



SOMERLEY LIMITED

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7 August 2012

To: *The Independent Board Committee of
The Hong Kong Parkview Group Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
ON BEHALF OF ACHIEVE BLOOM LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN THE ISSUED SHARE CAPITAL OF
THE HONG KONG PARKVIEW GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR
AGREED TO BE ACQUIRED BY ACHIEVE BLOOM LIMITED AND/OR
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the mandatory unconditional cash offer by The Hongkong and Shanghai Banking Corporation Limited on behalf of Achieve Bloom Limited to acquire all the issued shares of The Hong Kong Parkview Group Limited (other than those already owned and/or agreed to be acquired by Achieve Bloom Limited and/or parties acting in concert with it). Details of the Offer are set out in the Composite Document to the Independent Shareholders dated 7 August 2012, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As stated in the Joint Announcement, the Vendors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase a total of 393,674,138 Shares, representing approximately 73.5% of the entire issued share capital of the Company. As disclosed in the joint announcement made by the Company and the Offeror dated 23 July 2012, immediately upon Completion on 23 July 2012, the Offeror and parties acting in concert with it were interested in 393,674,138 Shares, representing approximately 73.5% of the entire issued share capital of the Company. Accordingly, the Offeror is 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 Board comprises four executive Directors and three independent non-executive Directors. The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., Mr. Lam Kin Ming, Lawrence and Mr. Wu Kwok Cheung, M.H., none of whom has any direct or indirect interest in the Offer (other than interests as a shareholder of the Company), has been established to advise the Independent Shareholders in connection with the Offer. The Independent Board Committee has approved the appointment of Somerley as the independent financial adviser to the Independent Board Committee in the same regard.

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 and, accordingly, are considered eligible to give independent advice on the Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from 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 formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the "Management"), which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, annual reports of the Company for the years ended 31 March 2011 (the "2011 Annual Report") and 31 March 2012 (the "2012 Annual Report") and other information contained in the Composite Document. We have reviewed the trading performance of the Shares on the Stock Exchange. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material facts have been omitted or withheld. We have, however, not conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Composite Document are true at the time they were made and at the date of the Composite Document and Shareholders will be notified of any material changes as soon as possible, if any.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Offer since these depend on their individual circumstances. In particular, Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.



PRINCIPAL TERMS OF THE OFFER

The Offer

HSBC is making the Offer for and on behalf of the Offeror to acquire the Offer Shares on the following basis:

For each Offer ShareHK\$0.92 in cash

The price of HK\$0.92 for each Offer Share (the "Offer Price") is the same as the purchase price paid for each Sale Share by the Offeror under the Share Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all Encumbrances and with all rights attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the completion of the Share Purchase Agreement.

Details of the terms of the Offer are contained in the letter from HSBC and Appendix I to the Composite Document. Independent Shareholders are recommended to read the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offer, we have taken into account the following principal factors and reasons:

1. Background leading to the Offer

As disclosed in the Joint Announcement, on 16 July 2012, the Vendors and the Offeror entered into the Share Purchase Agreement pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase a total of 393,674,138 Shares, for a total consideration of HK\$362,180,207 (equivalent to HK\$0.92 per Sale Share). Following Completion which took place on 23 July 2012 and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in approximately 73.5% of the entire issued share capital of the Company. Accordingly, the Offeror is 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.

2. Information on the Group

The principal activity of the Company is investment holding. The Group is principally engaged in property investment and provision of corporate management services. The Shares have been listed on the Main Board of the Stock Exchange since 6 March 1973.



(a) *Historical financial performance of the Group*

Set out below are certain key financial information on the Group as extracted from the consolidated statement of comprehensive income for the three years ended 31 March 2012 in the 2011 Annual Report and 2012 Annual Report:

	For the year ended 31 March		
	2010 HK\$ (audited)	2011 HK\$ (audited)	2012 HK\$ (audited)
Revenue	1,834,992	1,238,263	—
Gross profit/(loss)	316,596	202,866	(501,388)
Change in fair value of investment property	—	30,000,000	39,914,200
(Loss)/profit before taxation	(13,366,827)	41,774,880	22,125,008
(Loss)/profit attributable to owners of the Company	(12,721,327)	41,774,880	21,916,008

For the year ended 31 March 2011, the Group recorded revenue of HK\$1,238,263, representing a decrease of approximately 32.5% when compared to the corresponding period in 2010. Revenue for each of the two financial years ended 31 March 2011 was entirely derived from provision of corporate management services to the Group's sole customer. As advised by the Management, the decrease in revenue from the provision of management services was primarily due to decrease in monthly management fee income and expiration of the management agreement in January 2011. As disclosed in 2012 Annual Report, no revenue was derived for the year ended 31 March 2012 since the management agreement with the Group's sole customer was not renewed after its expiration in January 2011. We are also advised by the Management that the Group is currently identifying opportunities to engage into profitable management contracts.

During the year ended 31 March 2011, the Group carried out a restructuring in relation to the disposal of 5 subsidiaries and an associate company, and the acquisition of Chyau Fwu Investment Limited (the "Restructuring"), details of which were stated in the Company's announcement dated 20 September 2010 and the circular dated 14 December 2010. Following the completion of the Restructuring on 7 January 2011, the Group divested its loss making investment in Nanjing Dingshan Garden Hotel and acquired an investment property (the "Property") located on the 11th floor of World-Wide House, Central, Hong Kong, with a rental guarantee granted by the then ultimate holding company of the Company in the amount of HK\$500,000 per month for the six-month period commencing on 7 January 2011 (the "Rental Guarantee Period") if the Property was not rented out during the Rental Guarantee Period. The Group received rental income amounting to approximately HK\$1,500,000 under such guarantee for each of the two financial years ended 31



March 2011 and 2012. Such rental guarantee was fully discharged in accordance with its terms in July 2011 and, as advised by the Management and as disclosed in the 2011 Annual Report and 2012 Annual Report, the proceeds from the rental guarantee payable to the Group were settled through current account with the related company of the Group, and were not recorded as revenue of the Group for both years. The Property remained vacant during the period from 7 January 2011 to 31 May 2012. Recently in April 2012, the Management concluded a lease agreement (the "Lease") with an independent tenant for the leasing of the Property at prevailing market rates. The Lease, which commenced on 1 June 2012, has, subject to the terms therein, an initial tenure of 3 years with an annualised rental of approximately HK\$9,180,000.

Profit attributable to owners of the Company improved substantially from a loss of HK\$12,721,327 for the year ended 31 March 2010 to a profit of HK\$41,774,880 for the year ended 31 March 2011. According to the Management, such increase was mainly attributable to the change in fair value of the investment property of HK\$30,000,000 and the one-off gain on deregistration of a jointly controlled entity of HK\$35,828,857. For the year ended 31 March 2012, the Group recorded profit attributable to owners of the Company of HK\$21,916,008, representing a decrease of approximately 47.5% when compared to the corresponding period in 2011. We noted that such profit was principally contributed by the change in fair value of the investment property of HK\$39,914,200. On such basis and if excluding the fair value change of the investment property, the Group should have recorded a net loss for the financial year ended 31 March 2012.

(b) Financial position

Set out below is the consolidated statement of financial position of the Group as at 31 March 2010, 2011 and 2012, as extracted from the 2011 Annual Report and 2012 Annual Report:

	As at 31 March		
	2010	2011	2012
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Non-current assets			
Property, plant and equipment	8,176,667	366,289	—
Investment property	—	360,000,000	400,000,000
Interests in associates	—	—	—
Amounts due from associates	75,395,875	—	—
Interest in a jointly controlled entity	32,475,818	—	—
Available-for-sale investments	<u>2,236,300</u>	<u>2,236,300</u>	<u>—</u>
	<u>118,284,660</u>	<u>362,602,589</u>	<u>400,000,000</u>



	As at 31 March		
	2010	2011	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Current assets			
Properties held for sale	54,913,932	—	—
Other receivables and prepayments	827,050	203,580	239,859
Investments held for trading	525,000	375,000	85,200
Rental guarantee	—	1,206,226	—
Pledged bank deposits	—	—	5,650,785
Bank deposits	—	—	171,238,055
Bank balances and cash	<u>6,361,727</u>	<u>1,715,280</u>	<u>11,593,425</u>
	<u>62,627,709</u>	<u>3,500,086</u>	<u>188,807,324</u>
Current liabilities			
Other payables and accrued charges	2,102,721	1,118,649	2,223,161
Amount due to a jointly controlled entity	51,186,307	—	—
Amount due to related companies	32,500,077	—	64,172,605
Secured bank loan	—	—	186,333,332
Deferred consideration payable to a related company	—	—	148,906,066
Tax payable	57,226	—	—
Bank overdrafts	<u>3,580,063</u>	<u>—</u>	<u>—</u>
	<u>89,426,394</u>	<u>1,118,649</u>	<u>401,635,164</u>
Net current (liabilities) assets	<u>(26,798,685)</u>	<u>2,381,437</u>	<u>(212,827,840)</u>
Total assets less current liabilities	<u>91,485,975</u>	<u>364,984,026</u>	<u>187,172,160</u>



	As at 31 March		
	2010	2011	2012
	HK\$	HK\$	HK\$
	(audited)	(audited)	(audited)
Capital and reserves			
Share capital	53,535,926	53,535,926	53,535,926
Reserves	<u>15,663,899</u>	<u>110,809,433</u>	<u>133,427,234</u>
Equity attributable to owners of the Company	<u>69,199,825</u>	<u>164,345,359</u>	<u>186,963,160</u>
Non-current liabilities			
Amounts due to related companies	22,286,150	58,935,479	—
Deferred consideration payable to a related company	—	141,703,188	—
Deferred tax liability	<u>—</u>	<u>—</u>	<u>209,000</u>
	<u>22,286,150</u>	<u>200,638,667</u>	<u>209,000</u>
	<u>91,485,975</u>	<u>364,984,026</u>	<u>187,172,160</u>

As at 31 March 2012, total assets amounted to HK\$588,807,324, representing an increase of approximately 60.8% when compared to 31 March 2011. Non-current assets, comprising solely the Property with the market value amounting to HK\$400,000,000 as at 31 March 2012 as appraised by Vigers Appraisal and Consulting Limited, an independent professional valuer, accounted for approximately 67.9% of the total assets of the Group. Among the current assets, bank deposits (excluding the pledged bank deposits), bank balances and cash in aggregate amounted to HK\$182,831,480, while other current assets amounted to HK\$5,975,844, representing approximately 31.1% and 1.0% of the Group's total assets respectively.

As at 31 March 2012, total liabilities amounted to HK\$401,844,164, representing an increase of approximately 99.2% when compared to 31 March 2011 which was mainly due to, among other things, the obtaining of the banking facilities in the amount of approximately HK\$190,000,000. Non-current liabilities, comprising solely deferred tax liability amounted to HK\$209,000 as at 31 March 2012, accounting for approximately 0.1% of total liabilities. Current liabilities, on the other hand, amounted to HK\$401,635,164 as at 31 March 2012, representing approximately 99.9% of total liabilities, and mainly consisted of the secured bank loan of HK\$186,333,332 (the "Bank Loan"), deferred consideration payable to a related company of HK\$148,906,066, amount due to related companies of HK\$64,172,605 and other payables and accrued charges of HK\$2,223,161. As



announced by the Company on 30 April 2012, the Bank Loan which was repayable on demand, was refinanced by a new term loan of up to HK\$212,500,000 repayable within two years from the date of the drawdown. As disclosed in the 2012 Annual Report, the full amount of the deferred consideration payable to the related company of HK\$148,906,066 had been settled in cash subsequent to the year-end date of 31 March 2012. We are also advised by the Management that the Company has settled as to HK\$63,563,843 of the amount due to related companies of HK\$64,913,843 (comprised the outstanding balance of HK\$64,172,605 as at 31 March 2012 and additional accrued interest thereof) in cash subsequent to the year-end date of 31 March 2012, and the balance of the amount due to related companies of HK\$1,350,000 remained unsettled as at the Latest Practicable Date.

As at 31 March 2012, the Group had net assets of HK\$186,963,160. The net asset value per Share was approximately HK\$0.35 as at 31 March 2012 based on 535,359,258 Shares in issue. The gearing ratio, represented by the ratio of total bank borrowings to total assets, was approximately 32% as at 31 March 2012.

3. Prospects of the Group

As detailed in the previous section, following the expiration of the management agreement with the Group's sole customer in January 2011, the Group has generated no revenue from its management service business. As advised by the Management, they have no intention to abandon the management service business and have engaged in negotiation with several potential customers. The Group keeps on making its best efforts to identify any chance to engage into profitable management contracts.

As at the Latest Practicable Date, the principal asset of the Group is the Property. Although the Property remained vacant during the period from 7 January 2011 to 31 May 2012, the Management recently concluded the Lease which commenced on 1 June 2012 and has, subject to the terms therein, an initial tenure of 3 years with an annualised rental of approximately HK\$9,180,000. We note that the rental income generated from the Property under the Lease is currently the sole source of income of the Group.

Having considered, among other things, the uncertainties on when the Group can identify and secure profitable management contracts for its management service business, the limited source of income of the Group for the time being and no detailed business plan having been provided by the Offeror on the future business development of the Group, we are of the view that whether the Group could improve its business prospect and profitability in the near future is uncertain.

4. Information on the Offeror

As set out in the letter from HSBC of the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of COFCO (HK). COFCO (HK), which is wholly-owned by COFCO Corporation, is an investment holding company incorporated in Hong Kong with limited liability and a (direct and/or indirect) substantial shareholder of China Foods Limited (Stock Code: 506), China Agri-Industries Holdings Limited (Stock Code:



606), CPMC Holdings Limited (Stock Code: 906) and China Mengniu Dairy Company Limited (Stock Code: 2319), all of which are listed companies on the Main Board of the Stock Exchange. COFCO Corporation is a state-owned enterprise incorporated in the PRC currently under the purview of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Currently, COFCO Corporation is engaged in a wide array of businesses, including agricultural commodities trading and agricultural products processing, food and beverages, real estate development, packaging materials, hotel management, logistics, native produce, animal by-products and financial services. Independent Shareholders may refer to the letter from HSBC of the Composite Document for further information on the Offeror.

5. Intention of the Offeror regarding the Group

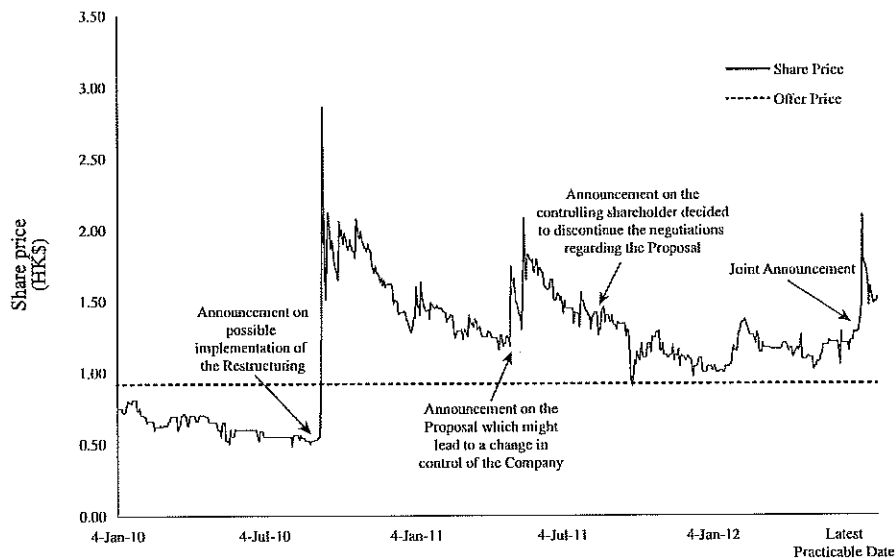
As set out in the letter from HSBC of the Composite Document, the Offeror, COFCO (Hong Kong) and COFCO Corporation intend to continue the existing business of the Group and as at the Latest Practicable Date, also intended to carry out possible asset injection in the future, but no concrete plan or specific time-table had been reached. As further disclosed in the letter from HSBC of the Composite Document, there were no discussions, arrangements and/or agreements in relation to asset and/or business injections between the Offeror (or parties acting in concert with it) and the Company. Nor did the Offeror intend to introduce any major changes in the principal business or redeploy the fixed assets of the Company. However, in addition to the existing business of the Group, the Offeror will regularly review the operations, financial position and business activities of the Group to formulate a suitable business strategy for the Group and will explore other business opportunities from time to time. As also stated in the letter from HSBC of the Composite Document, should any suitable investment opportunities be identified, the Offeror will consider having the Group to acquire assets and/or business whether from the Offeror (or its associates) or any other third parties, as and when appropriate in order to enhance the growth of the Group. Independent Shareholders may refer to the letter from HSBC of the Composite Document for further details on the intention of the Offeror regarding the Group.

As disclosed in the letter from HSBC of the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange, and each of the Offeror and the Company will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer, and the directors of the Offeror and the new Directors to be appointed to the Board will also jointly and severally provide the same undertaking to the Stock Exchange.



6. Offer Price

Set out below is the movement of the closing prices of the Shares from 4 January 2010 to the Latest Practicable Date (the “Review Period”):



Source: Bloomberg

During the period from 4 January 2010 to 8 September 2010, the closing price of the Shares was within the range between HK\$0.485 and HK\$0.810 per Share. Following the suspension of trading in the Shares in the afternoon session on 9 September 2010 and the publication of the announcement dated 9 September 2010 in relation to the possible implementation of the Restructuring, trading in the Shares resumed and the closing price of the Share increased substantially from HK\$0.550 on 8 September 2010 and reached the highest closing price during the Review Period of HK\$2.860 on 10 September 2010. The closing price of the Shares then followed an overall downward trend during the remainder of the Review Period following its peak on 9 September 2010.

Following the announcement on 23 May 2011 regarding a possible disposal by the controlling shareholders of the Company of the Shares (the “Proposal”) which might lead to a change in control of the Company, the closing price of the Share soared and reached HK\$2.080 on 24 May 2011. Nonetheless, on 6 July 2011, it was announced that the controlling shareholders decided to discontinue the negotiations regarding the Proposal with the potential investor. The closing price of the Shares experienced a downward trend following this announcement and was within the range between HK\$0.900 and HK\$1.560 during the period from 6 July 2011 to the Last Trading Day.



The closing price of the Shares was HK\$1.47 on the Last Trading Day. After the release of the Joint Announcement on 17 July 2012, the closing price of the Share surged and reached HK\$2.10 on 18 July 2012. Following the release of the Joint Announcement and up to the Latest Practicable Date, the closing price of the Shares traded between HK\$1.47 and HK\$2.10, and was HK\$1.52 as at the Latest Practicable Date. We believe the recent surge of the closing price of the Shares is likely to be attributable to the market reaction to the publication of the Joint Announcement and the sustainability of the current Share price level could be uncertain. As shown in the chart above, the Offer Price has been, during most of the time in the Review Period, at discount to the closing prices of the Shares.

Set out in the table below are the total monthly trading volumes of the Shares and the percentages of the average daily trading volume to the total issued share capital and public float of the Company during the Review Period:

	Total monthly trading volume of the Shares	Approximate % of average daily trading volume to the total issued Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the Shares constituting the public float <i>(Note 2)</i>
2010			
January	876,000	0.0082	0.0309
February	524,000	0.0054	0.0205
March	882,000	0.0072	0.0271
April	106,000	0.0010	0.0039
May	200,000	0.0019	0.0071
June	186,000	0.0017	0.0063
July	30,000	0.0003	0.0010
August	405,200	0.0034	0.0130
September	36,942,820	0.4059	1.5338
October	8,869,600	0.0828	0.3130
November	2,400,000	0.0204	0.0770
December	896,000	0.0076	0.0287



	Total monthly trading volume of the Shares	Approximate % of average daily trading volume to the total issued Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the Shares constituting the public float <i>(Note 2)</i>
2011			
January	1,686,000	0.0150	0.0567
February	422,000	0.0044	0.0165
March	1,356,000	0.0110	0.0416
April	312,000	0.0032	0.0122
May	12,233,000	0.1143	0.4317
June	1,403,520	0.0125	0.0472
July	768,000	0.0072	0.0271
August	1,008,000	0.0082	0.0309
September	168,000	0.0016	0.0059
October	1,104,000	0.0103	0.0390
November	618,000	0.0052	0.0198
December	320,000	0.0030	0.0113
2012			
January	244,000	0.0025	0.0096
February	1,070,000	0.0095	0.0360
March	98,000	0.0008	0.0031
April	50,000	0.0005	0.0020
May	92,000	0.0008	0.0030
June	106,000	0.0009	0.0036
From 1 July to the Last Trading Day	488,000	0.0101	0.0383
Average	2,447,230	0.0247	0.0935
From 18 July 2012 to the Latest Practicable Date	6,533,238	0.0939	0.3547

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the number of the Shares in issue as at the end of each month.
2. The calculation is based on the number of Shares in issue as set out in note 1 above excluding the Shares held by the substantial shareholders and directors of the Company in the corresponding month.



We note from the above table that the daily trading volume of the Shares has been thin in general during the Review Period. The daily trading volume of the Shares during the period from January 2010 to the Last Trading Day was within the range between approximately 0.0003% and 0.4059% of the total Shares in issue, and between approximately 0.0010% and 1.5338% of the issued Shares constituting the public float of the Company. According to the Management, the relatively higher trading volume of the Shares in September and October 2010, and May 2011 were likely to be due to the announcement regarding the Restructuring and the Proposal respectively. The number of Shares traded daily from 18 July 2012 (the first trading day immediately following the publication of the Joint Announcement and the resumption of trading in the Shares) up to the Latest Practicable Date represented approximately 0.0939% and 0.3547% of the total Shares in issue and the issued Shares constituting the public float of the Company respectively. We believe a relatively higher trading volume recorded during the period from 18 July 2012 up to the Latest Practicable Date was primarily due to the market reaction to the publication of the Joint Announcement and the sustainability of the recent growth in the trading volume could be uncertain.

Given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. Independent Shareholders should note that the Offer Price represents a premium of approximately 162.9% over the net asset value per Share of approximately HK\$0.35 as at 31 March 2012. In our opinion, the Offer represents a guaranteed cash exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of all or part of their entire holdings at the Offer Price if they so wish.

7. Discussion and Analysis

We consider that the terms of the Offer, including the Offer Price are fair and reasonable so far as the Independent Shareholders are concerned after taking into account the above principal factors and reasons, in particular:

1. the uncertainty on whether the Group could improve its business prospect and profitability in the near future given that the Group has not yet identified any profitable management contracts for its management service business as at the Latest Practicable Date, the source of income of the Group is limited for the time being and no concrete and detailed business plan has been provided by the Offeror on the future business development of the Group;



2. the daily trading volume of the Shares has been thin in general during the Review Period and the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price of the Shares. The Offer represents a guaranteed cash exit for the Independent Shareholders to dispose of all or part of their entire holdings at the Offer Price if they so wish; and
3. the Offer Price represents a premium of approximately 162.9% over the net asset value per Share of approximately HK\$0.35 as at 31 March 2012.


8. Opinion and Recommendation

Based on the above principal factors and reasons, we consider the terms of the Offer to be fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to accept the Offer.

However, it should be noted that since the publication of the Joint Announcement, the Shares have been trading at a premium over the Offer Price. As such, it is advisable for the Independent Shareholders to consider selling their Shares in the open market if the market price of the Shares exceeds the Offer Price during the period when the Offer is open and the sales proceeds, net of transaction costs, from disposal of the Shares in the open market exceed the amount receivable under the Offer. Independent Shareholders should also monitor the overall trading volume of the Shares, as they may or may not be able to dispose of their Offer Shares in the market without exerting downward pressure on the price of the Shares.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED


Kenneth Chow
*Managing Director —
Corporate Finance*


Lynn Tam
Director