



16 November 2017

To: The Independent Board Committee

Dear Sirs,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF PHOENIX TIME HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES IN
i-CONTROL HOLDINGS LIMITED (OTHER THAN THOSE
ALREADY OWNED BY PHOENIX TIME HOLDINGS LIMITED 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 the Composite Document dated 16 November 2017 jointly issued by the Offeror and the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

The Vendors and the Offeror entered into the Sale and Purchase Agreement on 6 October 2017, pursuant to which the Offeror agreed to acquire and the Vendors agreed to sell the Sale Shares, being 600,000,000 Shares in aggregate, representing 60% of the entire issued share capital of the Company as at the date of the Joint Announcement, for the aggregate consideration of HK\$216,000,000 (representing HK\$0.36 per Sale Share). Completion took place immediately following the execution of the Sale and Purchase Agreement on 6 October 2017.

Immediately prior to the Completion, the Offeror and parties acting in concert with it were not interested in any Shares. Immediately following the Completion and as at the Latest Practicable Date, (i) the Offeror and parties acting in concert with it were interested in 600,000,000 Shares, representing 60.0% of the entire issued share capital of the Company; and (ii) save that Dr. Wong King Keung was interested in 150,000,000 Shares (representing 15.0% of the entire issued share capital of the Company), the Vendors ceased to be interested in any Shares. The Offeror is required under Rule 26.1 of the Takeovers Code to make an unconditional mandatory general offer in cash for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of all independent non-executive Directors, namely, Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum, has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

We, Akron Corporate Finance 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. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the existing engagement in connection with the Offer, we do not and did not have any relationship (business, financial or otherwise) amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the Company or the Offeror within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the management of the Company (the “**Management**”). We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material change in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and recommendations. The Directors have declared in a responsibility statement set out in Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and the parties acting in concert with it, the terms of the Offer and the future intention of the Offeror regarding the Group). We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the Management, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinions, we have not considered the tax implication on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as at the Latest Practicable Date. The Independent Shareholders will be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Offer, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

This letter is issued for the Independent Board Committee solely in respect of the Offer and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Board Committee in respect of the Offer, we have taken into consideration the following factors and reasons:

1. The Offer

Pursuant to the Composite Document, the Offer is made by CCIC, for and on behalf of the Offeror, on the following basis:

For each Offer Share HK\$0.36 in cash

The Offer is unconditional in all respects. The Offer Price of HK\$0.36 per Offer Share is the same as the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Offer will be fully paid and free from all Encumbrances together with all rights attached thereto, including, but not limited to, all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, being the date of the despatch of the Composite Document, or subsequently attached to them.

2. General information of the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are currently listed on GEM (stock code: 8355). The Group is principally engaged in the provision of (i) solution for audiovisual, conferencing, presentation and multimedia control systems including installation services (the “**Solution Service**”); and (ii) audio-visual system maintenance services (the “**Maintenance Service**”). The Solution Service is the major line of business of the Group as complemented by the Maintenance Service associated with related projects of the Solution Service.

3. Financial information of the Group

(a) Financial Performance

Set out below is a summary of the financial information of the Group for (i) the financial year ended 31 March 2016 (“**FY2016**”) and 31 March 2017 (“**FY2017**”) respectively as extracted from the annual report of the Company for the year ended 31 March 2017 (the “**2017 Annual Report**”); and (ii) the six months ended 30 September 2016 and 30 September 2017 as extracted from the interim report of the Company for the six months ended 30 September 2017 (the “**2017 Interim Report**”):

	For the year ended 31 March		For the six months ended 30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	138,113	141,922	61,740	58,448
Gross profit	61,102	62,209	24,836	24,655
Profit/(Loss) for the year/period	19,206	11,990	5,178	5,716
Profit/(Loss) attributable to shareholders	19,206	11,786	5,178	5,716

For the year ended 31 March 2017

The revenue of the Group slightly decreased by approximately 2.7% from approximately HK\$141.9 million for FY2016 to approximately HK\$138.1 million for FY2017. As disclosed in the 2017 Annual Report:

- (i) the revenue generated from the Solution Service decreased by approximately 4.1% from approximately HK\$129.6 million for FY2016 to approximately HK\$124.3 million for FY2017, which was primarily attributable to the completion of a one-off sizable project during FY2016; and
- (ii) the revenue generated from the Maintenance Service increased by approximately 12.2% from approximately HK\$12.4 million in FY2016 to approximately HK\$13.9 million in FY2017, which was primarily attributable to an increase in total maintenance projects after the completion of related projects of the Solution Service.

The profit for the year increased by approximately HK\$7.2 million from approximately HK\$12.0 million for FY2016 to approximately HK\$19.2 million for FY2017. As set out in the 2017 Annual Report, the increase was mainly due to:

- (i) a decrease in staff cost by approximately 9.1% from approximately HK\$29.7 million for FY2016 to approximately HK\$27.0 million for FY2017 mainly due to the decrease in sales commission and bonus paid to staff which was in line with the decrease in revenue and the decrease in directors' discretionary bonus for FY2017 compared with FY2016; which were net off with the effect of a general increase in staff salary level and an increase in the number of staff during FY2017; and
- (ii) a decrease in other operating expenses, particularly the absence of the listing-related expenses of approximately HK\$5.5 million and decrease in marketing and promotion expenses of approximately HK\$0.8 million; which were partially offset by decrease in revenue and gross operating margin and increase in income tax expenses of approximately HK\$1 million.

For the six months ended 30 September 2017

For the six months ended 30 September 2017, the Group recorded a revenue of approximately HK\$61.7 million, representing an increase of approximately 5.6% as compared to that of approximately HK\$58.4 million for the six months ended 30 September 2016.

As stated in the 2017 Interim Report:

- (i) the revenue generated from the Solution Service increased by approximately 6.8% to approximately HK\$55.1 million for the six months ended 30 September 2017 from approximately HK\$51.6 million for the six months ended 30 September 2016, which was primarily attributable to completion of several new projects in the PRC during the six months ended 30 September 2017; and
- (ii) the revenue generated from the Maintenance Service slightly decreased by approximately 2.9% to approximately HK\$6.7 million for the six months ended 30 September 2017 from approximately HK\$6.9 million for the six months ended 30 September 2016.

The profit for the period slightly decreased by approximately HK\$0.5 million from approximately HK\$5.7 million for the six months ended 30 September 2016 to approximately HK\$5.2 million for the six months ended 30 September 2017, which was mainly due to increase in staff cost and depreciation expenses and partially offset by increase in gross operating margin.

With reference to the financial information of the Group as stated above, it is noted that (i) the Solution Service is the core business of the Group and the Maintenance Service is the related complementary service provided by the Group with the view of offering comprehensive services to its customers. As such, the revenues from the Solution Service and the Maintenance Service are interrelated or in another word, the Maintenance Service is highly dependent on the Solution Service; (ii) the improvement in net profit for FY2017 is mainly due to the absence of the listing-related expenses, which is non-recurrent; and (iii) the increase in profit in FY2017 is mainly attributable to the decrease in expenses instead of improving operating results. Based on the foregoing, it is uncertain whether the Group will continue to record same profit level going forward.

(b) *Geographical distribution*

Revenue by geographical location	For the year ended 31 March				For the six months ended 30 September			
	2017		2016		2017		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	116,644	84.46	131,906	92.94	55,780	90.35	55,291	94.60
PRC	14,111	10.22	4,229	2.98	5,689	9.21	1,842	3.15
Macau	6,621	4.79	5,666	3.99	271	0.44	584	1.00
Singapore	737	0.53	121	0.09	-	-	731	1.25
Total	138,113	100.00	141,922	100.00	61,740	100.00	58,448	100.00

The Group has operations in Hong Kong, the PRC, Macau and Singapore. As shown in the table above, Hong Kong market is the major revenue contributor to the Group, which accounted for over 80% of the total revenue of the Group for the past two years.

For the year ended 31 March 2017

In FY2017, the percentage of revenue attributed from the Hong Kong market recorded a decrease from approximately 92.94% in FY2016 to 84.46% in FY2017.

It is also noted that the percentage of revenue attributed by the PRC market has increased from approximately 2.98% in FY2016 to 10.22% in FY2017, representing a significant increase of approximately 243%. Despite the growth in percentage of revenue contribution from the PRC market, additional revenue generated from the PRC market in FY2017 of approximately HK\$9.9 million was insufficient to cover the reduction in revenue of approximately HK\$15.3 million from the Hong Kong market.

For the six months ended 30 September 2017

The percentage of revenue attributed from the Hong Kong market recorded a decrease from approximately 94.6% for the six months ended 30 September 2016 to approximately 90.35% for the six months ended 30 September 2017. The percentage of revenue attributed by the PRC market has increased from approximately 3.15% for the six months ended 31 March 2017 to approximately 9.21% for the six months ended 30 September 2017, representing a significant increase of approximately 192.4%.

Such proportion in revenue contributed by the Hong Kong market and the PRC market and increase in significance in the PRC market is in line with the annual results of the Group.

As disclosed in the 2017 Annual Report, the Group has set up a new office in Shanghai to explore new business opportunities and will continue to expand their market share in the video conferencing and multimedia audiovisual solution industry in the PRC. It is expected that the Group has to devote additional time, manpower and financial resources in order to achieve such expansion. The returns of such business expansion may not immediately reflect in the financial results of the Company. As such, it may cast uncertainty to the future financial performance of the Group as a whole.

4. Prospects of the Group

As disclosed in the 2017 Annual Report and as confirmed by the Management, the one-stop information technology/audiovisual (“ITAV”) solution business in digital signage, video conferencing and multimedia presentation/learning is still in high demand by customers. In terms of hardware, large LED displays and video walls with customized size have played a significant role in the Group’s total solutions provided to the customers. Notwithstanding the aforesaid, it should be noted that the Group has to cope with various challenges in its operation.

As the revenue of the Group is mainly derived from projects which are not recurring in nature, any decrease in the number of projects would affect its operations and financial results.

Currently, the Group only offers room-based systems to its customers in its Solution Service. With the emergence of cloud-based video conferencing solutions through software installed in electronic mobile devices, it poses a threat to the traditional video conferencing and multimedia audiovisual solution industry. The potential customers, depending on their information network systems and requirements, may over time consider moving away from expensive and complex room-based systems and opt for lower-cost software and cloud-based alternatives.

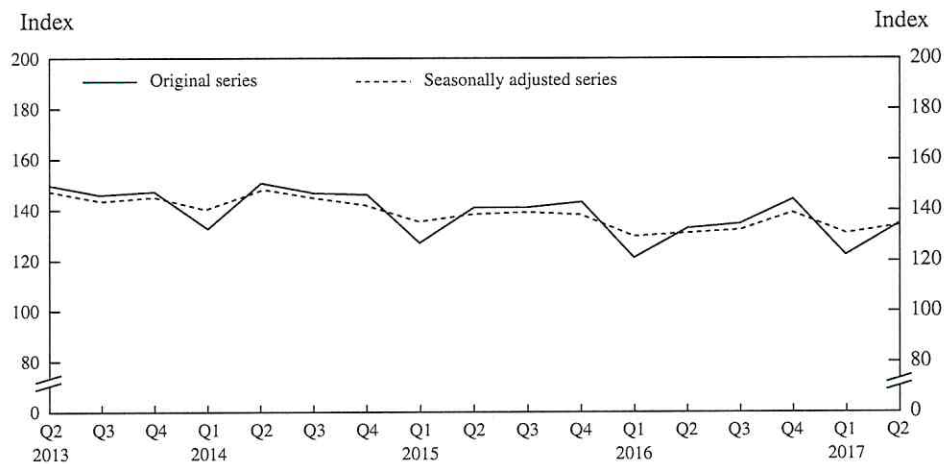
We understand from the Management that ITAV solution industry is characterised by rapidly changing technology and evolving industry standards. The operations of the Group depend on its ability to innovate and the successful deployment of continuously evolving technologies, particularly its response to technological and industry developments, as well as its ability to foresee and/or rapidly adapt to the emergence of disruptive technologies.

In addition, the ITAV solution providers which provide innovative design concepts can better differentiate themselves from other market players. As such, the success and ability for the Group to grow depends largely on its ability to attract, train, retain, and motivate highly skilled and qualified personnel especially in the operating and technical aspects. Competition for relevant talent is intense. The loss of experienced staff, or the inability to find additional qualified personnel, could inhibit the prospects and results of operations of the Group.

As such, additional cost will be incurred for updating the technology (both software and hardware) and to provide training to staff so as to ensure them to cope with the ever-changing technology and the dynamic market conditions as well as the expectation of the clients/end-users which is highly subjective in nature and can substantially deviate from one another. In addition, better remuneration package (including salaries) may need to offer for retaining the skilled and qualified personnel.

Furthermore, we are made known by the Management that the ITAV solutions industry is highly competitive. Currently, the Group is a Hong-Kong based solution provider and derives over 80% revenue from Hong Kong market. As shown in Chart 1 below, extracted from the Quarterly Business Receipts Indices for Service Industries (2nd Quarter 2017) issued by the Census and Statistics Department, the business receipts indices for the computer and information technology services for the past five years in Hong Kong has been relatively stable since second quarter of 2013. Such figures implied that the information technology market in Hong Kong is mature at large.

Chart 1: Business receipts indices of computer and information technology services



Source: Census and Statistics Department

Under the competitive environment of ITAV solutions industry, some of the competitors may be able to reduce the Group's market share by adopting more aggressive pricing policies.

In order to maintain the Group's market position as one of the leading service providers in the industry and to maintain its competitiveness, the ability of the Group in offering competitive price is one of the crucial factors for the Group. It is questionable whether the Group may increase its service fee and transfer the additional costs as mentioned above to its customers as the customers tend to be price sensitive and may look for another service provider(s) if there is an increase in service fee. If the Group is unable to pass on the additional costs to its customers, it will in turn erode the profit margins of the Group.

Furthermore, the Group's operations in the PRC market is still in its infancy stage. We are given to understand that the projects located in the PRC carry lower gross operating margin than from other jurisdictions due to high competition from other ITAV solution suppliers. As the Group proposes to expand its development in the PRC market, financial performance of the Group as a whole may also be affected as time will be required for development of the PRC market for generating satisfactory returns to the Group. In addition, in the course of pursuing business expansion in the PRC market, it will be uncertain whether the Group will be able to maintain its competitiveness and to cope with business challenges and maintain a cost-efficient structure in both the Hong Kong market and the PRC market for generating satisfactory return for the Group.

In view of the foregoing, it may cast uncertainties to the prospects and future performance of the Group.

5. Information of the Offeror

Set out below is the information of the Offeror as extracted from the "Letter from CCIC" under the section headed "Information on the Offeror" of the Composite Document.

The Offeror is an investment holding company incorporated in the BVI with limited liability and its sole ultimate beneficial owner is Mr. Zhong.

Save for entering into the Sale and Purchase Agreement and obtaining financing for the Offer, the Offeror has not conducted any other business since its incorporation.

Immediately prior to entering into the Sale and Purchase Agreement, the Offeror and parties acting in concert with it did not have any interest in any securities of the Company, and are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

Mr. Zhong and Mr. Yau Wing Keung are the directors of the Offeror.

Mr. Zhong, aged 54, is an experienced investor in various businesses in both Hong Kong and PRC. He has more than 15 years of working experience in property development and in investment business. Mr. Zhong founded Guangdong Puxun Industry Investment Company Limited* (廣東普迅實業投資有限公司), a company principally engaged in industrial investments, investment management, marketing planning, trade and commerce information consulting and business management consulting and Foshan Xingpu Investment Company Limited* (佛山市興普投資有限公司), a company principally engaged in industrial investments, investment management, domestic trading, marketing planning and commodities information consulting.

Mr. Zhong also acts as the honorable chairman of the board of Nenking Holdings Group Company Limited* (能興控股集團有限公司), a company which, together with its subsidiaries and affiliates, is principally engaged in property development, property management, financial services, pharmaceutical, sports and cultural, trading and procurement services and investment holding, and the chairman of Long Lions Basketball Club Co., Ltd.* (龍獅籃球俱樂部股份有限公司) (NEEQ stock code: 871888).

Mr. Zhong obtained a master's degree in management in 2005 and subsequently a doctorate degree in industrial economics in 2008, both from Jinan University.

Mr. Yau Wing Keung, aged 58, obtained a bachelor's degree in social sciences from the University of Hong Kong in 1983. He has over 30 years of working experience in investment banking and in financial management across the Asia Pacific Region.

6. Intentions of the Offeror in relation to the Group

Set out below is the Offeror's intentions in relation to the Group as extracted from the "Letter from CCIC" under the section headed "The Offeror's intention on the Group" of the Composite Document.

It is the intention of the Offeror that the Group will continue with its existing principal business. The Offeror does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Offer and will neither redeploy nor dispose of any of the assets (including fixed assets) of the Group other than in the ordinary course of business. Any acquisition or disposal of the assets or business of the Group, if any, will be in compliance with the GEM Listing Rules. The Offeror will conduct a more detailed review on the operations of the Group with a view to formulating a comprehensive business strategy for the Group (the "Review") and subject to the result of the Review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, business divestment, fund raising, restructuring of the business and/or business diversification by the Group will be appropriate in order to enhance its growth.

* English name for identification purpose only

The Offeror has decided to invest in the Company as it believes that there is potential business growth in the existing business of the Company. In particular, it is expected that Mr. Zhong's business experience in the PRC will strengthen the Company's ability to effectively pursue its goal of developing its business in the video conferencing and multimedia audiovisual solutions industry in the PRC.

No particular investment or business opportunities have been identified as at the Latest Practicable Date. In the event that any business opportunities materialize or the Offeror introduces any major changes to the existing operation and business of the Group after the Review, further announcement will be made by the Company as and when required under the GEM Listing Rules.

The Offeror has nominated, and the Board has approved, Mr. Man Ho Yin, Danny to be appointed as financial controller of the Company and Ms. Ng Tsz Wai to be appointed as company secretary with effect from the Closing Date. The Offeror also intends to nominate new personnel to be appointed as authorised representatives of the Company, with effect from the Closing Date. Mr. Wong Kan Fai, Michael, being the current financial controller of the Company, Mr. Wong Yiu Leung, being the current company secretary of the Company, and Mr. Chan Wing Yiu and Mr. Wong Yiu Leung, being the current authorised representatives of the Company, have resigned from their abovementioned offices, with effect from the Closing Date. Further details of the change of personnel will be disclosed by way of an announcement in accordance with the GEM Listing Rules.

Save as disclosed above and herein, as at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees of the Company or the Group.

Proposed change to the board composition of the Company

The Board is currently made up of eight Directors. The executive Directors are Mr. Tong Sai Wong, Mr. Chan Wing Yiu, Mr. Chan Wing Lun; the non-executive Directors are Dr. Wong King Keung and Mr. Lin Wing Ching; and the independent non-executive Directors are Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum.

As disclosed in the "Letter from CCIC":

- (a) Mr. Lin Wing Ching, Dr. Chan Man Hung and Dr. Lai Wing Chueng have resigned as Directors, with effect from the Closing Date. Furthermore, Mr. Tong Sai Wong has resigned as chairman of the Company, with effect from the Closing Date; and

- (b) the Offeror has nominated, and the Board has approved, Mr. Zhong, Mr. Yau Wing Keung, Mr. Lai Hing Kwong, Joseph, Mr. Fung Chan Man, Alex and Mr. Fong Chi to be appointed as Directors, among whom Mr. Zhong and Mr. Yau Wing Keung to be appointed as executive Directors, Mr. Lai Hing Kwong, Joseph, Mr. Fung Chan Man, Alex and Mr. Fong Chi to be appointed as independent non-executive Directors, and Mr. Zhong to be appointed as chairman of the Board, with effect from the Closing Date. Such appointments of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules, and will be disclosed by way of an announcement in accordance with the GEM Listing Rules.

Details of the change of the Board composition and biographies of the new executive Directors and the new independent non-executive Directors are set out in the “Letter from CCIC”.

According to the “Letter from CCIC”, we note that the proposed new executive Directors have experience in property investment and in investment business and in investment banking and in financial management across the Asia Pacific Region respectively, which seems to be not directly related to the existing business of the Group. In addition, there are also uncertainties as to the impact to the Group’s business operations resulting from the intended resignation of Mr. Tong, one of the founders of the Company, as the chairman of the Board. The performance and capability of the new composition of the Board to the Group’s operation is yet to be demonstrated and is uncertain. Accordingly, the Group’s future performance upon the proposed change in the Board composition cannot be ascertained at the moment.

Maintaining the listing status of the Company

The Offeror intends for the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company’s shares. In the event that the public float of the Company falls below 25% immediately after the close of the Offer, the Company may make an application with the Stock Exchange for a temporary waiver from strict compliance with Rule 11.23(7) of the GEM Listing Rules for a certain period commencing from the date of the closing of the Offer.

7. The Offer Price

Offer Price comparison

The Offer Price of HK\$0.36 per Offer Share is equal to the price per Sale Share paid by the Offeror under the Sale and Purchase Agreement and represents:

- (a) a premium of approximately 1.41% over the closing price of HK\$0.355 per Share as quoted on the Stock Exchange on 4 October 2017, being the Last Trading Day;
- (b) a premium of approximately 1.98% over the average closing price of HK\$0.353 per Share, being the average closing price of the Shares for the 5 consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a premium of approximately 2.71% over the average closing price of HK\$0.3505 per Share, being the average closing price of the Shares for the 10 consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 2.13% over the average closing price of HK\$0.3525 per Share, being the average closing price of the Shares for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 5.26% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a premium of approximately 180.92% over the Company's audited NAV of approximately HK\$0.128 per Share based on the Group's audited consolidated NAV (excluding non-controlling interests) of approximately HK\$128,151,000 as at 31 March 2017 and 1,000,000,000 Shares in issue as at the Latest Practicable Date; and
- (g) a premium of approximately 191.94% over the Company's unaudited NAV of approximately HK\$0.123 per Share based on the Group's unaudited consolidated NAV (excluding non-controlling interests) of approximately HK\$123,311,000 as at 30 September 2017 and 1,000,000,000 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 14 October 2016 (being the 12-month period prior to date of the Joint Announcement) up to the Latest Practicable Date (the “**Review Period**”, which is commonly used for analysis purpose), to illustrate the general trend and the level of movement of the closing prices of the Shares.



Source: The Stock Exchange website (www.hkex.com.hk)

Note: During the Review Period, trading of Shares was (i) halted from 17 July 2017 to 18 July 2017 (both days inclusive) pending the release of the Company’s announcement dated 18 July 2017 made pursuant to Rule 3.7 of the Takeovers Code; and (ii) suspended from 1:00 p.m. on 6 October 2017 to 13 October 2017 pending the release of the Joint Announcement.

As shown in the chart above, during the Review Period, the closing prices of the Shares were traded in the range of HK\$0.201 to HK\$0.395 with average closing price of approximately HK\$0.296. The Offer Price of HK\$0.36 represents a premium of approximately 79.1% over the lowest closing price, a discount of approximately 8.9% to the highest closing price and a premium of approximately 21.7% over the average closing price during the Review Period. Furthermore, the Offer Price is above the closing prices of the Shares for 230 trading days out of 261 trading days (representing approximately 88.1% of the total number of trading days) during the Review Period.

For the period from 14 October 2017 to the Latest Practicable Date, i.e. after publication of the Joint Announcement, the closing prices of the Shares attained a peak at HK\$0.395 on 16 October 2017 during the Review Period. We have discussed with the Management regarding the possible reasons for the increase in the Share price after publication of the Joint Announcement. We were given to understand that save for the Offer, the Management were not aware of any matters which might have impact on the Share price.

It is noted that (i) the pattern of the Share price with closing prices remained at a price level below the Offer Price for approximately 88.1% of the time during the Review Period; and (ii) after the release of the Joint Announcement, after attaining a peak on 16 October 2017, the trading price of the Shares lowered and remained at a price level slightly below the peak. In this connection, we consider that in the absence of any significant positive events and the Offer, there is no assurance 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 liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares as at the end of each month during the Review Period (or at the Latest Practicable Date for November 2017) are tabulated as below:

Month	Number of trading days in each month	Total Trading Volume in Shares	Average Volume in Shares	Percentage of the Average Volume to total number of issued Shares as at the end of each respective month (Notes 1 & 2) Approximate %
2016				
14 October to 31 October	11	3,700,000	336,363	0.03
November	22	15,280,000	694,545	0.07
December	20	21,720,000	1,086,000	0.11
2017				
January	19	7,860,000	413,684	0.04
February	20	39,610,000	1,980,500	0.20
March	23	20,590,000	895,217	0.09
April	17	25,720,000	1,512,941	0.15
May	20	19,180,000	959,000	0.10
June	22	17,500,000	795,454	0.08
July (Note 3)	19	23,831,000	1,254,263	0.13
August	22	18,800,000	854,545	0.09
September	21	41,550,000	1,978,571	0.20
October (Note 4)	15	53,560,000	3,570,666	0.36
November (up to and including Latest Practicable Date)	10	9,040,000	904,000	0.09

Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for November 2017).
2. The total number of issued Shares based on the issued Shares as disclosed in the monthly return of movements in securities of the Company of each respective month.
3. Trading in Shares was halted from 17 July 2017 to 18 July 2017 (both days inclusive).
4. Trading in Shares was suspended from 1:00 p.m. on 6 October 2017 to 13 October 2017.

As set out in the table above, the Average Volume ranged from approximately 336,363 Shares to approximately 3,570,666 Shares, representing approximately 0.03% to 0.36% of the total number of issued Shares at the end of each respective months/period. It is noted that the average daily trading volume of the Shares was thin in general during the Review Period.

Given that the trading volume of the Shares has been thin during the majority period of the Review Period, 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 the Shares in the open market without depressing the price of the Shares. Having taken into account that there is no assurance 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 Independent Shareholders (particularly for those who hold a large volume of the Shares) 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 for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price.

Comparison with other comparable companies

We note that the trading multiples analysis is a commonly adopted valuation method in the market. Price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”) are two of the most commonly used benchmarks for valuation of companies. Given that the Group was profit making for FY2017 and recorded net assets as at September 2017, we have performed both the PER and PBR analysis to assess the fairness and reasonableness of the Offer Price. PBR is a commonly used business valuation method for capital-intensive business or businesses with plenty of assets on the books. According to the 2017 Interim Report, major assets of the Group mainly comprised of (i) current assets (including mainly cash and bank balances, trade receivables and inventories) which have relatively high liquidity and are essential for providing working capital for the Group’s business operations and accounted for approximately 47.4% of the Group’s total assets; and (ii) book value of property and equipment accounted for approximately 47.4% of the Group’s total assets. In this regards, we consider that the PBR analysis is an applicable valuation method which serves as an additional analysis to the PER analysis for providing a better picture in our assessment of the Offer Price.

We note that the Group only has one operating segment, being provision of video conferencing and multimedia audio-visual solutions which comprises of the Solution Service and complemented with the Maintenance Service. We have searched for the companies listed in Hong Kong which are engaged in similar line of business as the Group. However, we cannot identify any listed company that principally engaged in same business as the Group for deriving majority of its revenue. Taking into account the nature of and the uniqueness of the business of the Group, we have extended the selection criteria of the comparable companies to those which (i) are listed in Hong Kong for at least one year; (ii) are engaged in the provision of information technology solutions with provision of design, installation services and complemented with maintenance services (the “IT Solutions”); and (iii) has derived over 50% of its revenue from the provision of the IT Solutions.

Given the unique business nature of the Group, we consider that selecting comparable companies based on market capitalisation would be too limited in forming a fair list to assess the Offer Price. In order to provide a more meaningful sample size for comparison of the Offer Price, we have selected those companies which are engage in the businesses similar to that of the Group where fundamentals of those comparable companies and the Group are in general affected by similar macroeconomic factors including, but not limited to, global economy and outlook, industry development and demand from customers. We have identified four companies (the “Comparables”) that fall into the abovementioned selection criteria. We consider that the Comparables are fair and representative samples for comparison purpose, which represent an exhaustive list of relevant comparable companies based on the said criteria, and are sufficient for assessing the fairness and reasonableness of the Offer Price.

Set out below are the PERs and PBRs of the Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company name (Stock code)	Principal business	Year end date	Market capitalization as	PER	PBR
			at the Latest Practicable Date Approximately HK\$'000		
Computer And Technologies Holdings Limited (46)	Provision of enterprise applications software and related services, business process outsourcing, e-business; provision of system and network integration, information technology solutions development and implementation, and proper and treasury investments	31 December 2016	695,953	13.82 (Note 1)	1.57 (Note 2)

Company name (Stock code)	Principal business	Year end date	Market capitalization as at the Latest Practicable Date <i>Approximately</i> HK\$'000	PER <i>(Note 1)</i>	PBR <i>(Note 2)</i>
Hi Sun Technology (China) Limited (818)	Provision of payment processing solutions, provision of financial solutions, sales of electronic power meters and solutions, provision of telecommunication solutions and provision of payment platform solutions	31 December 2016	4,859,459	17.11	1.28
Vodatel Networks Holdings Limited (8033)	Provision of network and systems infrastructure and applications, customer network management system and customized software solutions	31 December 2016	178,186	19.82	0.79
Expert Systems Holdings Limited (8319)	Provision of information technology infrastructure solutions whereby the group assesses, designs and implements IT infrastructure solutions for its customers by integrating different hardware and software sourced from third party suppliers	31 March 2017	135,200	19.35	1.70
		Maximum		19.82	1.70
		Minimum		13.82	0.79
		Average		17.53	1.34
The Offer			360,000 <i>(Note 3)</i>	18.74 <i>(Note 4)</i>	2.92 <i>(Note 5)</i>

Notes:

1. The PERs of the Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by their latest earnings attributable to shareholders as extracted from their respective latest published annual results.

2. The PBRs of the Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by their latest net assets value attributable to shareholders as extracted from their respective latest published annual results or interim results (as the case may be).
3. Calculated based on the Offer Price of HK\$0.36.
4. The implied PER of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares of 1,000,000,000 as at the Latest Practicable Date and then divided by the earnings attributable to the Shareholders of approximately HK\$19,206,000 for FY2017 as extracted from the 2017 Annual Report.
5. The implied PBR of the Offer was calculated based upon the Offer Price multiplied by total number of issued Shares of 1,000,000,000 as at the Latest Practicable Date and then divided by net asset value of the Group attributable to the Shareholders of approximately HK\$123,311,000 as at 30 September 2017 as extracted from the 2017 Interim Report.

As depicted from the above table, the PERs of the Comparables ranged from approximately 13.82 times to approximately 19.82 times, with an average of approximately 17.53 times. Accordingly, the implied PER of the Offer of approximately 18.74 times falls within the range and is above the average of the PERs of the Comparables.

In addition, the PBRs of the Comparables ranged from approximately 0.79 times to approximately 1.70 times, with an average of approximately 1.34 times. Accordingly, the implied PBR of the Offer of approximately 2.92 times is above the upper end of the range of the PBRs of the Comparables.

Having considered that (i) the implied PER of the Offer falls within the range and is above the average of the PERs of the Comparables; and (ii) the implied PBR of the Offer is above the upper end of the range of the PBRs of the Comparables, we consider that the Offer Price is fair and reasonable.

RECOMMENDATION

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

- (i) as mentioned in the section headed “3. Financial information of the Group” and the section headed “4. Prospects of the Group” of this letter, the prospects and future development of the Group are uncertain;
- (ii) the Offer Price of HK\$0.36 is higher than the average closing prices of the Shares as quoted on the Stock Exchange during the Review Period;
- (iii) given thin trading volume of the Shares during the majority of the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the disposal of large block of Shares held by the Independent Shareholders within a short time frame in the open market without triggering price slump of the Shares and the Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price; and

- (iv) the implied PER of the Offer falls within the range and is above average of the PERs of the Comparables; and the implied PBR of the Offer is above the upper end of the range of the PBRs of the Comparables,

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

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 received from the disposal of Shares exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Company 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 Company after the close of the Offer. Further terms and conditions of the Offer are set out in the "Letter from CCIC" and Appendix I to the Composite Document.

As different Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent 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
Akron Corporate Finance Limited



Ross Cheung
Managing Director

Mr. Ross Cheung is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Akron Corporate Finance Limited to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO and has over 15 years of experience in corporate finance industry.