



中國富強金融集團
CHINA FORTUNE
FINANCIAL GROUP

(香港聯合交易所股份代號290)
(HKEX Stock Code 290)

富強證券有限公司
FORTUNE (HK) SECURITIES LIMITED
(中國富強金融集團有限公司成員)
(Member of China Fortune Financial Group Limited)

1 March 2017

To the Offer Shareholders

Dear Sir or Madam,

**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

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 conditionally agreed to sell and the Offeror has conditionally 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). Completion of the Sale and Purchase Agreement took place on 13 January 2017.

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.

This letter sets out, among other things, principal terms of the Offer, together with the information of the Offeror and the Offeror's intentions regarding the Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" to the Offer Shareholders and the "Letter from Gram Capital" to the Independent Board Committee and the Offer Shareholders, and the appendices as contained in this Composite Document.

THE OFFER

Principal terms of the Offer

We are unconditionally making the Offer for and on behalf of the Offeror on the following basis:

For each Offer Share HK\$2.66 in cash

The offer price is the same as the price paid by the Offeror (rounded up to the nearest cent) for each Sale Share pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, there are 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 (as defined in Note 4 to Rule 22 of the Takeovers Code).

Based on the offer price of HK\$2.66 per Offer Share, 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).

The procedures for acceptance and further details of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

Offer price

The offer price of HK\$2.66 per Offer Share represents:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) 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;
- (e) 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;

- (f) 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 published 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;
- (g) 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; and
- (h) the closing price of HK\$2.66 per Share as quoted on the Stock Exchange on 24 February 2017, being the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.67 per Share on 19 January 2017 and HK\$1.332 (adjusted) per Share on 7 July 2016, respectively.

Confirmation of financial resources

The Offeror intends to finance the total consideration payable by the Offeror in respect of the Offer by its own resources. Fortune Financial, as the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration for full acceptance of the Offer.

INFORMATION ON THE OFFEROR

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.* (海南交管控股有限公司), 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.

As at the Latest Practicable Date, the shareholding structure of HNA Group was as follows:

* For identification purpose only

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

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 appropriate time and 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.

INFORMATION ON THE GROUP

As disclosed in the "Letter from the Board" in this Composite Document, 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. Please refer to the "Letter from the Board" and the appendices to this Composite Document for further details.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

The Stock Exchange has stated that if, at 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 at all times, or if the Stock Exchange believes that:

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

Each of the directors of the Offeror has jointly and severally undertaken to the Stock Exchange that it would take appropriate steps to ensure that sufficient public float exists in the Shares.

PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, Offer Shareholders should complete the accompanying Form(s) of Acceptance and Transfer for the Shares in accordance with the instructions printed thereon. The Form(s) of Acceptance and Transfer form part of the terms of the Offer. The duly completed Form(s) of Acceptance and Transfer should then be forwarded, together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in an envelope marked "Advanced Card Systems Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date. No acknowledgement of receipt of any Form(s) of Acceptance and Transfer and the title documents will be given.

Your attention is drawn to the paragraph headed "1. General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

Settlement of the Offer

Provided that the accompanying Form(s) of Acceptance and Transfer for the Shares, together with the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Offer Shareholder in respect of the Shares tendered under the Offer (less seller's Hong Kong ad valorem stamp duty payable by him) will be despatched to the accepting Offer Shareholder by ordinary post at his own risk as soon as possible but in any event within seven (7) Business Days from the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code. The consideration to which any accepting Offer Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect to the payment of seller's Hong Kong ad valorem stamp duty) set out in this Composite Document (including Appendix I to this Composite Document) and the accompanying Form(s) of Acceptance and Transfer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Offer Shareholder.

No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

Effect of accepting the Offer

By validly accepting the Offer, the Offer Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Offer is made.

Acceptance of the Offer by any Offer Shareholders will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions declared, made or paid, if any, on or after the date on which the Offer is made.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Hong Kong Stamp duty

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the amount payable in respect of relevant acceptances by the Offer Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Offer Shareholders who accept the Offer. The Offeror will then pay the Hong Kong stamp duty so deducted to the Stamp Office of Hong Kong. The Offeror will bear buyer's Hong Kong ad valorem stamp duty.

Overseas Shareholders

As the Offer to persons not resident in Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required, and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes).

Tax Implications

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Company, their respective beneficial owners and parties acting in concert with them, Fortune Securities, Fortune Financial, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance or rejection of the Offer.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any powers of compulsory acquisition of any Offer Shares outstanding and not acquired under the Offer after the close of the Offer.

GENERAL

To ensure equality of treatment of all Offer Shareholders, those Offer Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

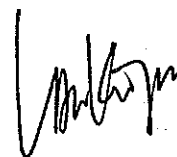
All documents and remittances will be sent to the Offer Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or, in case of joint holders to the Offer Shareholder whose name appears first in the said register of members, unless otherwise specified in the accompanying Form(s) of Acceptance and Transfer completed, returned and received by the Registrar. None of the Offeror, the Company, their respective ultimate beneficial owners and parties acting in concert with them, Fortune Securities, Fortune Financial, Gram Capital, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Document.

In addition, your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" and the letter of advice by Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Offer Shareholders in respect of the Offer as set out in the "Letter from Gram Capital" contained in this Composite Document.

Yours faithfully,
For and on behalf of
Fortune (HK) Securities Limited



Law Kin Tai
Responsible Officer