

FOR IMMEDIATE PUBLIC RELEASE BY THE COMPANY

12 March 2013

To: The Board of Directors of Sinobest Technology Holdings Ltd.

Mr Zou Gefei	(Executive Chairman and Chief Executive Officer)
Mr Li Ziqiang	(Executive Director)
Mr Yu Zengping	(Executive Director)
Mr Ong Soon Teik	(Lead Independent Director)
Ms Tan Swee Ling	(Independent Director)
Mr Tan Soo Kiat	(Independent Director)

Dear Sirs/Madam

THE PROPOSED DISPOSAL OF THE COMPANY'S ENTIRE SHAREHOLDING INTERESTS IN ITS OPERATING SUBSIDIARIES PURSUANT TO THE RULING BY THE SIC UNDER RULE 10 OF THE CODE

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the Shareholders of the Company dated 31 December 2012 pertaining to the RTO and related transactions (the "RTO Circular").

1. INTRODUCTION

1.1 Sinobest Technology Holdings Ltd. (the "**Company**") and its then subsidiaries (collectively, the "**Sinobest Group**") was placed on the watch-list of the SGX-ST on 3 March 2010. On 5 July 2011, the Company announced various proposed corporate actions with the view to remove itself from the watch-list, including the proposed acquisition of OKH Holdings Pte. Ltd. ("**OKH**") (the "**Proposed Acquisition**") and the proposed disposal of its entire shareholding interests in the Operating Subsidiaries (the "**Proposed Disposal**"). The Proposed Acquisition will result in a reverse take-over offer (the "**RTO**") of the Company, transforming the principal business of the Sinobest Group into a property development and construction business. The existing provision of information technology solutions business of the Group (the "**IT Business**") is proposed to be divested so that it will not affect the financial results of the Sinobest Group after the Proposed Acquisition. Since then, the Company had made various announcements pertaining to the updated terms and amended terms of the Proposed Acquisition and the Proposed Disposal. The final terms of the Proposed Acquisition and the Proposed Disposal were set out in the RTO Circular.

1.2 As disclosed in the RTO Circular, pursuant to the disposal agreement dated 27 December 2012 (the "**Disposal Agreement**"), the consideration for the Proposed Disposal of the Company's operating subsidiaries is RMB145,203,810 (the "**Disposal Consideration**") to be satisfied in full by:

- (a) the proposed selective cancellation of all 75,347,433 Shares held directly and indirectly by the Undertaking Shareholders, based on the cancellation price of approximately RMB1.36 for each Share cancelled (aggregating RMB102,646,323) (the "**Proposed Selective Share Cancellation**");
- (b) the offset of net amount of RMB10,095,300 owing from the Company to the operating subsidiaries; and
- (c) RMB32,462,187 in cash to be paid by the Undertaking Shareholders to the Company.

- 1.3 The Undertaking Shareholders, namely Mr Zou Gefei, Mr Jin Changren and Profit Saver International Limited (“**Profit Saver**”), collectively own in aggregate 68.02% of the issued shares of the Company. Mr Zou Gefei is the Executive Chairman and CEO of the Company, Mr Jin Changren is a substantial shareholder of the Company and owns 16.70% of the issued shares, and Profit Saver is major shareholder of the Company and owns 50.80% of the issued Shares. Mr Zou Gefei is deemed to be interested in the Shares held by Profit Saver.
- 1.4 Pursuant to Chapter 9 of the SGX- Listing Manual, each of Mr Zou Gefei, Mr Jin Changren and Profit Saver, is considered to be an Interested Person and accordingly, the Proposed Disposal constitutes an Interested Person Transaction. In addition, as the Proposed Disposal involves the disposal of the entire existing business of the Company, it is considered as a major transaction under Chapter 10 of the Listing Manual. The Proposed Selective Share Cancellation in connection with the Proposed Disposal was also subject to Shareholders' approval by way of a special resolution. In this regard, the Company had appointed Provenance Capital Pte. Ltd. (“**Provenance Capital**”) as the independent financial adviser (the “**IFA**”) to the Directors who are considered independent in respect of the Proposed Disposal to opine on whether the financial terms of the Proposed Disposal are on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders. A copy of our letter in respect of the Proposed Disposal in the context of the RTO was appended as Appendix A in the RTO Circular. In the context of the RTO, we were of the opinion that the financial terms of the Proposed Disposal were on normal commercial terms and were not prejudicial to the interests of the Company and the Independent Shareholders.
- 1.5 On 23 January 2013, the Company held a special general meeting (“**SGM**”) for Shareholders to approve, *inter alia*, the RTO and related transactions. At the SGM, Shareholders approved all the Shareholders' resolutions relating to the RTO, including the Proposed Acquisition and the Proposed Disposal.
- 1.6 On 28 January 2013, the Company announced the completion of the Proposed Acquisition of the entire issued share capital of OKH from the Vendor, pursuant to which 1,026,538,825 new consideration Shares had been unconditionally allotted and issued to the Vendor in satisfaction of the purchase consideration at the issue price of S\$0.12 per Share. To facilitate the completion of the Proposed Acquisition, the Company and the Vendor have mutually agreed that the conditions precedent relating to, *inter alia*, the Proposed Disposal involving the selective cancellation of all the Shares held directly and indirectly by the Undertaking Shareholders shall take place after the Proposed Acquisition. As at 28 January 2013, the Proposed Disposal is still in the process of complying with the necessary regulatory approvals and filing requirements in Hong Kong SAR and the People's Republic of China (“**PRC**”) as the Proposed Disposal involves the transfer of the ownership of a Hong Kong subsidiary and a PRC subsidiary. As disclosed in the Offer Document dated 13 February 2013, the Proposed Disposal is envisaged to be completed by March 2013.
- 1.7 Following the completion of the Proposed Acquisition, the Vendor holds 1,026,538,825 Shares, representing approximately 90.26% of all the Shares in the capital of the Company, which includes the 75,347,433 Shares held by the Undertaking Shareholders which are to be subsequently cancelled pursuant to the completion of the Proposed Disposal. In accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore and Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), the Vendor will make a mandatory unconditional general cash offer for all the Shares, other than those already owned, controlled or agreed to be acquired by the Vendor and parties acting or deemed to be acting in concert with him.
- 1.8 On 28 January 2013 (the “**Announcement Date**”), Asiasons WFG Capital Pte Ltd (“**Asiasons**”) announced, for and behalf of the Vendor (the “**Offer Announcement**”), that the Vendor intends to make a mandatory unconditional cash offer (the “**Offer**”) for all the issued Shares in the capital of the Company that are not already owned, controlled or agreed to be acquired by the Vendor and parties acting or deemed to be acting in concert with him (the “**Offer Shares**”). The Offer is made at the offer price of S\$0.12 in cash for each Offer Share (the “**Offer Price**”), being the issue price for the Consideration Shares issued and allotted to

the Vendor pursuant to the Proposed Acquisition. In this regard, the Company had appointed Provenance Capital as the IFA to the Directors who are considered independent in respect of the Offer. Our advice in respect of the Offer was appended as Appendix II in the circular to Shareholders dated 27 February 2013.

- 1.9 On 28 January 2013, the Company announced the completion of the Proposed Acquisition and that the parties, being the Vendor and the Company, have mutually agreed to waive the condition precedent relating to the Proposed Disposal for the purpose of effecting the Proposed Acquisition and the parties had proceeded with the completion of the Proposed Acquisition on an unconditional basis. In connection with the Offer, the Company announced on 26 February 2013 that it had, on 31 January 2013, sought SIC's confirmation that the Proposed Disposal will not constitute a special deal under Rule 10 of the Code. On 18 February 2013, the Company obtained a ruling from the SIC that the Proposed Disposal will not constitute a special deal under Rule 10 of the Code, subject to an independent financial adviser to the Company publicly stating that in his opinion, the terms of the Proposed Disposal are fair and reasonable. As announced on 26 February 2013, a written submission was made by Asiasons, the financial adviser of the Vendor, to the SIC to seek a waiver from the above SIC ruling. On 1 March 2013, the Company announced that the SIC had reverted that it maintains its ruling given on 18 February 2013.
- 1.10 In connection with the above, Provenance Capital was approached by the Company on 6 March 2013 to be the IFA to advise the Board of Directors on whether the terms of the Proposed Disposal are fair and reasonable in the context of Rule 10 of the Code. Our appointment was accepted by the Company on 8 March 2013 and an announcement was made on the same day on our appointment as the IFA in respect of the Proposed Disposal in the context of Rule 10 of the Code.

This letter ("**Letter**") is addressed to the Board of Directors and sets out, *inter alia*, our evaluation and opinion on the terms of the Proposed Disposal in the context of Rule 10 of the Code.

2. **TERMS OF REFERENCE**

We have been appointed as the IFA to advise the Board of Directors in respect of the Proposed Disposal in the context of Rule 10 of the Code. We are not and were not involved or responsible, in any aspect, of the negotiations in relation to the Proposed Disposal, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Disposal or to obtain the approval of the Independent Shareholders for the Proposed Disposal at the SGM or any subsequent amendments to the terms of the Proposed Disposal (including and not limited to waivers of any conditions precedent), and we do not, by this Letter, warrant the merits of the Proposed Disposal other than to express an opinion on whether the terms of the Proposed Disposal are fair and reasonable in the context of Rule 10 of the Code.

We have confined our evaluation and assessment to the terms of the Proposed Disposal in the context of Rule 10 of the Code. It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Disposal or to compare its relative merits vis-à-vis alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the sole responsibility of the Directors and/or the management of the Company (the "**Management**") although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Proposed Disposal.

In the course of our evaluation, we have held discussions with the Directors and the Management and/or their professional advisers (including, where applicable, the Company's financial adviser in respect to the Proposed Acquisition and the Proposed Disposal, legal

counsel, auditor and valuer) and have examined and relied to a considerable extent on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers of the Company.

The Directors have confirmed that, having made all reasonable enquiries, to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate and the Directors have confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Disposal, the Company and/or the Group has been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Proposed Disposal or the Company or the Group stated in this Letter to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information. Accordingly we cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations, but nevertheless have made such enquiry and judgment as were deemed necessary and have found no reason to doubt the accuracy of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Proposed Disposal, the Company and the Group that we have relied upon in arriving at our opinion has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company or the Group at any time or as at 11 March 2013 (the "**Latest Practicable Date**").

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company and/or the Group, or to express, and we do not express, a view on the future growth prospects, value and earnings potential of the Company and its subsidiaries (the "**Group**"), following the completion of the Proposed Acquisition on 28 January 2013. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Listing Manual and/or the Code and/or deemed necessary or appropriate by us) in arriving at our advice as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group, and further, we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view herein as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Disposal or if the Proposed Disposal does not proceed to completion.

We have not made any independent evaluation or appraisal of the assets, liabilities and profitability of the Company and/or the Group (including without limitation, property, plant and equipment). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities and profitability of the Company and/or the Group. We have not been furnished with any such evaluation or appraisal. We have not relied on any financial projections or forecasts in respect of the Group for the purpose of our evaluation of the Proposed Disposal.

Our view as set out in this Letter is based upon market, economic, industry, monetary and other conditions (if applicable) prevailing as of the Latest Practicable Date and the information and representations provided to us as of the Latest Practicable Date. In arriving at our view, we have taken into account certain other factors and have been required to make certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should further take note of any announcements relevant to the Proposed Disposal and other related corporate actions which may be released by the Company after the Latest Practicable Date.

In rendering our opinion, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder or any specific group of Independent Shareholders. As each Shareholder would have different investment objectives and profiles, we recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any purposes other than for the purposes of the Proposed Disposal at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter for the benefit of the Board of Directors in connection with the Proposed Disposal in the context of Rule 10 of the Code.

Our opinion in relation to the Proposed Disposal should be considered in the context of the entirety of this Letter.

3. INFORMATION ON THE SINOBEST GROUP AND THE GROUP

3.1 The Company and the Sinobest Group

The Company was incorporated in Bermuda on 17 June 2004 and was listed on the Mainboard of the SGX-ST on 18 November 2004.

Prior to the completion of the Proposed Acquisition, the Company was then a holding company and it carried out its business through its two operating subsidiaries, namely, its 99% owned subsidiary, Guangzhou Sinobest Information Technology Ltd. ("**Guangzhou Sinobest**"), and its wholly-owned subsidiary, Sinobest Technologies (H.K.) Limited ("**Sinobest Technologies Hong Kong**").

Further details relating to the Sinobest Group, as well as the background to its inclusion on the SGX-ST watch list on 3 March 2010, are set out in Appendix A to the RTO Circular.

3.2 The Group

As set out above in this Letter, the Proposed Acquisition was completed on 28 January 2013. Following the completion of the Proposed Acquisition, the Group's principal business is that of the OKH group's property development and construction business with a new management team and controlling shareholder.

To facilitate the completion of the Proposed Acquisition, the Company and the Vendor have mutually agreed that the conditions precedent relating to, *inter alia*, the Proposed Disposal involving the selective cancellation of all the Shares held directly and indirectly by the Undertaking Shareholders shall take place after the Proposed Acquisition. As at the Latest Practicable Date, the Proposed Disposal is still pending completion as there were no announcements made in relation to the fulfilment of conditions and completion of the Proposed Disposal.

Further details relating to OKH and the Group are set out in the RTO Circular.

4. THE PROPOSED DISPOSAL

4.1 The Disposal Consideration

The Disposal Consideration for the Proposed Disposal is RMB145,203,810. This was determined based on arms' length negotiations and was arrived at on a willing-buyer, willing-seller basis after taking into account:

- (a) the aggregate audited NTA of the Operating Subsidiaries of RMB136,398,762 as at 30 June 2012 (based on the respective audited accounts of the Operating Subsidiaries as at 30 June 2012), then adjusting for the following:
 - (i) **Less:** RMB6.4 million as dividends to be declared and paid by Guangzhou Sinobest to its shareholders, which is mainly the Company, to enable the Company to settle related expenses of the RTO and to meet the Proposed Cash Distribution;
 - (ii) **Add:** the reversal of dividends aggregating RMB31.2 million declared but not paid by Guangzhou Sinobest to the Company as at the date of the Disposal Agreement; and
 - (iii) **Less:** the non-controlling interest in Guangzhou Sinobest of RMB1.6 million.
- (b) an agreed discount to the adjusted NTA of the Sale Group after considering factors relevant to the ongoing concern of the Sale Group's businesses such as the financial condition of the Sale Group and the prevailing business environment and market conditions.

The Disposal Consideration is to be satisfied in full by:

- (a) the Proposed Selective Share Cancellation which involves the cancellation of 75,347,433 Shares directly or indirectly held by the Undertaking Shareholders based on the cancellation price of approximately RMB1.36 for each share to be cancelled, aggregating RMB102,646,323. The cancellation price of RMB1.36 for each share to be cancelled is based on the audited NTA of the Group of RMB155.9 million as at 30 June 2012 and after adjusting for the Proposed Cash Distribution of S\$1.0 million (equivalent to approximately RMB5.0 million) to Shareholders by way of a capital reduction and based on 110,776,067 Shares;
- (b) the offset of net amount of RMB10,095,300 owing from the Company to the Operating Subsidiaries; and
- (c) the balance of RMB32,462,187 in cash to be paid by the Undertaking Shareholders to the Company.

The Proposed Selective Share Cancellation will result in the number of Shares in issue to be reduced from 1,137,314,892 Shares to 1,061,967,459 Shares. The Undertaking Shareholders will have their shareholdings in the Company reduced from approximately 6.6% to zero after the Proposed Selective Share Cancellation.

Further details relating to the salient terms of the Proposed Disposal are set out in the RTO Circular and in the announcement dated 28 January 2013.

4.2 Financial Information on the Sale Group

We note that, in the annual report of Sinobest Group for FY2011, in accordance with IFRS 5, the entire assets and liabilities related to the Sale Group are classified as disposal group held-for-sale on the balance sheet and the entire results from the Sale Group are presented separately on the profit and loss statements as "Discontinued Operations". The "Continuing Operations" therefore refers only to the investment holding entity which does not generate any revenue and bears the administrative expenses relating to the listed entity.

The summary of the audited operating results and the financial position of the Sale Group for the relevant financial periods are set out in paragraph 5 of Appendix A to the RTO Circular.

We note that subsequent to the RTO Circular, the Company had, on 1 March 2013, reported unaudited profits from Discontinued Operations (or the Sale Group) of RMB6.2 million for FY2012.

5. OUR EVALUATION OF THE PROPOSED DISPOSAL

In evaluating and assessing the terms of the Proposed Disposal, we have taken into account the information set out in this Letter and pertinent factors set out below which we consider to have a significant bearing on our assessment:

5.1 Non-inter-conditionality of the Proposed Disposal and the Proposed Acquisition

As stated in the RTO Circular, the Proposed Acquisition and the Proposed Disposal were originally inter-conditional upon each other. We wish to highlight that as the then IFA for the Proposed Disposal, being an Interested Person Transaction in the context of the RTO, we took into account that the Proposed Acquisition and the Proposed Disposal were inter-conditional upon each other and that the Proposed Disposal will facilitate the Company's undertaking of the RTO. The IT Business was proposed to be divested so that it will not affect the financial results of the Company after the Proposed Acquisition. If the Proposed Disposal was not approved by the Shareholders, the Proposed Acquisition would not proceed.

However, we note that, to facilitate the completion of the Proposed Acquisition, the Company and the Vendor have mutually agreed that the conditions precedent relating to, *inter alia*, the Proposed Disposal involving the selective cancellation of all the Shares held directly and indirectly by the Undertaking Shareholders shall take place after the Proposed Acquisition. As at 28 January 2013, the Proposed Disposal is still in the process of complying with the necessary regulatory approvals and filing requirements in Hong Kong SAR and the PRC.

Hence, the Proposed Acquisition was no longer conditional upon the Proposed Disposal and that the completion of the Proposed Acquisition took place on an unconditional basis on 28 January 2013. As at the Latest Practicable Date, the Proposed Disposal is still pending completion as there were no announcements made in relation to the fulfilment of conditions and completion of the Proposed Disposal. As such, the Proposed Disposal is currently viewed as a stand-alone exercise.

5.2 The Proposed Selective Share Cancellation being a term of the settlement for the Proposed Disposal

The Proposed Selective Share Cancellation is an agreed settlement arrangement between the Company and the Undertaking Shareholders in order for the Undertaking Shareholders to take full control of the existing business of the Sinobest Group and to relinquish their shareholding interests in the Group. The difference between the Disposal Consideration for the Proposed Disposal and the value of the Proposed Selective Share Cancellation and the net amount owing from the Company to the Sale Group to be offset, will be paid in cash by the Undertaking Shareholders to the Company.

The detailed breakdown is as follows:

	RMB 'million	S\$ 'million ⁽¹⁾
Disposal Consideration	145.2	28.91
Less: Value of the Proposed Selective Share Cancellation	(102.6)	(20.44)
Less: Net amount owing from the Company to the Sale Group	(10.1)	(2.01)
Balance to be paid in cash by the Undertaking Shareholders to the Company	32.5	6.46

Note:

(1) Translated based on the closing exchange rate of S\$1:RMB5.023 as at 30 June 2012.

The assessment of the Disposal Consideration will be evaluated in paragraph 5.3 of this Letter. The assessment of the value of the Proposed Selective Share Cancellation will be evaluated in paragraph 5.4 of this Letter.

The net amount owing from the Company to the Sale Group of RMB10.1 million is the net amount of the intercompany balances between the Company and the Sale Group, disregarding the dividend declared by Guangzhou Sinobest to the Company which will be reversed pursuant to the Proposed Disposal. The amount is due to a non-trade receivable of RMB13.1 million in Guangzhou Sinobest's books owed by the Company, offset by a payable of US\$0.5 million (RMB3.0 million) owed by Sinobest Technologies Hong Kong to the Company.

The cash to be paid by the Undertaking Shareholders is to be settled upon completion of the Proposed Disposal.

5.3 Assessment of the Disposal Consideration

5.3.1 **Adjusted NTA of the Sale Group**

The Disposal Consideration was arrived at based on the adjusted NTA of the Sale Group as at 30 June 2012 and an agreed discount to the adjusted NTA of the Sale Group after considering factors relevant to the ongoing concern of the Sale Group's businesses such as the financial condition of the Sale Group and the prevailing business environment and market conditions (the "**Adjusted NTA**"). The Adjusted NTA of the Sale Group as at 30 June 2012 is summarised below:

	RMB 'million	S\$ 'million ⁽¹⁾
Audited NTA of the Sale Group as at 30 June 2012	136.4	27.2
Add: Reversal of dividends declared but not paid out by the Sale Group	31.2	6.2
Less: Dividends to be declared by the Sale Group	(6.4)	(1.3)
Less: Non-controlling interests of the Sale Group	(1.6)	(0.3)
Adjusted NTA of the Sale Group as at 30 June 2012	159.6	31.8

Note:

(1) Translated based on the closing exchange rate of S\$1:RMB5.023 as at 30 June 2012.

As mentioned in paragraph 5.3 of Appendix A to the RTO Circular, we highlighted that the NTA of the Sale Group has already accounted for the declaration of dividends of RMB31.2 million by Guangzhou Sinobest to the Company in HY2012 as a payable in the books of Guangzhou Sinobest. In view of the Proposed Disposal, the Management has decided to reverse the dividends declared. As such, the dividend amount of RMB31.2 million has to be added to the audited NTA of the Sale Group.

As mentioned in section 7.2 of the RTO Circular, a dividend of RMB6.4 million will be declared by the Sale Group to the Company, for the purposes of the Proposed Cash Distribution of S\$1.0 million and to settle expenses related to the RTO. The Proposed Cash Distribution was paid by the Company to the Shareholders on 13 February 2013. As such, this amount would have to be deducted from the NTA of the Sale Group.

Lastly, as the Group does not own 100% interest in Guangzhou Sinobest, non-controlling interests would have to be deducted from the NTA of the Sale Group to derive the Adjusted NTA of the Sale Group as at 30 June 2012.

In the above assessment of the Sale Group, we have also considered whether there are any tangible assets of the Sale Group which should be valued at an amount that is materially different from that which were recorded in the statements of financial position of the Sale Group as at 30 June 2012. In this respect, the Directors had previously confirmed to us that, to the best of their knowledge and belief, other than that already provided for or disclosed in the RTO Circular, that there were no material differences between the realisable value of these assets and their respective book values as at 30 June 2012 which would have a material impact on the net worth of the Sale Group.

As stated in the RTO Circular, a valuer was not appointed to value the assets to be disposed. In the case of Guangzhou Sinobest, the assets are made up of cash, trade receivables and inventories, with plant and machinery making up less than 5% of its total assets. In the case of Sinobest Technologies Hong Kong, its assets are made up of primarily cash and trade receivables. As such, the Company was of the opinion that the appointment of a valuer was not necessary.

Based on the above adjustments, the Adjusted NTA of the Sale Group as at 30 June 2012 is RMB159.6 million or S\$31.8 million. The Disposal Consideration represents a 9.0% discount below the Adjusted NTA of the Sale Group. We refer to paragraph 5.3 of Appendix A to the RTO Circular, where we noted that a substantial portion of the non-cash NTA of the Sale Group (82.7%) is made up of working capital, namely, inventories and receivables. We also note that the Sale Group is barely profitable in the current and past few financial years and the prevailing business environment and market conditions remain tough, with operating costs expected to continue to increase in the PRC. Thus, in view of the above factors, the discount to the Adjusted NTA of the Sale Group seems reasonable.

5.3.2 Comparison of valuation ratios of the selected listed companies whose businesses are broadly comparable to those of the Sale Group

The consideration for the Proposed Disposal is agreed at RMB145.2 million (equivalent to S\$28.9 million) after taking into account the Adjusted NTA of the Sale Group of RMB159.6 million (equivalent to S\$31.8 million). The consideration for the Proposed Disposal therefore represents a discount of 9.0% to the Adjusted NTA of the Sale Group.

In assessing the consideration for the Proposed Disposal, we had previously, as set out in paragraph 6.3.2 of Appendix A to the RTO Circular, considered the comparison of valuation ratios of selected listed companies whose businesses are broadly comparable to the Sale Group, that is, the provision of IT services, including system integration for computer information systems and intelligent buildings systems and software development and technical services (the “**Comparable Companies**”). For a more meaningful comparison, we have excluded companies with market capitalisation of more than S\$500 million.

We have had discussions with the Company about the suitability and reasonableness of the Comparable Companies as a basis for comparison with the Operating Subsidiaries. Relevant information has been extracted from Bloomberg, publicly available annual reports and/or public announcements of the Comparable Companies.

We wish to highlight that the Comparable Companies are not exhaustive and they differ from the Operating Subsidiaries in terms of, *inter alia*, market capitalisation, size of operations, clientele base, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. As such, any comparison made is necessarily limited and merely serves as an illustrative guide.

The following is a brief description of the Comparable Companies:

Company	Principal Business
CSE Global Ltd ("CSE Global")	CSE Global provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems. CSE Global develops, manufactures, and sells electronic and micro processor monitoring equipment.
DMX Technologies Group Limited ("DMX Technologies")	DMX Technologies is a computer systems integrator that provides networking, security and software solutions, and e-business transactions platform services. The company also trades security software.
ECS Holdings Limited ("ECS Holdings")	ECS Holdings designs, installs, and implements electronic enabling infrastructure tools, operating systems and hardware. The company also provides network infrastructure design and security implementation, training and maintenance support services. ECS Holdings distributes information technology (IT) products for IT principals.
Armarda Group Limited ("Armarda")	Armarda provides information technology (IT) consulting, IT support and business transformation services for enterprises in the banking and financial services industry predominantly in the PRC.
CNA Group Ltd ("CNA")	CNA, through its subsidiaries, provides, designs, and implements integrated control and automation systems and information technology solutions. The company implements its solutions at a range of buildings and facilities located in Singapore, Malaysia, Thailand, the Philippines, Taiwan, and the PRC.
Plato Capital Limited ("Plato Capital")	Plato Capital manages and implements systems integration projects. The company's services include e-commerce system and services and application support services.
Stratech Systems Limited ("Stratech")	Stratech provides services in the technology-intensive and e-business areas. The company's technology intensive division provides services in computer vision systems and intelligent transport systems. Its e-business division develops, hosts, and operates e-business projects as well as develops and provides e-business applications, services, and infrastructure.
Azeus Systems Holdings Ltd ("Azeus")	Azeus is an information technology services provider, focusing on software development and system implementation services. The company also provides maintenance and support services and operates business process outsourcing.
JK Tech Holdings Limited ("JK Tech")	JK Tech offers information technology products and services. The company sells and supplies computer hardware and software, and offers systems integration services to companies that require a new networking system or upgrade or extension of existing network systems.

Source: Bloomberg L.P., annual reports and relevant financial information of the respective Comparable Companies

For the purpose of our evaluation and for illustration, we have made comparisons between the Sale Group and the Comparable Companies on a historical basis, based on their last transacted prices as at 18 December 2012, being the latest practicable date prior to the printing of the RTO Circular (the “**Last Transacted Date**”), using the following:

- (a) **PER:** The historical PER is commonly used for the purposes of illustrating the profitability and hence the valuation of a company as a going concern; and
- (b) **P/NTA:** The P/NTA ratio or the NTA-based approach is used to show the extent the value of each share is backed by assets. The NAV-based approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities of the group.

Comparable Companies	Last Financial Year-end	Market Capitalisation as at the Last Transacted Date (\$ million)	Historical PER ⁽¹⁾ (times)	Historical P/NTA ⁽²⁾ (times)
CSE Global	31-Dec-11	405.1	14.65	1.99
DMX Technologies	31-Dec-11	249.1	10.66	0.53
ECS Holdings	31-Dec-11	161.0	4.10	0.49
Armarda	31-Dec-11	52.0	n.m. ⁽³⁾	3.07
CNA	31-Dec-11	21.7	6.56	0.36
Plato Capital	30-Jun-11	27.4	12.16	0.69
Stratech	31-Mar-12	27.9	n.m. ⁽³⁾	34.60 ⁽⁴⁾
Azeus	31-Mar-12	23.4	13.92	1.24
JK Tech	31-Mar-12	4.6	n.m. ⁽³⁾	0.91

High	14.65	34.60
Low	4.10	0.36
Mean	10.34	1.16
Median	11.41	0.80

The Sale Group (Implied by the Disposal Consideration)	30-Jun-12	RMB145.2 (\$28.9)	21.12 ⁽¹⁾	0.91 ⁽²⁾
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Source: Bloomberg L.P., annual reports and relevant financial information of the respective Comparable Companies

Notes:

- (1) The historical PERs of the Comparable Companies were computed based on their historical basic consolidated earnings per share as set out in their latest available published full-year results as at the Last Transacted Date. As the Company is an investment holding company, the Sale Group account for substantially the profit of the Sinobest Group. As mentioned in paragraph 5.1 of Appendix A to the RTO Circular, the financials of the Sale Group has been segregated in the FY2011 annual report of Sinobest Group. As such, the historical PER of the Sale Group was computed based on profits after taxation of the discontinued operations, which refers to the Sale Group.
- (2) The P/NTA ratios of the Comparable Companies were computed based on their respective NTA values as set out in their latest available published financial statements and their market capitalisation as at the Last Transacted Date. The P/NTA of the Sale Group was computed based on the consideration for the Proposed Disposal and the Adjusted NTA of the Sale Group.

- (3) n.m. denotes not meaningful as these companies were loss-making according to their latest available published full-year results as at the Last Transacted Date. Accordingly, the mean and median PER computation exclude these companies as they are considered as outliers.
- (4) For the computation of the historical P/NTA, we have excluded this company as it is considered a statistical outlier.

Based on the above as at the Last Transacted Date, we note that:

- (i) the historical PER of the Sale Group as implied by the consideration for the Proposed Disposal of 21.12 times is above the high end of the range of the PER ratios of the Comparable Companies and above the mean and median of the historical PER ratios of the Comparable Companies.
- (ii) the historical P/NTA ratio as implied by the consideration for the Proposed Disposal of 0.91 times is within the range of the P/NTA ratios of the Comparable Companies, and near the mean and median of the historical P/NTA ratios of the Comparable Companies.

As at the Latest Practicable Date, we have reassessed the valuation ratios of the above Comparable Companies and we note that:

- (i) the historical PER of the Sale Group as implied by the consideration for the Proposed Disposal of 21.12 times is at the higher end of the range of the PER ratios of the Comparable Companies and above the mean and median of the historical PER ratios of the Comparable Companies.
- (ii) the historical P/NTA ratio as implied by the consideration for the Proposed Disposal of 0.91 times is within the range of the P/NTA ratios of the Comparable Companies, above the median but below the mean of the historical P/NTA ratios of the Comparable Companies.

From the above, on a PER basis, the Disposal Consideration is ascribed a higher valuation compared to the listed comparables.

Based on the above considerations, we are of the opinion that the Disposal Consideration is reasonable.

5.4 Assessment of the value of the Proposed Selective Share Cancellation

The value of the Proposed Selective Share Cancellation is based on the audited NTA of the Group and adjusting for the Proposed Cash Distribution. The details are set out below:

	RMB 'million	S\$ 'million ⁽¹⁾
Audited NTA of Sinobest Group as at 30 June 2012	155.9	31.0
Less: Proposed Cash Distribution of S\$1.0 million to Shareholders by way of capital reduction	(5.0)	(1.0)
NTA of the Sinobest Group after the Proposed Cash Distribution	150.9	30.0
NTA per Share after the Proposed Cash Distribution ("Cancellation Share Price") based on 110,776,067 Shares	RMB1.36	S\$0.271

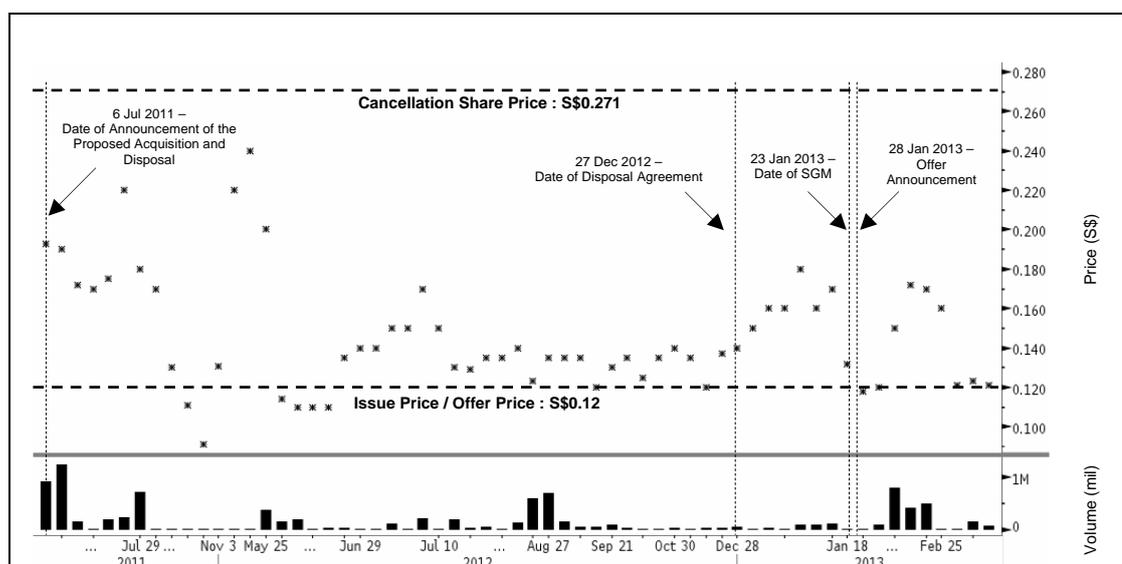
Note:

- (1) Translated based on the closing exchange rate of S\$1:RMB5.023 as at 30 June 2012.

Based on the above NTA per Share after the Proposed Cash Distribution, the value of the Proposed Selective Share Cancellation of 75,347,433 Shares amounts to RMB102,646,323 or S\$20.7 million.

We set out below a chart showing the Cancellation Share Price relative to the daily last transacted prices and trading volume of the Shares from 6 July 2011, being the date of the RTO announcement, to the Latest Practicable Day (the “**Period Under Review**”):

Price movement and traded volume of the Shares from 6 July 2011 to the Latest Practicable Date



Source: Bloomberg L.P.

We note that the Shares of the Company have been trading in the S\$0.118 to S\$0.180 range from June 2012 to the Latest Practicable Date. We also note that the Proposed Acquisition of OKH was satisfied by the Issue Price of S\$0.12 for each Consideration Share. As such, the Cancellation Share Price of S\$0.271 is at a very high premium to the historical trading price of the Shares and to the Issue Price of the Consideration Shares and the Offer Price.

However, we note that the Shares of the Company are thinly traded. In addition, we note that, as at 30 June 2012, the audited equity and NTA of the Sinobest Group are substantially associated with those of the Sale Group classified as held-for-sale, i.e. the Operating Subsidiaries. The Disposal Consideration was arrived at based on the Adjusted NTA of the Sale Group as at 30 June 2012.

Furthermore, we had previously, as set out in paragraph 6.4 of Appendix A to the RTO Circular, highlighted the following scenario, and this is extracted and reproduced in italics below:

“Assuming that the Proposed Disposal is being effected before the Proposed Acquisition, the Company will become a shell company with no business activities and with an NAV of approximately S\$5.2 million and a reduced share capital comprising of 35,428,634 Shares. This translates to an NAV of approximately S\$0.148 per Share. As the Proposed Acquisition and the Proposed Disposal are inter-conditional upon each other, the price of the Consideration Shares would similarly be evaluated against this shell company’s resultant NAV of S\$0.148 as the vendor of the Proposed Acquisition is essentially only purchasing the shell company.”

In the above scenario, the Independent Shareholders’ value per Share based on their resultant 35,428,634 Shares after the Proposed Disposal, the Proposed Selective Share Cancellation and Proposed Cash Distribution (but before the Proposed Acquisition) would be

approximately S\$0.148 on a NAV basis. We note that the Undertaking Shareholders are purchasing the Operating Subsidiaries at the Disposal Consideration which is slightly below the Adjusted NTA of the Sale Group and that their Shares will be cancelled at the Cancellation Share Price based on the adjusted audited NTA of the Group. However, the Independent Shareholders' original NTA backing per Share of S\$0.271 (on the same basis as the Undertaking Shareholders) would be reduced to approximately S\$0.148 per Share after the Proposed Disposal. This is due to the Undertaking Shareholders effectively realising their Shares at the Cancellation Share Price whereas the Cancellation Share Price was not made available or offered to the Independent Shareholders. As such, the Cancellation Share Price of S\$0.271 is at a very high premium to this resultant NAV of S\$0.148 per Share attributable to the Independent Shareholders.

Accordingly, in view of the above factors, we are of the opinion that the Cancellation Share Price is not reasonable.

6. OUR OPINION

Based on our evaluation of the terms of the Proposed Disposal and the information available to us as of the Latest Practicable Date, we are of the opinion that, as a whole, the terms of the Proposed Disposal are not fair and reasonable in the context of Rule 10 of the Code.

Our opinion is addressed to the Board of Directors for their benefit and in connection with the Proposed Disposal in the context of Rule 10 of the Code and neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose other than for the purpose of the Proposed Disposal, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.



Wong Bee Eng
Chief Executive Officer



Terence Lim
Director

cc. *The Secretary*
Securities Industry Council
Attn: *Ms Eunice Lim*