TC CAPITAL
天財資本

23 December 2016

The Takeovers Code Independent Board Committee

Sparkle Roll Group Limited

Dear Sirs,

MANDATORY CONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES OF SPARKLE ROLL GROUP LIMITED (OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND MR. QI)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Takeovers Code Independent Board Committee with respect to the Offer, details of which are set out in the composite document dated 23 December 2016 jointly issued by the Company and the Offeror to the Shareholders (the "**Composite Document**"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 20 October 2016 (after trading hour), the Company and the Onshore Purchaser, which is a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Offshore Vendor, the Onshore Vendor and the Guarantor, pursuant to which, the Company conditionally agreed to buy and the Offshore Vendor conditionally agreed to sell a total of 6,519,358 B&O Shares at the consideration of HK$494,145,496.35 and the Onshore Purchaser conditionally agreed to buy and the Onshore Vendor conditionally agreed to sell 49% of the equity interests in Balanorm Beo (Beijing) Trading Development Limited at the consideration of HK$28,488,372.30. The Consideration will be settled by the issue and allotment of the Consideration Shares at the Issue Price of HK$0.45 to the Offshore Vendor under the Specific Mandate.

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Immediately before the Completion, and taking into account of: (a) 855,864,000 Shares and 7,224,000 Shares respectively held by the Offeror and Mr. Qi; and (b) 2,992,000 Shares held by Kingston Securities (which will be making the Offer on behalf of the Offeror) and its associates, the Offeror, Mr. Qi and/or parties acting in concert with any of them effectively held 866,080,000 Shares, representing approximately 29.06% of the total issued share capital of the Company.

Upon Completion and as of the Latest Practicable Date, the interests of the Offeror, Mr. Qi and/or parties acting in concert with any of them in the total issued share capital of the Company had been increased from approximately 29.06% to approximately 48.95%. The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and Mr. Qi).

Further details of the terms of the Offer, including the terms and procedures for acceptance of the Offer, are set out in the Letter from the Board, and Appendix I to the Composite Document.

The Takeovers Code Independent Board Committee, comprising two non-executive Directors, namely Mr. Zhang Si Jian and Mr. Gao Yu and all independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor, has been established to advise the Independent Shareholders as to (a) whether or not the terms of the Offer are fair and reasonable and (b) the acceptance of the Offer. The Company's non-executive Director, Mr. Qi Jian Wei, will not be a member of the Takeovers Code Independent Board Committee by virtue of his family relationship with Mr. Qi.

We, TC Capital International Limited, have been appointed, with the approval of the Takeovers Code Independent Board Committee, to advise the Takeovers Code Independent Board Committee as to (a) whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and (b) whether the Independent Shareholders should accept the Offer.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the annual reports of the Company for the years ended 31 March 2015 and 31 March 2016 (the "**2015 Annual Report**" and the "**2016 Annual Report**", respectively); (ii) the interim report of the Company for the six months ended 30 September 2016 (the "**Interim Report 2016/2017**"); and (iii) the information and representations supplied, and the statements, representations and opinions expressed, by the Directors and management of the Company and the Offeror and we have assumed that they are true, accurate and complete in all material respects as of the Latest Practicable Date.

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

The sole director of the Offeror has also accepted full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group), and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other material facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendations. We have not, however, carried out independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses and affairs of the Group the Offeror and Mr. Qi and/or parties acting in concert with any of them.

Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to herein and our opinion after the Latest Practicable Date and throughout the Offer Period.

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

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as of the Latest Practicable Date. Where information in this letter has been extracted from published or publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

In the past two years, we have acted as an independent financial adviser to the then independent board committee and Independent Shareholders in relation to the transactions as detailed in the circulars of Company dated 25 November 2016. Given (i) our independent role in the abovementioned engagements; and (ii) our fees for the abovementioned engagements represented an insignificant percentage of our revenue, we consider that the abovementioned engagements would not affect our independence for the purposes of forming our opinion in respect of the Offer. Save for the above, as of the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business, financial performance and prospects of the Group

A. Business of the Group

The Company and its subsidiaries are principally engaged in distributorship of luxury goods and the operations of the Group are mainly in Hong Kong, the PRC and Malaysia. According to the 2016 Annual Report, sale of automobiles was the major operating segment of the Group which contributed approximately 91.7% of the total revenue of the Group for the year ended 31 March 2016. The automobiles which the Group distributed were of luxury brands such as Bentley, Lamborghini and Rolls-Royce. The Group also engaged in distributing branded watches, jewelleries, fine wines, audio equipment, menswear apparels and accessories and cigars and smoker's accessories. As stated in the 2016 Annual Report, revenue of the Group was mainly generated from its operations in the PRC and Hong Kong which contributed approximately 94.9% of the total revenue.

On 20 October 2016, the Group entered into the Sales and Purchase Agreement with the Vendors regarding the proposed acquisition (the "**Acquisition**") by the Company of approximately 15.09% shareholding in B&O and 49% equity interests in the PRC JV. B&O is a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen, is the manufacturer of the "Bang & Olufsen" and "B&O PLAY" branded audio and visual consumer electronics products. B&O was founded in 1925 with its products are currently sold in more than 70 countries and

have been recongised as expertise of sound and acoustics, design, and craftsmanship, as well as system integration. The PRC JV is a non-exclusive retailer of "B&O PLAY" branded audio and visual consumer electronics products in the PRC. As stated in the circular of the Company dated 25 November 2016 (the "**Circular**"), the Acquisition enable the Group to (i) take advantages over strategic collaboration with B&O and (ii) capture the opportunity arising from potential business growth in B&O products in the PRC. In addition, the Group will be potentially benefited from the Acquisition through the (i) improving financial performance of B&O and the strong market outlook of the wireless audio market and (ii) the business diversification. For details, please refer to the Circular.

B. Historical financial performance of the Group

Set out below are the financial performance of the Group extracted from (i) the audited consolidated financial information of the Group for each of the three years ended 31 March 2014, 2015 and 2016 ("**FY2014**", "**FY2015**" and "**FY2016**", respectively) as extracted from the 2015 Annual Report and the 2016 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2015 and 30 September 2016 ("**PE2015**" and "**PE2016**", respectively) as extracted from the Interim Report 2016/2017:

	For the year ended 31 March 2014	**For the year ended 31 March 2015**	**For the year ended 31 March 2016**	**For the six months ended 30 September 2015**	**For the six months ended 30 September 2016**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	3,161,848	2,605,701	2,376,904	1,211,351	1,369,359
Cost of sales	(2,949,709)	(2,417,274)	(2,187,801)	(1,109,507)	(1,221,542)
Gross profit	212,139	188,427	189,103	101,844	147,817
Other income and net gains	180,672	208,651	122,379	46,433	38,345
Selling and distribution costs	(257,646)	(279,131)	(229.577)	(107,314)	(112,231)
Administrative expenses	(81,106)	(80,299)	(65,772)	(34,253)	(30,513)
Other operating expenses	–	(9,622)	–	–	–
Impairment loss on goodwill	–	(374,508)	–	–	–
Impairment loss on property, plant and equipment	–	(43,767)	–	–	–
Impairment loss on other intangible asset	–	(19,821)	–	–	–
Operating profit/(loss)	54,059	(410,070)	16,133	6,710	43,418
Finance costs	(35,933)	(48,233)	(49,326)	(30,162)	(7,969)
Profit/(loss) before income tax	18,126	(458,303)	(33,193)	(23,452)	35,449
Adjusted profit/(loss) before income tax (excluding the impairment loss)	18,126	(20,207)	(33,193)	(23,452)	35,449
Income tax expense	(852)	(319)	(487)	(845)	(1,382)
Profit/(loss) for year/period	17,274	(458,622)	(33,680)	(24,297)	34,067

Based on the historical financial results of the Company as above, we consider that the Company's financial performance was far from satisfactory. In particular, revenue of the Group decreased from approximately HK$3,161.8 million for FY2014 to approximately HK$2,605.7 million for FY2015 and further down to approximately HK$2,376.9 million for FY2016, with a CAGR of -13.3% during the corresponding periods, which was a result of the unsatisfactory performance of the automobile dealerships, the largest revenue source of the Group in the same period. Set out below are the historical sales revenue and volume of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce of the Group for each of the three years ended 31 March 2016 as extracted from the 2015 Annual Report and the 2016 Annual Report:

	For the year ended 31 March 2014	For the year ended 31 March 2015	For the year ended 31 March 2016	For the six months ended 30 September 2015	For the six months ended 30 September 2016
Bentley					
Sales revenue *(HKD million)*	1,375	1,321	1,126	609	661
Sales volume (units)	329	358	322	170	191
Average unit price	4,179,331	3,689,944	3,496,894	3,582,353	3,460,733
Lamborghini					
Sales revenue *(HKD million)*	202	125	183	55	90
Sales volume (units)	37	23	40	13	22
Average unit price	5,459,459	5,434,783	4,575,000	4,230,769	4,090,909
Rolls-Royce					
Sales revenue *(HKD million)*	1,272	862	733	365	433
Sales volume (units)	198	136	126	63	74
Average unit price	6,424,242	6,338,235	5,817,460	5,793,651	5,851,351
Total sales revenue *(HKD million)*	2,849	2,309	2,042	1,029	1,184

For the three years ended 31 March 2016

As demonstrated in the above table, although the sales revenue and volume of Lamborghini recorded an increase for FY2016 due to the introduction of new models in year 2015, the sales revenue and units of each Bentley, Lamborghini and Rolls-Royce all showed a decreasing trend for the three years ended 31 March 2016 principally due to the ongoing anticorruption campaign by the PRC government. In addition, we also noted that the average unit price of each brand recorded a decrease raising a concern on the demand for such luxury cars in the PRC going forward.

The net profit position of the Group was also deteriorating for FY2016. By excluding the impairment loss recorded during FY2015, the Group turned from a net profit position to a net loss position for FY2015. The adjusted net loss position even worsened from approximately HK$20.2 million to approximately 33.2 million for FY2016.

Furthermore, the adjusted return on equity (excluding the impairment loss) of the Group for FY2014, FY2015 and FY2016 was 1.2%, -1.6% and -3.1% respectively, suggesting a unsatisfactory return that the Group generated with the shareholders' investments.

For the six months ended 30 September 2016

The revenue of the Group for PE2016 was approximately HK$1,369.4 million, representing an increase of approximately 13.0% as compared with that of approximately HK$1,211.4 million recorded in the same period last year. The net profit position of the Group turnaround from a net loss of approximately HK$24.3 million for PE2015 to a net profit of approximately HK$34.1 million for PE2016. Such improvement of the financial performance of the Group was mainly due to the increase in sales and improvement of gross profit margin of Bentley and Rolls-Royce for the six months ended 30 September 2016 resulted from the new Bentayga SUV model introduced by Bentley and better profit margin enjoyed for Rolls-Royce's models in the same period.

C. Business prospect of the Group

As set out in the 2016 Annual Report, given that the sales of luxury automobiles contributed most of the Group's total revenue for FY2016, we believe that the outlook for luxury automobiles in the PRC shall to a significant extent affect the business prospect of the Group.

According to an article titled "勞斯萊斯中國銷量暴跌54%超豪華車在華銷售遇挫" published on 20 January 2016 (the "**Article**") by Caixin Online, a Chinese based online media platform providing financial and business news of which has obtained several journalism awards internationally and is also recognized as a provider of independent and investigative journalism in China and source of information for investors, business leaders, policy-makers and academics, the recent sales performance in the PRC by the super luxury automobiles manufacturer remains weak. In particular, the sales volume of Rolls-Royce and Bentley in China dropped by 54.0% and 36.9% in 2015, respectively. Furthermore, the outlook for super luxury automobiles in China is not promising. In the Article, Mr. Wang Cun ("**Mr. Wang**"), the senior manager of Sinomach Automobile Co. Ltd. which is listed on the Shanghai Stock Exchange (600335: Shanghai) and mainly engaging in trading of import automobiles in China and the deputy officer of China Automobile Dealer Association Import Car Committee indicated that, in light of the slowdown of economic growth in China and the campaign against corruption launched by the PRC government, the demand for super luxury automobiles in the PRC declined correspondingly. Mr. Wang was pessimistic on the outlook for super luxury automobiles in China. Furthermore, Mr. Wang stated that the key buyers of super luxury automobiles in China were the ones who engaged in resources and property sectors who enjoy the rapid growth in wealth in the past. However, Mr. Wang is of the view that the future growth of such industry sectors might not be as rapid as it was.

According to《關於對超豪華小汽車加征消費税有關事項的通知》issued by the State Administration of Taxation of the PRC on 30 November 2016 (the "**Tax Notice**"), the consumption tax of 10% on the sale price will be imposed on the sales of luxury automobiles which the prices are RMB1.3 million or above. The above will be implemented from 1 December 2016. Therefore, this policy may adversely affect the sales of luxury automobiles in China in the foreseeable future and the growth of this industry may not remain strong as before.

D. Conclusion

Having considered that (i) though the improvement of the financial performance of the Group for the six months ended 30 September 2016 as compared with the corresponding period in the prior year due to the increase in sales and improvement of gross profit margin of Bentley and Rolls-Royce for the six months ended 30 September 2016 resulted from the new Bentayga SUV model introduced by Bentley and better profit margin enjoyed for Rolls-Royce's models in the same period, we are uncertain whether the profitability can continue to be achieved in the future because of the potential negative impact on luxury automobiles market from the consumption tax as stated in the Tax Notice issued recently which might narrow the profit margin of the luxury cars that the Group distribute, (ii) the historical annual sales revenue, sales volume and average unit price of the automobiles by the Group were in the downtrend and the corresponding deteriorating financial results in particular the loss-making position for FY2015 and FY2016; (iii) the uncertainty as to whether the potential benefits of the Acquisition of B&O and the PRV JV will be realised in the near future as it might take a longer time than expected for the Group to enjoy the full synergistic benefit from its strategic collaboration with B&O by being its largest shareholder as any major business and operating decision of B&O, in particularly the overall strategy in the expansion of its "B&O PLAY" branded products, which may affect the performance of the PRC JV, shall be subject to Danish listing rules and regulations and internal regulations of B&O; (iv) the unsatisfactory return on the shareholders' investments as reflected in the historical return on equity of the Group for the FY2015 and FY2016; and (v) the uncertainty of the outlook of the overall super luxury automobiles market as identified by Mr. Wang in the Article, we are of the view that it is uncertain whether the Group will be able to achieve significant improvement in its profitability in the long run. As such, we are of the view that the Offer provides a good opportunity to those Shareholders who wish to redeploy their investment in the Company.

2. Information of the Offeror and its intention regarding the Group

A. Information on the Offeror

As disclosed in the letter from Kingston Securities, the Offeror is a company incorporated in the British Virgin Islands with limited liability and is solely owned by Mr. Qi. The principal business of the Offeror is investment holding.

B. Intention of the Offeror regarding the Group

As disclosed in the letter from Kingston Securities, the Offeror intends to continue with the existing business of the Group and does not intend to introduce significant changes to its existing operations. The Offeror also intends to maintain the Company's listing status on the Main Board of the Stock Exchange after close the Offer and the Offeror and its sole director will undertake to the Stock Exchange that they would take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

Given that (i) the Offeror intends to continues with the existing principal businesses of the Group and (ii) the Offeror intends to maintain the listing status of the Company on the Main Board of the Stock Exchange after the close of the Offer, we do not expect that there would be any material change in the Group's business in the near future.

3. Offer Price

The Offer Price of HK$0.45 per Offer Share is the same as the consideration per Consideration Share under the Sale and Purchase Agreements and represents:

(i) a discount of approximately 40.79% to the closing price of HK$0.76 per Share as quoted on the Stock Exchange on the date of the Last Trading Day;

(ii) a discount of approximately 32.02% to the average closing price of HK$0.662 per Share in the last five consecutive trading days up to and including the date of the Last Trading Day;

(iii) a discount of approximately 33.53% to the average closing price of HK$0.677 per Share in the last ten consecutive trading days up to and including the date of the Last Trading Day;

(iv) a discount of approximately 30.98% to the average closing price of HK$0.652 per Share in the last thirty consecutive trading days up to and including the date of the Last Trading Day;

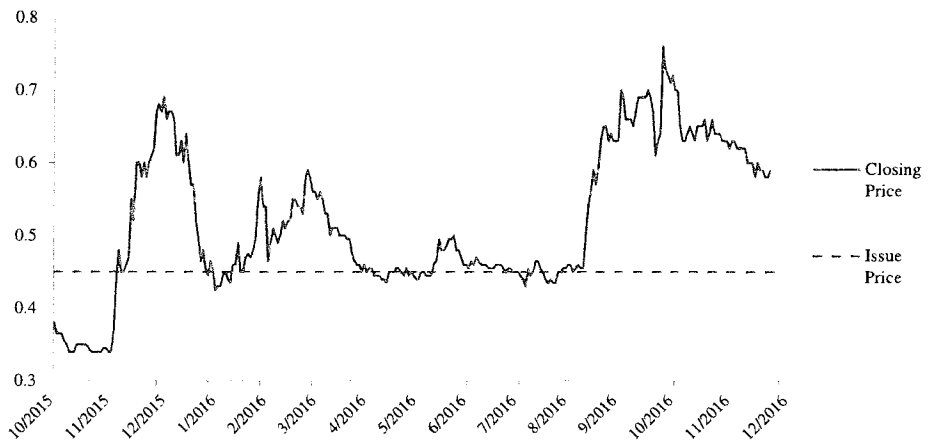
(v) a discount of approximately 23.73% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(vi) a premium of approximately 23.63% over the audited consolidated net asset value of the Group as at 31 March 2016 of approximately HK$0.364 per Share extracted from the 2016 Annual Report; and

(vii) a premium of approximately 21.62% over the unaudited consolidated net asset value of the Group as at 30 September 2016 of approximately HK$0.370 per Share extracted from the Interim Report 2016/2017.

A. Historical price movement analysis

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange during the last twelve months preceding the date of the Last Trading Day on 20 October 2016 (day of the Joint Announcement) with both dates inclusive (the "**Pre-Announcement Period**"), and from 21 October 2016 to the Latest Practicable Date (i.e. 21 December 2016) (the "**Post-Announcement Period**" together with the Pre-Announcement Period, the "**Review Period**"), of which we considered it an appropriate period to reflect the recent market valuation to the Share:



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

During the Review Period, the lowest closing price of the Shares was HK$0.34 recorded on 2 November 2015 to 4 November 2015, 13 November 2015 to 19 November 2015 and 24 November 2015 to 25 November 2015 (the "**Lowest Closing Price**"), while the highest closing price of the Shares was HK$0.76 recorded on the Last Trading Day (the "**Highest Closing Price**"). The average closing price of the Shares during the Review Period is HK$0.52 (the "**Average Closing Price**"). The Offer Price is within the range of the Lowest Closing Price and Highest Closing Price but below the Average Closing Price of the Shares during the Review Period.

The Independent Shareholders should note that although the trading prices of the Shares were above the Offer Price throughout the Review Period and the Offer Price represents a discount of 23.73% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during

and after the Offer Period based our view on the uncertainties on the Group's profitability in the long run as reasoned above. In addition, given the Offer Price is at a premium over net assets of the Group as mentioned in point (vi) to (vii) above, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

B. Historical trading volume and liquidity analysis

Set out below is (i) the average daily trading volume of the Shares in each month during the Review Period; (ii) the respective percentages of the average daily trading volume of the Shares as compared to the number of total issued Shares; and (iii) the respective percentages of the average daily trading volume of the Shares as compared to the total issued Shares held by the public.

	Average daily trading volume of the Shares	**% of the average daily trading volume to the total number of issued Shares** *(Note 1)*	**% of the average daily trading volume to the total number of issued Shares held by the public** *(Note 2)*
2015			
October (from 22 October)	862,857	0.02%	0.04%
November	2,739,429	0.07%	0.13%
December	20,986,794	0.51%	1.01%
2016			
January	5,468,813	0.13%	0.26%
February	2,084,163	0.05%	0.10%
March	1,412,161	0.03%	0.07%
April	1,178,255	0.03%	0.06%
May	794,717	0.02%	0.04%
June	539,381	0.01%	0.03%
July	639,875	0.02%	0.03%
August	632,727	0.02%	0.03%
September	11,455,333	0.28%	0.55%
October	6,346,342	0.15%	0.30%
November	1,160,955	0.03%	0.06%
December (up to the Latest Practicable Date)	506,008	0.01%	0.02%

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

Notes:

1. the total number of issued Shares as at Latest Practicable Date was 4,141,237,447.

2. the total number of issued Shares held by the public Shareholders was 2,080,818,450.

As illustrated in the above table, the percentage of the average daily trading volume to the total number of the issued Shares ranged from approximately 0.01% to 0.51%, and approximately 0.02% to 1.01% of the total number of Shares held by the public Shareholders during the Review Period. The average daily trading volume of the Shares during the Review Period was approximately 4,049,642 shares, representing approximately 0.10% of the total number of issued Shares and approximately 0.19% of the total number of Shares held by the public Shareholders. Save and except for December 2015, the liquidity of the Shares was relatively thin, with an average trading volume of the Shares to the total number of the issued Shares and to the shareholding held by the public Shareholders of below 1.0%.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and consider that the Independent Shareholders, who intend to dispose of their Shares, should accept the Offer if they are not able to sell the Shares in the market at a price higher than the Offer Price.

C. Comparable companies analysis

To further evaluate the fairness and reasonableness of the Offer Price, we have also considered the commonly adopted comparison approaches in the evaluation of a company, namely the price-to-earnings approach, dividends approach and price-to-book approach. However, given that the Company had not declared any dividend to the Shareholders for FY2015 and FY2016, we consider that the dividends approach are not applicable for assessing the value of the Group and thus the price-to-book ratio (the "**PBR**") and the price-to-earnings ratio (the "**PER**") are adopted in assessing the value of the Group.

The PBR and the PER are ratio used to compare a stock's value to its book value and its profit, respectively. The higher the PBR or the PER, the higher price the stock is valued relative to its asset value or its profitability. Therefore, we have compared the PBR and the PER of the Group implied by the Offer Price (the "**Implied PBR**" and the "**Implied PER**" respectively) with those of other comparable companies that are (i) principally engaged in the business in relation to sale of automobile which contribute at least 80% to the total revenue of the selected companies for the latest financial year; (ii) at least 80% of the revenue of sale of automobile were generated from the sales of the luxury and ultra-luxury brands based on the information from their latest annual report or interim report and (iii) currently listed on the Stock Exchange. To the best of our knowledge and endeavour, we found five Hong Kong listed companies (the "**Comparables**") which meet the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Group are not exactly the same as the Comparables. Nevertheless, we believe that the Comparables are able to serve as fair and representative samples for comparison purpose, and in forming our opinion. The details of PBR analysis are set out in the table below:

Company name	**Stock code**	**Principal businesses**	**PBR** *(Note 1&2)*	**PER** *(Note 3&4)*
Auto Italia Holdings Ltd.	720	Import, marketing and distribution of luxury and ultra-luxury cars.	1.57	NA
Baoxin Auto Group Ltd.	1293	Sale and service of motor vehicles.	0.96	37.1
China ZhengTong Auto Services Holdings Ltd.	1728	4S dealership business, motor-related logistics business, lubricant oil trading business and financial services in the PRC.	0.50	8.7
Sunfonda Group Holdings Ltd.	1771	Sale of automobiles; provision of after-sales services; provision of automobile insurance agency services, automobile financing services, automobile licensing services and automobile survey services.	0.73	37.2
China Harmony New Energy Auto Holding Ltd.	3836	Sale of exclusively in luxury and ultra-luxury passenger vehicles.	0.62	6.4
		Maximum	1.57	37.2
		Minimum	0.50	6.4
		Average	0.88	22.4
		Median	0.73	22.9
The Company	970	Trading of luxury automobiles, watches, Sales and distribution of luxury goods in the PRC.	1.02	27.4

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

Note:

1. The PBR is calculated based on the market capitalisation of respective Comparables as at the Latest Practicable Date divided by the latest published net asset attributable to the owners of the respective Comparables as extracted from their respective latest published annual or interim reports.

2. The Implied PBR is calculated based on the Offer Price divided by the net assets value per Share. The amount of net assets value of the Company is based on the Appendix IV – Unaudited Pro Forma Financial Information of the Company in the circular of the Company dated 25 November 2016 and the total number of Shares is 4,141,237,447 which represent the number of Shares immediately after the Completion.

3. The PER is calculated based on the market capitalization of respective Comparables as at the Latest Practicable Date divided by the latest published profit for the period attributable to the owners of the respective Comparables as extracted from their respective latest published annual report or, if available, the profit for the period attributable to the owners as extracted from their respective latest published interim reports multipled by two.

4. The Implied PER is calculated based on the Offer Price divided by the profit for the period attributable to the owners multipled by two. The total number of Shares is 4,141,237,447 which represent the number of Shares immediately after the Completion.

As shown above, the PBRs of the Comparables ranged from approximately 0.50 times to 1.57 times, with an average of approximately 0.88 times and a median of approximately 0.73 times. The Implied PBR of approximately 1.02 times is higher than the average and the median and within the range of 0.50 times to 1.57 times of the PBRs of the Comparables. The PERs of the Comparables ranged from approximately 6.4 times to 37.2 times, with an average of approximately 22.4 times and a median of approximately 22.9 times. The Implied PER of approximately 27.4 times is higher than the average and the median and within the range of 6.4 times to 37.2 times of the PERs of the Comparables. As such, we consider that the Offer Price is in the interest of the Independent Shareholders based on the comparison approach.

D. Comparable transactions analysis

In light of the Offer Price represents a discount of 40.79% and 23.73% to the closing price of the Share as quoted on the Stock Exchange as at the Last Trading Day and the Latest Practicable Date respectively, we have considered to conduct a comparable transaction analysis by referring to the recent announced mandatory cash offer by the companies listed on the Stock Exchange in order to further assess the fairness and reasonableness of the Offer Price. However, given the companies involved in the comparable transaction are of different background, operation and financial performance with the Group, we consider that comparable transaction analysis is not indicative enough to form our view on whether the terms of the Offer is fair and reasonable to the Independent Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons stated above, though the Offer Price represents a discount of 40.79% to the closing price of HK$0.76 per share and a discount of 23.73% to the closing price of HK$0.59 per Share as quoted on the Stock Exchange as at the Last Trading Day and the Latest Practicable Date respectively, taking into account that in particular (i) the implied PBR and PER of the Group are higher than the average, the median and within the range of the PBRs and PERs of the Comparables respectively of which are engaged in similar businesses of the Group and therefore we consider the Offer Price is fair and reasonable to the Independent Shareholders given the implied valuation of the Group is higher than the Comparables; (ii) the Offer Price is within the range of the Lowest Closing Price and Highest Closing Price during the Review Period; (iii) the uncertainty as to whether the potential benefits of the Acquisition of B&O and the PRC JV will be realised in the near future as it might take a longer time than expected for the Group to enjoy the full synergistic benefit from its strategic collaboration with B&O, being its largest shareholder as any major business and operating decision of B&O in particularly the overall strategy in the expansion of its "B&O PLAY" branded products, which may affect the performance of the PRC JV, shall be subject to Danish listing rules and regulations and internal regulations of B&O; (iv) the historical unsatisfactory return on the Shareholders' investment for FY2015 and FY2016; (v) we have taken into account the factor of the profit making of the Group for the six months ended 30 September 2016 in our PER analysis; and (vi) despite that the sales of luxury cars in the PRC of the Group increased as stated in the Interim Report 2016/2017, the outlook of the overall super luxury automobiles market remain uncertain as the factors identified in the Article and the potential adverse impact from the Tax Notice taking into account the above fundamental analysis as a whole, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Takeovers Code Independent Board Committee to advise the Independent Shareholders to accept the Offer.

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However, Independent Shareholders should note that the Shares have been trading above the Offer Price. Therefore, opportunities may exist for Independent Shareholders to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders are reminded that they should monitor carefully and closely the market price and the liquidity of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer. Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and the publication of the Company (including the Circular and the Interim Report 2016/2017) in this regard.

Independent Shareholders are also strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

The procedures for acceptance of the Offer which is set out in Appendix I to the Composite Document and the accompanying Form of Acceptance are despatched to the Shareholders on 23 December 2016. The latest time for acceptance of the Offer (unless extended by the Offeror) is 4:00 p.m. on Friday, 13 January 2017. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
TC Capital International Limited

Edward Wu
Chairman

Stanley Chung
Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.