Group's revenue decreased by approximately 46.01% for the six months ended 30 June 2016 as compared to corresponding period in 2015. The significant decrease in revenue was due to postponement of placement of orders by clients in the first half of 2016 as a result of global economy downturn. The Group's gross profit dropped by approximately 46.13% for the six months ended 30 June 2016 as compared to corresponding period in 2015 as a result of the decrease in revenue. The Group recorded a loss for the six months ended 30 June 2016.

As advised by the Directors, the Group has been exploring new markets and projects in order to diversify its income sources and maintain a sustainable growth in the long term. In anticipation of further demand of EMV (a technical standard for smart payment cards and for payment terminals and automated teller machines that can accept them, while EMV stands for Europay, MasterCard, and Visa, the three companies that originally created the standard) products and services, the Group developed a smart card operating system which can be applied for EMV bank card payments and an all-in-one banking POS (point of sales) terminals for payments using EMV bank card. These products will be launched to the market upon receipt of respective certifications.

With reference to the latest statistics published by EMVCo (www.emvco.com), a consortium with control split equally among Visa, MasterCard, JCB, American Express, China UnionPay, and Discover, approximately 42.4% of card-present transactions are EMV globally for the year ended 30 June 2016 (previous year: 33%). The percentage of card-present transactions that are EMV represented increased for the year ended 30 June 2016 as compared to the previous year in regions including Asia, the United States, Europe, Africa and the Middle East, and Canada, Latin America and the Caribbean.

With reference the figures released by Smart Payment Association (www.smartpaymentassociation.com) on 27 April 2016, approximately 2,060 million payment chip cards were shipped globally in 2015, representing an increase of approximately 34% as compared to the previous year. According to the website of the Smart Payment Association, it is a non-profit organization founded in 2004 by Giesecke & Devrient, Gemalto and Oberthur Technologies, which are sizeable international technology (including secure payment technology) providers. The Smart Payment Association offers leadership and expert guidance to help its members and their financial institution customers realize the opportunities of smart, secure and personalised payment systems & services. Its membership represents the complete card issuance value chain, from card manufacturers, through operating system and application developers, to personalization and post issuance companies.

The above statistics may indicate growing potential of the smart card industry. Nevertheless, having considered (i) that the Group's EMV products and services are still under development; and (ii) the historical financial performance of the Group as aforementioned (in particular, the Group's gross profit dropped by approximately 46% for the six months ended 30 June 2016 as compared to corresponding period in 2015 as a result of the decrease in revenue and the Group recorded a loss for the six months ended 30 June 2016), it is uncertain as to whether the Group can make a turnaround in its loss-making position in foreseeable future.

(3) Information on the Offeror

To provide Offer Shareholders with basic information on the background of the Offeror, set out below is the key information on the Offeror as extracted from the “Letter from Fortune Securities” of the Composite Document:

The Offeror was incorporated in the Cayman Islands on 12 December 2016 as an exempt company with limited liability and is an investment holding company established for the purpose of holding the Sale Shares and any Shares to be acquired under the Offer. To the best of the directors of the Offeror’s knowledge, information and belief, HNA Group is held as to 30% by Yangpu Jianyun Investments Company Limited* (洋浦建運投資有限公司) and 70% by Hainan Traffic Administration Holding Co. Ltd.* (海南交警控股有限公司), which is in turn held as to 50% by Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司). Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司) is held as to 65% by Hainan Province Cihang Foundation* (海南省慈航公益基金會) and 35% by Tang Dynasty Development Company Limited* (盛唐發展有限公司). HNA Group is a PRC conglomerate encompassing core divisions of tourism, holding, capital, logistics and ecotechnology. According to the Fortune Global 500 ranking released by the U.S. “Fortune” magazine in 2015, HNA Group ranked No. 464 among all companies in the world, with an annual revenue of over US\$25.6 billion. In July 2016, HNA Group was listed among Fortune Global 500 once again, ranking No. 353 with annual revenue of approximately US\$29.56 billion. The ranking rose by 111 positions compared with the previous year. Immediately prior to the entering into the Sale and Purchase Agreement, the Offeror and parties acting in concert with it did not hold any securities of the Company, and were independent of the Company and its connected persons.

Please refer to diagram of the shareholding structure of HNA Group as set out under the section headed “Information on the Offeror” in the “Letter from Fortune Securities” of the Composite Document for further details of the relationship between the Offeror and HNA Group.

(4) Intentions of the Offeror in relation to the Group

To provide Offer Shareholders with information on the intentions of the Offeror, set out below is the Offeror’s intentions on the Group’s business and Board composition as extracted from the “Letter from Fortune Securities” of the Composite Document:

The Offeror intends that the Group will continue with its existing businesses. The Offeror will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities for the Group such as acquisitions or investments in assets and/or business divestment and fund-raising, with a view to enhancing its overall growth and future development.

The board of directors of the Company is currently made up of six Directors, comprising of three executive Directors and three independent non-executive Directors. It is currently expected that the Offeror will require two executive Directors to resign from the board of directors of the Company, and the Offeror will nominate new Directors to be appointed to the board of directors of the Company at the earliest time as allowed under the Takeovers Code. Any such resignation and appointment will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any appointment of new Directors.

Save as the Offeror's intention regarding the Group as set out above and the potential changes to the members of the board of directors of the Company, the Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

(5) The Offer Price

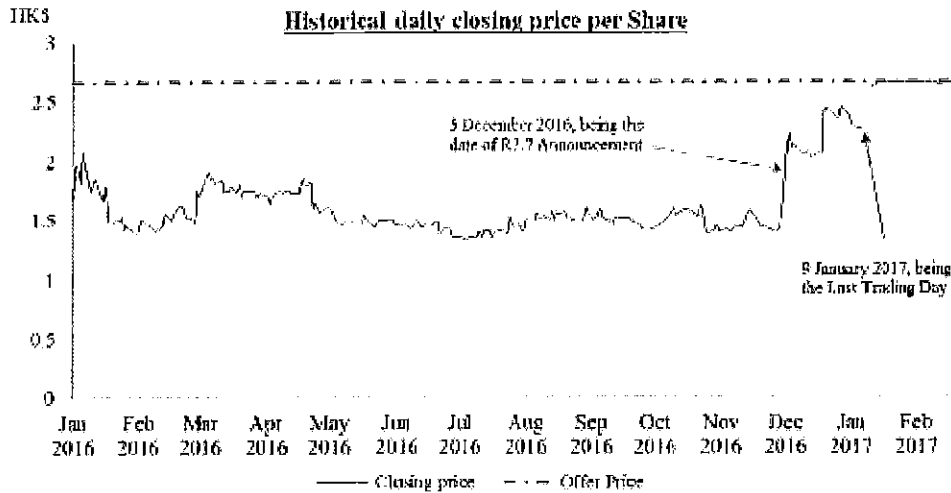
Offer Price comparison

The Offer Price of HK\$2.66 per Offer Share represents:

- (i) the closing price of HK\$2.66 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 72.7% over the closing price of HK\$1.54 per Share as quoted on the Stock Exchange on 2 December 2016, being the last business day prior to the commencement of the Offer Period;
- (iii) a premium of approximately 17.7% over the closing price of HK\$2.26 per Share as quoted on the Stock Exchange on 9 January 2017, being the Last Trading Day;
- (iv) a premium of approximately 15.5% over the average closing price of approximately HK\$2.30 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 12.9% over the average closing price of approximately HK\$2.36 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 31.4% over the average closing price of approximately HK\$2.02 per Share as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 549.6% over the audited consolidated net asset value per Share of approximately HK\$0.41 as at 31 December 2015 (being the date to which the latest audited consolidated annual results of the Group were made up), calculated based on the Group's audited consolidated net assets of approximately HK\$130.85 million as at 31 December 2015 and 319,564,892 Shares in issue as at the Latest Practicable Date; and
- (viii) a premium of approximately 688.7% over the unaudited consolidated net asset value per Share of approximately HK\$0.34 as at 30 June 2016 (being the date to which the latest unaudited consolidated interim results of the Group were made up), calculated based on the Group's unaudited consolidated net assets of approximately HK\$107.78 million as at 30 June 2016 and 319,564,892 Shares in issue as at the Latest Practicable Date.

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 4 January 2016 up to the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares.



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

Notes:

- (i) The closing prices of the Shares from 4 January 2016 to 13 October 2016 were adjusted for the effect of the rights issue, on the basis of one rights share for every eight shares held on the record date, as announced by the Company on 23 September 2016.
- (ii) Trading in Shares was halted during the morning session of 5 December 2016.
- (iii) Trading in Shares was halted from 10 January 2017 to 12 January 2017.

During the Review Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.67 per Share recorded on 19 January 2017 and HK\$1.332 recorded on 7 July 2016 respectively. The Offer Price of HK\$2.66 is slightly lower than the highest closing price of the Shares as quoted on the Stock Exchange during the Review Period.

The closing prices of the Shares rose from HK\$1.679 on 4 January 2016 to HK\$2.075 on 8 January 2016. Since then the closing prices of Shares were on a decreasing trend, reaching HK\$1.4 on 1 February 2016. The Directors advised us that they are not aware of any affirmative reasons for the aforesaid movements in the closing prices of the Shares. From 1 February 2016 to 2 December 2016, being the last trading day immediately prior to the date of commencement of the Offer Period, the closing prices of Shares fluctuated between HK\$1.332 and HK\$1.892.

On 5 December 2016, the Company published an announcement in relation to the memorandum of understanding regarding the Acquisition (the “R3.7 Announcement”). Ever since the commencement of the Offer Period on 5 December 2016, the closing prices of the Shares had surged, reaching HK\$2.26 as at the Last Trading Day.

The Offer Price of HK\$2.66 is higher than the closing prices of the Shares during the period from 4 January 2016 up to the Last Trading Day.

After the publication of the Joint Announcement dated 12 January 2017, the closing price of Shares rose to HK\$2.61 as at 13 January 2017. From 13 January 2017 up to and including the Latest Practicable Date, the closing prices of Shares were relatively stable.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares’ monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	Number of trading days	Average daily trading volume (the “Average Volume”) (Note 1)	% of the	% of the
			Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date	Average Volume to total number of issued Shares as at the Latest Practicable Date
		Number of Shares	(Note 1)	(Note 2)
			%	%
2016				
January	20	2,854,350	2.32	0.89
February	18	205,500	0.17	0.06
March	21	673,078	0.55	0.21
April	20	385,763	0.31	0.12
May	21	245,673	0.20	0.08
June	21	130,286	0.11	0.04
July	20	103,050	0.08	0.03
August	22	194,727	0.16	0.06
September	21	206,171	0.17	0.06
October	19	193,670	0.16	0.06
November	22	338,541	0.28	0.11
December	20	2,192,233	1.78	0.69

Month	Number of trading days	Average daily trading volume (the "Average Volume") <i>Number of Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date <i>(Note 1)</i> %	% of the Average Volume to total number of issued Shares as at the Latest Practicable Date <i>(Note 2)</i> %
2017				
January	16	2,425,001	1.97	0.76
February (up to and including the Latest Practicable Date)	18	792,251	0.64	0.25

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

Notes:

1. Based on 122,943,497 Shares held by the public as at the Latest Practicable Date.
2. Based on 319,564,892 Shares in issue as at the Latest Practicable Date.
3. Trading in Shares was halted during the morning session of 5 December 2016.
4. Trading in Shares was halted from 10 January 2017 to 12 January 2017.
5. Trading volume from 4 January 2016 to 13 October 2016 was adjusted for the effect of the rights issue, on the basis of one rights share for every eight shares held on the record date, as announced by the Company on 23 September 2016.

We noted from the above table that the average daily trading volume of the Shares were generally thin within the Review Period. During the Review Period, the average daily trading volume of the Shares was (i) below 1% of the total number of issued Shares held by the public as at the Latest Practicable Date (except for January 2016, December 2016 and January 2017); and (ii) below 1% of the total number of issued Shares as at the Latest Practicable Date. As confirmed by the Directors, (i) they are not aware of any affirmative reasons for the comparatively high Average Volume in January 2016; and (ii) the comparatively high Average Volume during December 2016 and January 2017 may be related to the publication of the R3.7 Announcement and Joint Announcement, and may or may not continue after the Closing Date. In light of that the Shares are highly illiquid during the Review Period (except for January 2016, December 2016 and January 2017), we consider that the disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares.

Having also taken into account that there is no guarantee that the Share price will sustain at a level above or close to the Offer Price after the Closing Date, we are of the view that Offer Shareholders (especially those with relatively sizeable shareholdings) may not be able to realise their investments in the Shares at a price higher than or close to the Offer Price, in particular when they are going to dispose of their entire holdings. We, therefore, consider that the Offer provides an exit alternative with the Offer Price being fair and reasonable for the Offer Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Offer 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 Offer 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 Offer Shareholders who, after reading through the 2016 Interim Report, 2015 Annual 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, Offer 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 Offer 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 other comparable companies

We noted that trading multiples analysis is a commonly adopted method for the purpose of assessing the fairness and reasonableness of the Offer Price. In this regard, we have researched for Hong Kong listed companies which are principally engaged in similar line of businesses as the Group, being the development, sales and distribution of smart card products, software and hardware and the provision of smart card related services and the majority of revenue are generated from such two major businesses. However, to the best of our knowledge and as far as we are aware of, we could only find Goldpac Group Limited (Stock code: 3315) which can meet our selection criteria. Given the sample size, we consider that the trading multiples analysis is impracticable in this case.

RECOMMENDATION

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

- (i) the deteriorated financial performance of the Group for FY2015 and the six months ended 30 June 2016 as demonstrated under the section headed “(2) Financial information on the Group” of this letter;

- (ii) the Offer Price of HK\$2.66 is slightly lower than the highest closing price of the Shares as quoted on the Stock Exchange during the Review Period;
- (iii) the Offer Price of HK\$2.66 is higher than the closing prices of the Shares during the period from 4 January 2016 up to the Last Trading Day;
- (iv) given the trend of the closing prices of the Shares before the Offer Period, there is no guarantee that the Share price will sustain at a level above or close to the Offer Price after the Closing Date; and
- (v) disposal of large block of Shares held by the Offer Shareholders in the open market may trigger price slump of the Shares considering the generally thin trading volume of the Shares in the Review Period (except for January 2016, December 2016 and January 2017),

we consider that the terms of the Offer (including the Offer Price) are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Offer.

However, given that the Offer Price is close 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), we would also like to remind the Independent Board Committee to remind the Offer 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 Offer 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 Fortune Securities" of and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

* For identification purpose only