

11 January 2007

To the Independent Board Committee

Dear Sirs,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF MORAL GLORY INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
NEW WORLD MOBILE HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
MORAL GLORY INTERNATIONAL LIMITED AND
NEW WORLD CYBERBASE LIMITED)**

INTRODUCTION

We refer to our appointment, as approved by the Independent Board Committee, as the independent financial adviser to the Independent Board Committee in relation to the Share Offer, details of which are set out in the composite offer document of the Company dated 11 January 2007 (the "Composite Offer Document"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

As at the Latest Practicable Date, (i) Mr. Lo, a non-executive Director, was the beneficial owner and the sole director of the Offeror; (ii) Mr. Ho Hau Chong, Norman, a non-executive Director, will be re-designated as an executive Director with effect from 11 January 2007, the date of despatch of the Composite Offer Document; and (iii) Mr. Tsui Hing Chuen, William, *JP*, an independent non-executive Director, was also an independent non-executive director of NWCB, which in turn is a party presumed to be acting in concert with the Offeror. As such, the abovementioned non-executive Directors and independent non-executive Director are considered not eligible to constitute the Independent Board Committee to advise the Offer Shareholders in respect of the terms of the Share Offer. Accordingly, Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors who are considered to be independent of the Share Offer, have been invited to constitute the Independent Board Committee to provide recommendation to the Offer Shareholders in respect of the terms of the Share Offer.



In our capacity as the independent financial adviser to the Independent Board Committee, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Share Offer are fair and reasonable and whether the Offer Shareholders should accept the Share Offer.

In formulating our recommendation, we have relied on the information and facts provided by the Directors and contained or referred to in the Composite Offer Document. The Directors have declared in a responsibility statement set out in Appendix V to the Composite Offer Document that they collectively and individually accept full responsibility for the accuracy of the information contained in the Composite Offer Document (other than those information relating to the Offeror). We have assumed that the information and representations provided to us by the Directors or contained or referred to in the Composite Offer Document were true and accurate at the time they were made and continue to be so up to the date of despatch of the Composite Offer Document. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Composite Offer Document.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, the Offeror or any of their respective associates.

We have not considered the tax implications on the Offer Shareholders of their acceptances or non-acceptances of the Share Offer since this is particular to their own individual circumstances. In particular, the Offer Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Share Offer and, if in doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

I. Background to and terms of the Share Offer

On 22 November 2006, the Offeror entered into the Acquisition Agreement with NWD, pursuant to which the Offeror has conditionally agreed to purchase, and NWD has conditionally agreed to procure the sale of, subject to, among other things, the Disposal Completion, the Sale Shares at HK\$0.65 per Sale Share. The Sale Shares, being 55,336,666 Shares, represented approximately 56.64% of the voting rights of the Company as at the Latest Practicable Date. The Acquisition Completion took place on 4 January 2007. As at the Latest Practicable Date, the Offeror and parties presumed to be acting in concert with it owned an aggregate of 73,706,512 Shares, representing approximately 75.45% of the voting rights of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is making an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and NWCB.



Taifook Securities is making, on behalf of the Offeror, the Share Offer on the basis of HK\$0.65 in cash for each Share. The Share Offer is unconditional and is not conditional on the attaining of any particular level of acceptance in respect of the Share Offer. The Share Offer Price is equivalent to the price per Sale Share paid by the Offeror under the Acquisition Agreement.

As disclosed in the “Letter from Taifook Securities” of the Composite Offer Document, save for (i) the acquisition of the Sale Shares by the Offeror pursuant to the Acquisition Agreement; (ii) Mr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman and Mr. Chow Yu Chun, Alexander, being the executive Directors, exercised their 780,000 options, 300,000 options, 482,000 options and 482,000 options granted under the share option schemes of the Company on 4 December 2006, 4 December 2006, 4 December 2006 and 30 November 2006 respectively at the exercise price of HK\$1.26 per Share; (iii) Mr. Ho Hau Chong, Norman, being a non-executive Director, exercised his 78,000 options granted under the share option schemes of the Company on 28 November 2006 at the exercise price of HK\$1.26 per Share; and (iv) Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, being the independent non-executive Directors, exercised their 78,000 options and 78,000 options granted under the share option schemes of the Company on 28 November 2006 and 4 December 2006 at the exercise prices of HK\$1.26 per Share and HK\$1.276 per Share respectively, none of the Offeror, its beneficial owner and parties acting in concert with any of them has dealt in any securities of the Company during the period commencing on the date falling six months prior to the date of the Announcement and up to the Latest Practicable Date.

As at the Latest Practicable Date, save for 278,000 options granted under the share option schemes of the Company to Mr. Lo, the sole director and sole beneficial owner of the Offeror, the Company had no other convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivative of the Company. Mr. Lo has undertaken not to exercise his share options until the Closing Date.

Further terms and conditions of the Share Offer, including the procedure for acceptance, are set out in the “Letter from Taifook Securities” of the Composite Offer Document.

II. Background of the Offeror, its intention regarding the Group and proposed change of board composition

As stated in the “Letter from Taifook Securities” of the Composite Offer Document, the Offeror is an investment holding company beneficially and wholly-owned by Mr. Lo, a non-executive Director and sole director of the Offeror.

We note, from the “Letter from Taifook Securities” of the Composite Offer Document, that while the Offeror intends to continue the principal business of the Group and will maintain the listing status of the Company on the Stock Exchange following the close of the Share Offer, it will conduct a review on the Group’s business operations and financial position and may consider diversifying the business of the Group to broaden its income source should suitable investment or business opportunities arise. Nevertheless, as stated in the “Letter from Taifook Securities” of the Composite Offer Document, as at the Latest Practicable Date, no such investment or business opportunities had been identified by the Offeror.



We also note, from the “Letter from Taifook Securities” of the Composite Offer Document, the following changes to the board composition of the Company have been proposed:

- i. Mr. Lo and Mr. Ho Hau Chong, Norman, each being a non-executive Director, would be re-designated as the executive Directors with effect from 11 January 2007, the date of despatch of the Composite Offer Document;
- ii. the executive Directors, namely Dr. Cheng Kar Shun, Henry, Mr. Doo Wai Hoi, William, *JP*, Dr. Wai Fung Man, Norman, Mr. Chow Yu Chun, Alexander and Mr. To Hin Tsun, Gerald are expected to resign with effect from the Closing Date; and
- iii. the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon and Mr. Hui Chiu Chung, *JP*, are expected to resign with effect from the Closing Date.

The biographical details of Mr. Lo and Mr. Ho Hau Chong, Norman are set out in the “Letter from Taifook Securities” of the Composite Offer Document.

As stated in the “Letter from Taifook Securities” of the Composite Offer Document, the Company will make further announcement in respect of the appointment of the new independent non-executive Directors in accordance with the requirements of the Listing Rules.

As the Offeror has yet to formulate the business plans and strategies for the future business development of the Group, we are not in a position to comment on whether the intention of the Offeror to diversify the business of the Group and hence broaden the income source of the Group would materialise.



III. Historical financial performance of the Technology Business

As stated in the “Letter from the Board” of the Composite Offer Document, as at the Latest Practicable Date, the principal business of the Group is the Technology Business, namely the technology-related business including mobile Internet-related services in the PRC. The Technology Business was acquired by the Group in October 2005 when it acquired New World CyberBase Solutions (BVI) Limited (“NWCS”) from NWCB (the “NWCS Acquisition”). As advised by the Directors, NWCS has always been the holding company for the Technology Business. Set out below is a summary of the financial performance of NWCS and its subsidiaries (the “NWCS Group”):

Period	Turnover <i>HK\$' 000</i>	Loss on the operation <i>HK\$' 000</i>	<i>Note</i>
For the year ended 31 March 2004 (“FY 2004”)	11,302	23,699	1
For the year ended 31 March 2005 (“FY 2005”)	19,294	15,511	2
For the period commencing from 1 April 2005 to 21 October 2005 (the “Pre-Acquisition Period”)	14,548	7,685	2
For the period commencing from 22 October 2005 to 30 June 2006 (the “Post-Acquisition Period”)	16,515	14,759	3

Notes:

1. Being the turnover and segment results of technology related services segment, which represented the financial performance of the NWCS Group, for FY 2004 as disclosed in NWCB’s annual report for FY 2004.
2. Being the turnover and segment results of the discontinued operations for FY 2005 and the year ended 31 March 2006 as disclosed in the annual report of NWCB for the year ended 31 March 2006. As the NWCS Acquisition was completed on 21 October 2005, the figures reported for the year ended 31 March 2006 represented the turnover and segment results of the NWCS Group for the Pre-Acquisition Period.
3. Being the turnover and segment results of the technology related services segment for the year ended 30 June 2006 as disclosed in the annual report of the Company for the year ended 30 June 2006. As the NWCS Acquisition was completed on 21 October 2005, these figures represented the turnover and the segment results of the NWCS Group for the Post-Acquisition Period.



The turnover of the NWCS Group for FY 2005 increased by approximately 70.7% as compared to FY 2004. As advised by the Directors, the increase was mainly attributable to the growth of the mobile-Internet business, and the increase in subscriber base and the launch of “ijcool” website in May 2004. With the growth in turnover, the NWCS Group recorded a reduced operating loss for FY 2005.

The turnover and segment results of the NWCS Group for the Pre-Acquisition Period (which covered a period of slightly more than six months) amounted to approximately HK\$14.5 million and approximately HK\$7.7 million respectively. For the Post-Acquisition Period (which covered a period of slightly more than 8 months), the NWCS Group recorded a turnover and segment result of approximately HK\$16.5 million and approximately HK\$14.8 million respectively. As advised by the Directors, the increase in turnover during the Pre-Acquisition Period and the Post-Acquisition Period as compared to FY 2005 was mainly due to the increase in the subscribers during the periods. Notwithstanding the increase in turnover, the NWCS Group continued to incur operating loss, recording an aggregate operating loss of approximately HK\$22.5 million for the 15-month period from 1 April 2005 to 30 June 2006 because of the decreased profit margin resulting from keen competition.

Based on the above analysis, we note that despite the continuous increase in turnover for the past three years, the Technology Business has yet to record a profit from its operations. Given the lack of entry barrier to and keen competition in the mobile Internet service industry, we are of the view that the operating environment for the Technology Business will continue to remain highly competitive and tough.

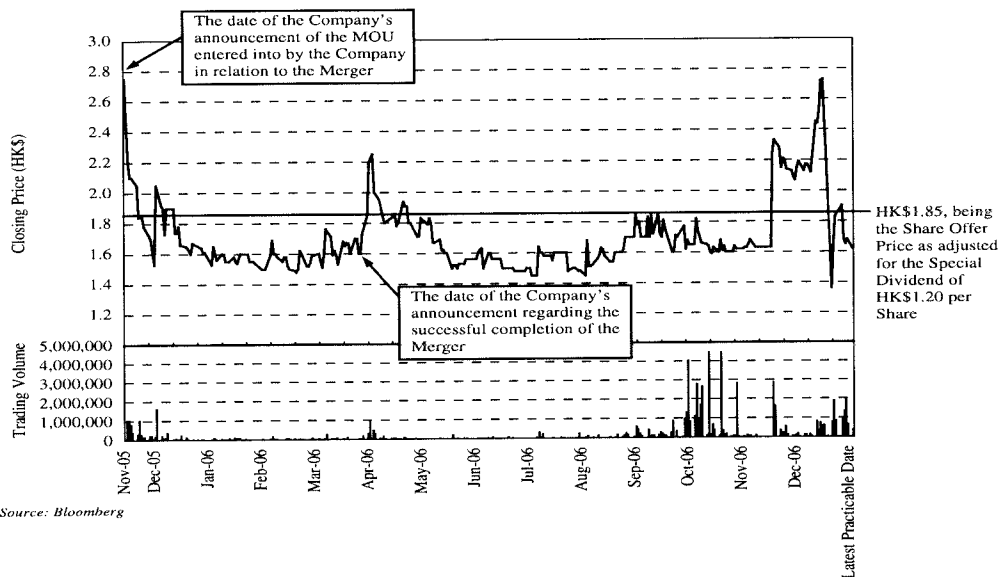
We would like to highlight that in the above analysis of the performance of the Technology Business, we have not taken into account the general and administrative expenses, which mainly include legal and professional fees, directors’ emoluments and staff costs, for the maintenance of the listing status of the Company. As advised by the Directors, the aforesaid general and administrative expenses amounted to approximately HK\$19.1 million for the year ended 30 June 2006.



IV. Share Offer Price

(i) *Historical market price and liquidity of the Shares*

The following chart shows the closing price and trading volume of the Shares as quoted on the Stock Exchange from 14 November 2005, being the trading day falling twelve months prior to 13 November 2006 (the “Last Trading Day”) (the last trading day of the Shares immediately prior to the Suspension), to the Latest Practicable Date (both dates inclusive) (the “Review Period”):



As shown in the above chart, during the period from 14 November 2005 to the Last Trading Day (both dates inclusive) (the “Pre-Announcement Period”), the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$2.75 per Share recorded on 14 November 2005, and HK\$1.45 per Share recorded on 7 July 2006, 10 July 2006 and 7 August 2006 respectively. During the Pre-Announcement Period, the closing prices of the Shares were generally below HK\$1.85 per Share, being the Share Offer Price as adjusted for the Special Dividend of HK\$1.20 per Share, save for (i) a short period from 15 November 2005, being the first trading day after the Company’s announcement of the memorandum of understanding (the “MOU”) entered into by the Company in relation to the proposed merger (the “Merger”) of the mobile telecommunication businesses of New World PCS Holdings Limited, a wholly-owned subsidiary of the Company prior to the completion of the Merger, and Hong Kong CSL Limited, an independent third party of the Company prior to the completion of the Merger, up to early December 2005; and (ii) a short period in early April 2006 (as announced by the Company on 4 April 2006, it was not aware of the reasons for the increase in Share prices around that period save for the Company’s announcement dated 31 March 2006 regarding the successful completion of the Merger).



Compared to the Share prices during the Pre-Announcement Period, the Share Offer Price represents:

- (i) a discount of approximately 58.1% to the highest theoretical ex-dividend price of HK\$1.550 per Share, being the highest closing price of the Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK\$2.750 per Share after deduction of the Special Dividend of HK\$1.20 per Share;
- (ii) a substantial premium of approximately 160.0% over the lowest theoretical ex-dividend price of HK\$0.250 per Share, being the lowest closing price of the Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK\$1.450 per Share after deduction of the Special Dividend of HK\$1.20 per Share; and
- (iii) a considerable premium of approximately 42.9% over the average theoretical ex-dividend price of HK\$0.455 per Share, being the average closing price of Shares quoted on the Stock Exchange during the Pre-Announcement Period of HK\$1.655 per Share after deduction of the Special Dividend of HK\$1.20 per Share.

On 23 November 2006, being the trading day on which the Shares resumed trading on the Stock Exchange upon release of the Announcement, there was a surge in the Share price, with the closing price of the Share rising to HK\$2.25 per Share, which was above the closing price of HK\$1.63 per Share on the Last Trading Day. During the period from 23 November 2006 to the Latest Practicable Date (both dates inclusive) (the "Post-Announcement Period"), the highest and lowest closing prices of the Shares as quoted on the Stock Exchange, adjusted by deducting the Special Dividend of HK\$1.20 per Share for the period commencing from 23 November 2006 to 22 December 2006, were HK\$1.90 per Share recorded on 2 January 2007 and HK\$0.87 per Share recorded on 6 December 2006 respectively. The Share Offer Price represents a discount of approximately 65.8% and 25.3%, respectively, to such highest and lowest closing price of the Shares.



The following table sets out the trading volume of the Shares during the Review Period:

	Total trading volume for the month/period	Average daily trading volume for the month/period (Note 1)	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date (Note 2)
2005				
November (from 14 November 2005)	5,777,200	444,400	0.45%	1.85%
December	3,251,140	180,619	0.18%	0.75%
2006				
January	754,320	39,701	0.04%	0.17%
February	643,020	32,151	0.03%	0.13%
March	1,144,220	49,749	0.05%	0.21%
April	2,655,600	156,212	0.16%	0.65%
May	456,400	22,820	0.02%	0.10%
June	318,020	14,455	0.01%	0.06%
July	695,880	33,137	0.03%	0.14%
August	1,523,800	66,252	0.07%	0.28%
September	4,562,100	217,243	0.22%	0.91%
October	27,608,657	1,380,433	1.41%	5.76%
November (up to and including the Last Trading Date)	3,429,340	381,038	0.39%	1.59%
November (from 23 November 2006 to 30 November 2006, both dates inclusive)	5,898,600	983,100	1.01%	4.10%
December	7,741,360	407,440	0.42%	1.70%
2007				
January (up to and including the Latest Practicable Date)	5,312,500	1,062,500	1.09%	4.43%

Source: Bloomberg

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 23,985,557 Shares held by public Shareholders as at the Latest Practicable Date.



As illustrated in the above table, the average daily trading volume of the Shares in each month during the Pre-Announcement Period ranged from 14,455 Shares to 1,380,433 Shares, representing less than approximately 0.01% and approximately 1.41% respectively of the total number of Shares in issue as at the Latest Practicable Date and approximately 0.06% and 5.76% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date.

Trading volume of the Shares increased to approximately 2,868,900 Shares on 23 November 2006, the date of publication of the Announcement. Trading volume of the Shares decreased after 24 November 2006, with an average daily trading volume of the Shares during the Post-Announcement Period of 631,749 Shares, representing approximately 0.65% of the total number of Shares in issue as at the Latest Practicable Date and approximately 2.63% of the total number of Shares held by the public Shareholders as at the Latest Practicable Date.

In view of the above, we consider that the overall liquidity of the Shares was low in the Review Period. As such, Offer Shareholders who intend to dispose of a large number of Shares may not be able to do so without exerting a downward pressure on the price of the Shares. We consider that the Share Offer provides an alternative exit to such Offer Shareholders to realize their investment in the Shares.

(ii) *Share Offer Price*

The Share Offer Price of HK\$0.65 per Share represents:

- (i) a premium of approximately 51.2% over the theoretical ex-dividend price of HK\$0.430 per Share on the Last Trading Day, which was arrived at by deducting the Special Dividend of HK\$1.20 per Share from the closing price of the Shares of HK\$1.630 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 50.5% over the theoretical ex-dividend average closing price of the Shares of HK\$0.432 per Share for the last 10 consecutive trading days up to and including the Last Trading Day (the "Last 10 Trading Days"), which was arrived at by deducting the Special Dividend of HK\$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange for the Last 10 Trading Days of HK\$1.632 per Share;
- (iii) a premium of approximately 43.8% over the theoretical ex-dividend average closing price of the Shares of HK\$0.452 per Share for the last 30 consecutive trading days up to and including the Last Trading Day (the "Last 30 Trading Days"), which was arrived at by deducting the Special Dividend of HK\$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange for the Last 30 Trading Days of HK\$1.652 per Share;



- (iv) a premium of approximately 42.9% over the theoretical ex-dividend average closing price during the Pre-Announcement Period of the Shares of HK\$0.455 per Share, which was arrived at by deducting the Special Dividend of HK\$1.20 per Share from the average closing price of the Shares as quoted on the Stock Exchange during the Pre-Announcement Period of HK\$1.655 per Share;
- (v) a discount of approximately 46.9% to the theoretical ex-dividend average closing price during the Post-Announcement of the Shares of HK\$1.225 per Share, which was calculated with reference to (i) the closing price of Shares as quoted on the Stock Exchange for the period commencing from 23 November 2006 to 22 December 2006 and deducting the Special Dividend of HK\$1.20 per Share, and (ii) the ex-dividend price of the Shares as quoted on the Stock Exchange for the period commencing from 27 December 2006 up to the Latest Practicable Date;
- (vi) a discount of approximately 59.9% to the ex-dividend price of HK\$1.620 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vii) a discount of approximately 37.0% to the unaudited pro forma net asset value per Share of approximately HK\$1.031, calculated with reference to the unaudited pro forma consolidated net asset value of the Group of approximately HK\$100.7 million as at 30 June 2006 as disclosed in Appendix IV to the Composite Offer Document and 97,692,069 Shares in issue as at the latest Practicable Date.

(iii) *Price earnings multiple ("PER")*

PER is regarded as the most common valuation method to value a company with recurrent income base. While we note there is a gain on disposal of associated companies of approximately HK\$380.0 million as stated in the pro forma consolidated income statement of the Remaining Group for the year ended 30 June 2006 of Appendix IV to the Composite Offer Document, the gain represents the gain on the Disposal as if the Disposal Completion had taken place on 1 July 2005 and is not related to the Technology Business. Given the fact that the Technology Business of the Group has been incurring losses for the past few years, PER comparison is inappropriate for evaluating the Share Offer Price.

(iv) *Comparison of the Share Offer Price to Net Asset Value*

As stated in the "Letter from the Board" of the Composite Offer Document, at the Latest Practicable Date, the principal business of the Group is the Technology Business, namely the provision of technology-related services including mobile Internet-related services in the PRC. Based on our best knowledge, the only companies whose issued shares are listed on the Stock Exchange as at the Latest Practicable Date which are also principally engaged in the provision of value-added mobile services we have identified are Tencent Holdings Limited (stock code: 700) ("Tencent"), TOM Online Inc. (stock code: 8282)



(“TOM”), China.com Inc. (stock code: 8006) (“China.com”) and Mobile Telecom Network (Holdings) Limited (stock code: 8266) (“Mobile Telecom”). Of these four companies, we do not consider Tencent, TOM and China.com are directly comparable to the Company because of their substantially larger market capitalisation (ranging from approximately HK\$2.2 billion to HK\$48.9 billion as at the Latest Practicable Date), scale of operation (with turnover for the latest financial year ranging from approximately HK\$387 million to HK\$1,425 million) and asset base (with latest audited consolidated net assets ranging from approximately HK\$1.5 billion to HK\$2.9 billion).

Based on the above analysis, to the best of our knowledge, the only company listed on the Stock Exchange that is directly comparable to the Company is Mobile Telecom (the “Comparable”). The table below (“Table A”) sets out the comparison between the Company and the Comparable:

Stock Code	Name of company	Market capitalisation <i>HK\$' million</i>	Net losses <i>HK\$' million</i>	Net asset value <i>HK\$' million</i>	Closing price as at the Latest Practicable Date	Premium/discount of closing price over/to net asset value
8266	Mobile Telecom	38.3 <i>(Note 1)</i>	1.3 <i>(Note 2)</i>	25.6 <i>(Note 3)</i>	HK\$0.081	50%
	The Company	63.1 <i>(Note 4)</i>	22.5 <i>(Note 5)</i>	100.7 <i>(Note 6)</i>	HK\$1.620	(37)%

Notes:

1. Based on the market capitalisation as quoted on Bloomberg on the Latest Practicable Date.
2. Based on the latest published annual report for the year ended 31 March 2006.
3. Based on the latest published second quarterly report for the six months ended 30 September 2006.
4. Based on the Share Offer Price and 97,692,069 Shares in issue as at the Latest Practicable Date.
5. Being the aggregate operating loss of the Technology Business for the 15-month period from 1 April 2005 to 30 June 2006 (please refer to the section headed “III. Historical financial performance of the Technology Business” above for details).
6. Based on the unaudited pro forma consolidated net asset value of the Group (the “Pro Forma NAV”) of approximately HK\$100.7 million as at 30 June 2006, as disclosed in Appendix IV to the Composite Offer Document.



As set out in Table A, the closing price of the Comparable as at the Latest Practicable Date represents a premium of approximately 50% over its unaudited consolidated net asset value per share of approximately HK\$0.054 as at 30 September 2006 (based on the net asset value of approximately HK\$25.6 million and 472,811,363 Shares in issue as at 30 September 2006 as disclosed in the latest published quarterly report of Mobile Telecom). On the other hand, the Share Offer Price represents a discount of approximately 37% to the Pro Forma NAV per Share of approximately HK\$1.031, being the Pro Forma NAV divided by the 97,692,069 Shares in issue as at the Latest Practicable Date. We would like to highlight that the Pro Forma NAV has not taken into account the interest paid/payable on the Subscription Note, the Convertible Bond and the Existing Loans (together the "Borrowings") made by the Group from 1 July 2006 to 4 January 2007, the date on which all the Borrowings were fully repaid pursuant to the Set-off. As disclosed in the Circular, the aggregate monthly cash interest payments on the Borrowings is estimated to amount to approximately HK\$5.2 million for the year ending 30 June 2007. Without taking into account any other factors which may affect the net asset value of the Group such as the operating results of the Technology Business and the general administrative expenses incurred by the Group since 1 July 2006, the current net asset value per Share will be lower than the Pro Forma NAV per Share as at 30 June 2006 as a result of the aforesaid cash interest payments and accordingly the discount of the Share Offer Price to the current net asset value per Share will be lower than 37%.

We note that the Comparable has recently demonstrated a turnaround of its operation, reversing its loss-making situation in each of the past five years with a net loss attributable to shareholders of approximately HK\$1.3 million for the year ended 31 March 2006 to a profitable operation in 2006 with profit attributable to shareholders of approximately HK\$7.7 million for the six months ended 30 September 2006. Given the turnaround of the Comparable, we consider that the earnings potential of the Comparable may have a bearing on the share price of the Comparable whereas the factor is not applicable in the case of the Technology Business. Accordingly, we are of the view that the measurement of the share price of the Comparable against its net asset value may not be directly comparable to that for the Technology Business.

In view of the persistent losses recorded and hence the continuous depletion of net asset value for the Technology Business in the past few years, the anticipated difficult and competitive business environment for the Technology Business and the lack of indication of when the Technology Business can turn around, we consider that the discount of the Share Offer Price to the Pro Forma NAV per Share justifiable.



(v) *Comparison to Past Takeover Transactions*

In assessing the fairness and reasonableness of the Share Offer Price, we have also reviewed all the takeover transactions announced during the period from 1 January 2006 to the Last Trading Day listed in the statistics on takeovers available on the Stock Exchange's website. Based on our review and to the best of our knowledge, none of these takeover transactions involves takeover of companies having businesses substantially similar to the Technology Business. Nevertheless, we have identified, to the best of our knowledge, Shine Software (Holdings) Limited ("Shine Software") as the closest comparable taking into consideration (i) the fact that Shine Software is principally engaged in the provision of technology related services; (ii) the loss-making situation of Shine Software, which is also experienced by the Technology Business; and (iii) the small market capitalisation of Shine Software, which is relatively close to that of the Technology Business. Details relating to the takeover of Shine Software are set out in the table ("Table B") below:

Stock Code	Offeree	Announcement date	Market		Offer price	Discount of offer price to the consolidated	
			capitalisation HK\$' million	Net losses RMB' million		Net asset value per share	net asset value per share
8270	Shine Software	30 March 2006	56.8	0.94 ⁽¹⁾	HK\$0.021 ⁽²⁾	HK\$0.079 ⁽³⁾	(73)%
	The Share Offer				HK\$0.65	HK\$1.031 ⁽⁴⁾	(37)%

Source: *www.hkex.com.hk and the announcement/circular containing details of the takeover transaction.*

Notes:

- (1) Based on the latest published annual report for the year ended 31 December 2005.
- (2) Based on the offer price per share as disclosed in the announcement of Shine Software in respect of the takeover.
- (3) Based on the audited consolidated net asset value per share as disclosed in the announcement/circular of Shine Software in respect of the takeover.
- (4) Based on the Pro Forma NAV per Share of approximately HK\$1.031.

As set out in Table B, the offer price of Shine Software represents a discount of approximately 73% to its consolidated net asset value. The Share Offer Price, which represents a discount of approximately 37% to the Pro Forma NAV per Share, is more favourable when compared to the offer price for the takeover of Shine Software. Nevertheless, it should be noted that the difference in the business activity of Shine Software as compared to the Technology Business may hamper the comparability of the two companies.



RECOMMENDATION

Having considered the above principal factors, in particular:

- the considerable premium of approximately 42.9% of the Share Offer Price over the theoretical ex-dividend average price of HK\$0.455 per Share during the Pre-Announcement Period, being the average closing price of Shares as quoted on the Stock Exchange during the Pre-Announcement Period after deduction of the Special Dividend of HK\$1.20 per Share;
- the fact that the Shares were generally traded throughout the Pre-Announcement Period at prices below HK\$1.85 per Share, being the Share Offer Price as adjusted for the Special Dividend of HK\$1.20 per Share, save for two short periods following the Company's announcements in relation to the Merger;
- the potential downward pressure on the price of the Shares in the event that the Offer Shareholders dispose of large number of Shares in the market given the low liquidity of the Shares during the Review Period;
- the persistent loss-making history of the Technology Business in the past few years and the anticipated difficult and competitive business environment for the Technology Business in the years ahead given the lack of entry barrier to and keen competition in the mobile Internet service industry; and
- the absence of concrete business plans and strategies regarding the future of the Group,

we consider the terms of the Share Offer, in particular the Share Offer Price, to be fair and reasonable so far as the Offer Shareholders are concerned and the Share Offer provides the Offer Shareholders with the opportunity to fully realise their investments in the Shares in cash. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Share Offer.

Irrespective of the above, we would like to remind the Offer Shareholders that the Shares have been trading at cum dividend prices ranging from HK\$2.07 to HK\$2.73 per Share and ex-dividend prices ranging from HK\$1.36 to HK\$1.90 per Share during the Post-Announcement Period, which represent a premium ranging from 33.8% to 192.3% over the Share Offer Price (as adjusted for the Special Dividend of HK\$1.20 per Share in the case of cum dividend prices). Accordingly, Offer Shareholders may be able to sell all or some of their Shares on the market a price higher than the Share Offer Price. The Offer Shareholders who wish to realise all or part of their investment in the Shares should monitor the Share price performance during the Offer Period. Should the market price of the Shares exceed the Share Offer Price, those Offer Shareholders who wish to accept the Share Offer should consider realizing their investments on the stock market. Those Offer Shareholders who are attracted by the future prospects of the Group, which will have a new management team with two non-executive Directors to be re-designated as executive Directors, may consider retaining some or all of their Shares.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau

Executive Vice President

Flavia Hung

Senior Vice President