八方金融有限公司
OCTAL Capital Limited

To the Independent Board Committee, the Independent Shareholders

6 October 2016

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
DELOITTE & TOUCHE CORPORATE FINANCE LIMITED
ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
U BANQUET GROUP HOLDING LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH HIM)**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offer, particulars of which are set out in the Composite Document despatched to the Independent Shareholders dated 6 October 2016, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them in the Composite Document.

The Vendors and the Purchasers entered into the Share Purchase Agreement on 9 September 2016 (after trading hours), pursuant to which the Purchasers have agreed to acquire and the Vendors have agreed to sell the Sale Shares, being 289,288,750 Shares in aggregate, representing approximately 62.21% of the entire issued share capital of the Company as at the date of the Joint Announcement, for a consideration of HK$1.29032 per Sale Share, equivalent to HK$373,275,060 in total, of which Mr. Sang (the Offeror) agreed to acquire 184,288,750 Sale Shares, representing approximately 39.63% of the entire issued share capital of the Company as at the Latest Practicable Date. To the best knowledge, information and belief of the Directors, the Purchasers are not connected persons of the Company. Completion of the Share Purchase Agreement took place on 15 September 2016.

As the Offeror and the Purchasers (being parties acting in concert with the Offeror) together own in aggregate 289,288,750 Shares, representing approximately 62.21% of the entire issued share capital of the Company immediately after Completion. Pursuant to Rules 26.1 of the Takeovers Code the Offeror is required to make unconditional mandatory cash offer to acquire all issued Shares (other than those already owned and/or agreed to be acquired by the Offeror or parties acting in concert with him).

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The Independent Board Committee, comprising all the independent non-executive directors of the Company, namely being Mr. Chung Kong Mo *JP*, Ms. Wong Tsip Yue, Pauline and Mr. Wong Sui Chi has been formed to advise the Independent Shareholders in respect of the Offer. We, Octal Capital, have been approved by the Independent Board Committee as the independent financial adviser in respect of the Offer.

We are not connected with the directors, chief executive or substantial shareholders of the Company, the Group, the Purchasers, the Offeror or their respective associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the last two years, Octal Capital has been appointed as the independent financial adviser to the then Independent Board Committee and the then Independent Shareholders of the Company, details of such appointments are set out in the circulars of the Company dated 26 November 2014. Apart from the normal professional fees paid to us in connection with the aforesaid appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by directors of the Company and/or the Offeror were true at the time they were made and continue to be true as at the Latest Practicable Date. We have reviewed the published information on the Company, including but not limited to, the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015, the interim reports of the Company for the six months ended 30 June 2016, and other information contained in the Composite Document. We have also reviewed the trading performance of the Shares on the Stock Exchange. We have also relied on our discussion with directors of the Company regarding the Group and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by directors of the Company and the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by directors of the Company and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Purchasers, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. Should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible pursuant to Rule 9.1 of the Takeovers Code. We have also assumed that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with him (including Mr. Xu and Mr. Cui)) and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with him (including Mr. Xu and Mr. Cui)) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Composite Document misleading.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are residents 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 Offer and, if in any doubt, should consult their own professional adviser.

TERMS OF THE OFFER

Deloitte Corporate Finance, on behalf of the Offeror, hereby makes an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with him (including Mr. Xu and Mr. Cui)) pursuant to Rule 26.1 of the Takeovers Code on the following basis:

The Offer
For each Offer Share..HK$1.29032 in cash

The Offer Price of HK$1.29032 for each Offer Share is equal to the purchase price per Sale Share under the Share Purchase Agreement which was arrived at after arm's length negotiation between the Purchasers and the Vendors.

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, charges and encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of the Composite Document.

Acceptance of the Offer shall be irrevocable and would not be capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in appendix I to the Composite Document and permitted under the Takeovers Code.

Further terms and conditions of the Offer, including the procedures for acceptance of the Offer, are set out in the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE OFFER

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

1. Review of financial position/performance of the Group

The Group principally engages in the operation of a chain of Chinese restaurants, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat, and franchising the use of "U Banquet" in a Chinese restaurant in Hong Kong.

Set out below is the financial information of the Group as extracted from the Company's annual reports for the year ended 31 December 2013, 2014 and 2015 ("**Annual Reports**"), and the interim report for the six months ended 30 June 2016 ("**Interim Report 2016**"):

	For the year ended 31 December			For the six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue from:					
Chinese restaurants operations	342,543	388,217	389,742	193,687	172,906
Provision of wedding services	5,486	3,836	4,062	2,130	963
Distribution of goods	13,742	4,777	4,033	2,234	2,176
Franchise income	—	1,238	3,234	1,601	1,560
Total Revenue	361,771	398,068	401,071	199,652	177,605
Other income	1,820	1,773	1,472	490	763
Cost of revenue	(98,649)	(93,521)	(102,400)	(51,020)	(42,857)
Employee benefit expenses	(83,746)	(99,982)	(112,111)	(51,048)	(55,267)
Depreciation	(16,552)	(16,118)	(15,921)	(7,048)	(7,622)
Operating lease payments	(46,897)	(62,211)	(69,058)	(33,532)	(34,287)
Utilities expenses	(31,431)	(33,679)	(33,860)	(16,726)	(16,047)
Other expenses	(70,963)	(67,103)	(73,358)	(34,895)	(30,522)
Fair value loss of investment properties	—	—	(1,500)	—	—
Operating profit/(loss)	15,353	27,227	(5,665)	5,873	(8,234)
Finance income	524	682	654	176	182
Finance cost	(517)	(121)	(762)	(529)	(436)
Finance income/cost — net	7	561	(108)	(353)	(254)
Profit/(loss) before taxation	15,360	27,788	(5,773)	5,520	(8,488)
Income tax expenses	(5,223)	(5,036)	(205)	(1,577)	(393)
Profit/(loss) and total comprehensive income for the period	10,137	22,752	(5,978)	3,943	(8,881)
Profit/(loss) attributable to owners of the Company	8,358	21,429	(5,978)	3,943	(8,881)

Source: Annual Reports and Interim Report 2016

For the year ended 31 December 2014

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group recorded an increase of total revenue of approximately HK$36.3 million from HK$361.8 million for the year ended 31 December 2013 to HK$398.1 million for the year ended 31 December 2014. It was mainly attributable to the increase of revenue from Chinese restaurant operations of approximately HK$45.7 million from a total of nine restaurants from HK$342.5 million for the year ended 31 December 2013 to HK$388.2 million for the year ended 31 December 2014. It was mainly due to the strong growth in comparable restaurant sales especially due to the full-year contribution from the restaurants in Wong Tai Sin and Sino Plaza. The increase of revenue was slightly netted off by the decrease of revenue from distribution of goods of HK$9.0 million from HK$13.7 million for the year ended 31 December 2013 to HK$4.8 million for the year ended 31 December 2014. It was mainly because one of the Group's major customers had ceased its business with the Group during the year ended 31 December 2014. However, for the year ended 31 December 2014, the Group still recorded an increase of 80.9 % in profit before taxation and increase of 156.4% in profit attributable to owners of the Company mainly due to the increase of revenue.

For the year ended 31 December 2015

As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group recorded an increase of total revenue of approximately HK$3.0 million from HK$398.1 million for the year ended 31 December 2014 to HK$401.1 million for the year ended 31 December 2015. It was mainly attributable to (i) the increase of revenue from Chinese restaurant operations of approximately HK$1.5 million from a total of nine restaurants from HK$388.2 million for the year ended 31 December 2014 to HK$389.7 million for the year ended 31 December 2015; and (ii) the increase of the franchise income of approximately HK$2.0 million from HK$1.2 million for the year ended 31 December 2014 to HK$3.2 million for the year ended 31 December 2015. The increase of franchise income was mainly due to the full-year revenue contribution from a franchised restaurant for the year ended 31 December 2015 while that franchised restaurant only operated for three months for the year ended 31 December 2014. However, for the year ended 31 December 2015, the Group recorded a loss before taxation of HK$5.8 million and a loss attributable to owners of the Company of HK$6.0 million, while for the year ended 31 December 2014, it recorded a profit before taxation of HK$27.8 million and a profit attributable to owners of the Company of HK$21.4 million. These were mainly due to (i) the increase of cost of revenue from HK$93.5 million for the year ended 31 December 2014 to HK$102.4 million for the year ended 31 December 2015 because of the increase in purchase of high cost of fresh seafood with low gross profit margin to cater for special seafood menu for the year ended 31 December 2015; and (ii) the increase of employee benefit expenses by HK$12.1 million from approximately HK$100.0 million for the year ended 31 December 2014 to HK$112.1 million for the year ended 31 December 2015 because of the wage adjustments to retain experienced staff under the inflationary environment.

For the six months ended 30 June 2016

As disclosed in the interim report of the Company for the six months ended 30 June 2016, the Group recorded a decrease of total revenue of approximately HK$22.0 million from HK$199.7 million for the six months ended 30 June 2015 to HK$177.6 million for the year ended 30 June 2016. It was mainly attributable to the decrease of revenue from Chinese restaurant operations of approximately HK$20.8 million from a total of nine restaurants from HK$193.7 million for the six months ended 30 June 2015 to HK$172.9 million for the six months ended 30 June 2016 because of the deterioration in Hong Kong's retail industry. For the six months ended 30 June 2016, the Group recorded a loss before taxation of HK$8.5 million and a loss attributable to owners of the Company of HK$8.9 million while it recorded a profit before taxation of HK$5.5 million and a profit attributable to owners of the Company of HK$3.9 million for the six months ended 30 June 2015. Besides the decrease of revenue, the loss before taxation and loss attributable to owners of the Company for the six months ended 30 June 2016 were attributable to the increase of employee benefit expenses from HK$51.0 million for the six months ended 30 June 2015 to HK$55.3 million for the six months ended 30 June 2016. The increase was mainly due to the wage adjustments to retain experienced staff under the inflationary environment.

We further summarise the audited financial position of the Group as at 31 December 2015 and the unaudited financial position of the Group as at 30 June 2016:

	As at 31 December 2015 *HK$'000* (audited)	As at 30 June 2016 *HK$'000* (unaudited)
Property, plant and equipment	47,207	40,560
Investment properties	24,000	24,000
Other non-current assets	47,334	38,650
Total non-current assets	118,541	103,210
Deposits and prepayments	25,300	49,198
Cash and cash equivalents	29,820	31,981
Other current assets	5,767	4,830
Total current assets	60,887	86,009
Total assets	**179,428**	**189,219**
Accruals and provisions	8,671	8,974
Deposit received	790	1,330
Borrowings	395	300
Other non-current liabilities	3,018	3,133
Total non-current liabilities	12,874	13,737
Accruals and provisions	18,950	16,269
Deposit received	23,051	22,927
Borrowings	24,581	49,150
Other current liabilities	13,387	9,432
Current liabilities	79,969	97,778
Total liabilities	**92,843**	**111,515**
Net assets	**86,585**	**77,704**

Source: Annual Reports and Interim Report 2016

The total assets of the Group amounted to approximately HK$179.4 million (audited) and HK$189.2 million (unaudited) as at 31 December 2015 and 30 June 2016 respectively. Property, plant and equipment, investment properties, deposits and prepayments and cash and cash equivalents were the major assets of the Group, which together accounted for approximately 70.4% and 77.0% of the total assets as at 31 December 2015 and 30 June 2016 respectively.

The total liabilities of the Group amounted to approximately HK$92.8 million (audited) and HK$111.5 million (unaudited) as at 31 December 2015 and 30 June 2016 respectively. As at 31 December 2015 and 30 June 2016, accruals and provisions, deposit received and borrowings were the major items of liabilities of the Group, accounting for approximately 81.5% and 87.5% respectively of total liabilities of the Group.

The net asset value of the Group amounted to approximately HK$86.6 million (audited) and HK$77.7 million (unaudited) as at 31 December 2015 and 30 June 2016 respectively, resulting from loss of the Group of approximately HK$6.0 million for the year ended 31 December 2015 to approximately HK$8.9 million for the six months ended 30 June 2016. The net asset value per Share decreased from approximately HK$0.186 per Share as at 31 December 2015 to approximately HK$0.167 per Share as at 30 June 2016. As at 31 December 2015, the Group was at net cash position calculated as the gearing ratio measured by net debt (aggregate of current and non-current borrowings less cash and cash equivalents) divided by total capital (calculated as total equity plus net debt), whilst as at 30 June 2016, the Group's gearing ratio was approximately 18.4%.

2. Future prospect of the Group

According to the statistics released by the Census and Statistics Department, there was 11% more of the respondents in the industry of accommodation and food services, holding a view that the business situation in the third quarter of 2016 will be worse than the second quarter of 2016, than the respondents holding an optimistic view. Furthermore, according to the Hong Kong Tourism Board Insights & Research in August 2016, the total number of visitors from the PRC between January 2016 and July 2016 decreased 8.8% as compared to the same period last year. The statistics results from the Census and Statistics Department showed that the per capita spending of visitors dropped from HK$7,960 in 2014 to HK$7,234 in 2015. It is not assertive that there will be a rebound in 2016. In another aspect, the level of rental expense is also expected to remain high. According to Rating and Valuation Department, the current level of the Private Retail Rental Index is still above the three-year average level of 176.6 although the Private Retail Rental Index of Rating and Valuation Department dropped from the peak of 184.9 in September 2015 to 177.7 in July 2016. Moreover, the inflating labour cost raises another concern about the prospect of restaurant industry. According to the data of wage gathered by the Census and Statistics Department, the monthly wage of waiter or waitress increased from HK$11,551 in March 2015 to HK$12,170 in March 2016 and the monthly wage of cook increased from HK$15,989 in March 2015 to HK$17,096 in March 2016. With effect from 1 May 2015, a revised Statutory Minimum Wage (the "SMW") has come into force. The SMW rate was raised from HK$30 per hour to HK$32.5 per hour. Besides, the Minimum Wage Commission is currently reviewing the SMW rate. It is uncertain whether there will be a further increase of the SMW rate.

According to the interim report for the six months ended 30 June 2016, the Group is still continuously searching for appropriate locations with high traffic flow and reasonable rentals to expand its restaurant network. The Group had entered into a tenancy agreement in April 2016 with a landlord for a restaurant in Tsim Sha Tsui which was open in August 2016. This new restaurant is expected to become another major income stream for the Group and enlarge the Group's market share within the industry. We have reviewed the market value of properties with similar size, character and location with the restaurant in Tsim Sha Tsui and considered that the Group has rented at a reasonable rent.

The Group will continue to deploy different marketing strategies, adding creative features to the existing and new restaurants, meanwhile, implementing effective cost control measures and minimizing the operating costs on rental, raw materials and labour accordingly.

Looking forward, the Group will continue to utilise its available resources to engage in its current business and to develop its core business, including opening more local restaurants proactively in order to sustain the Group's growth, seeking potential customers in respect of distribution of goods business to deliver satisfactory returns to its shareholders. The Group had extended the franchise agreement with the franchisee up to July 2017 which enables the Group to receive a stable franchise income. Apart from that, the Group will also continue to explore business opportunities associated with its core business to strengthen its revenue base and maximise its return of the shareholders and value of the Company.

In view of (i) the operating loss of the Group of HK$6.0 million was incurred for the year ended 31 December 2015 and the loss increased to HK$8.9 million for the six months ended 30 June 2016; (ii) the deterioration of the retail industry resulted from high rental expenses and labour cost; (iii) the feasibility of the new marketing strategies and cost control measures; and (iv) the Group is able to continue to search for new premises with high traffic flow and at reasonable rental expenses, we are cautious about the prospects and outlook of the Group.

3. Background of the Offeror and the Purchasers and intention of the Offeror regarding the Company

Background of the Offeror

Mr. Sang (the Offeror) is a Hong Kong resident. Mr. Sang, aged 40, obtained a bachelor's degree in Electrical Engineering from Beijing Institute of Technology. Mr. Sang has over 15 years of experience in the securities investment industry in Hong Kong and the PRC. The Offeror is a third party independent of, and not acting in concert with, the Vendors. Immediately preceding Completion, the Offeror did not own any Shares.

Background of the Purchasers

Mr. Xu obtained a master's degree in business administration from Tsinghua School of Economics and Management. Mr. Xu has been the president of Guorun Construction Group Limited since 1996 and the general manager of Beijing Rixing Property Development Limited since 2004. From 2014 to present, Mr. Xu has been employed as the president of Guorun Holdings Group Limited. He is also the chairman and director of Asia Pacific Aviation Leasing Group from 2016.

Mr. Cui obtained a bachelor's degree in Money and Banking from Beijing Business School in 1997. Mr. Cui was employed as the assistant general manager of Sinotrans & CSC Holdings Co., Ltd's finance department from 1997 to 2012. From 2012 to 2014, Mr. Cui was the managing director of capital operations of ABCI China Investment Corporation Limited. Mr. Cui has over 19 years of experience in the securities investment industry in PRC and over 10 years of experience in Hong Kong's securities industry.

Intention of the Offeror regarding the Group

After the Completion, the Offeror will become the controlling shareholder of the Group. As stated in the "Letter from Deloitte Corporate Finance", the Offeror intends to maintain the listing of the Shares on the Stock Exchange. It is the intention of the Offeror that the Group will continue to focus on the development of its existing business, namely, the Chinese restaurant business in Hong Kong, and does not intend to introduce any major changes to the existing operations and business of the group immediately after completion of the Offer. The Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group and/or disposal of assets and/or business in order to enhance its growth. The Offeror has no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

Proposed change of Board composition

The Board is currently made up of six Directors, comprising three executive Directors, being Mr. Cheung, Mr. Cheung Ka Kei and Mr. Kan Yiu Pong; and three independent non-executive Directors, being Mr. Chung Kong Mo *JP*, Ms. Wong Tsip Yue, Pauline and Mr. Wong Sui Chi.

It is intended that the resignation of all of the existing Directors with effect on the earliest date on which such resignation may take effect under the Takeovers Code (being after the Offer Closing Date).

The Offeror intends to nominate three executive Directors and three independent executive Directors to the Board and such appointment will take effect on or after the close of Offer subject to compliance with the Takeovers Code. Any changes to the Board will be made in compliance with the Takeovers. For further details of the biographies of the proposed Directors, please refer to "Letter from Deloitte Corporate Finance" in the Composite Document.

As set out in the above, it is believe that the nature of business of the Company will not have material change as the Offeror intends to continue the existing principal businesses of the Group. Save as the changes to the members of the Board composition, the Offeror has no intension to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

4. Comparison between the Offer Price and historical Share prices

The Offer Price of HK$1.29032 represents:

(i) a premium of approximately 53.61% over the closing price of HK$0.840 per Share as quoted on the Stock Exchange on 30 June 2016 (being the last trading day prior to commencement of the Offer Period);

(ii) a premium of approximately 2.41% over the closing price of HK$1.260 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 3.23% over the average closing price of approximately HK$1.250 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 4.48% over the average closing price of approximately HK$1.235 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a premium of approximately 7.17% over the average closing price of approximately HK$1.204 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;

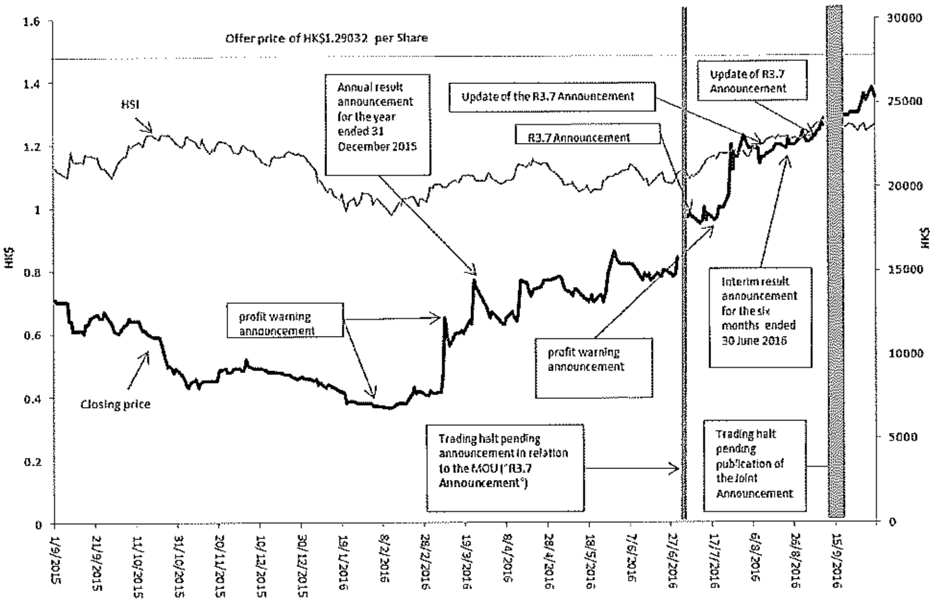
(vi) a discount of approximately 4.42% to the closing price of HK$1.350 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a premium of approximately 672.65% over the unaudited consolidated net asset value of the Group of approximately HK$0.167 per Share as at 30 June 2016 in the Company's interim report, calculated based on the Group's unaudited consolidated net assets of approximately HK$77.7 million as at 30 June 2016 and 465,000,000 Shares in issue as at the Latest Practicable Date.

5. Historical Share price performance and trading liquidity

i. Historical Share price performance

Set out below is the daily closing price of the Shares as quoted on the Stock Exchange for the period commencing from 1 September 2015, being the 12 month period prior to the Last Trading Day and further up to the Latest Practicable Date (the "**Review Period**") as follows:



Source: the Stock Exchange

In order to assess the fairness and reasonableness of the Offer Price, we reviewed the daily closing price of the Shares during the period from 1 September 2015 up to 9 September 2016 (the "**Pre-announcement Period**") to illustrate the trading performance of the Shares. During the Pre-announcement Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.365 per Share recorded on 11 February 2016 and 12 February 2016 and HK$1.27 per Share recorded on 8 September 2016. As illustrated in the above diagram, there were 253 trading days during the Pre-announcement Period, and within such period, there was no trading day that the closing price of the Shares is above the Offer Price of HK$1.29032. During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.365 per Share recorded on 11 February 2016 and 12 February 2016 and HK$1.38 per Share recorded on 3 October 2016 respectively. As illustrated in the above diagram, there were 269 trading days during the Review Period, and within such period, there were 9 trading days that the closing price of the Shares is above the Offer Price of HK$1.29032.

From the beginning of September 2015 till the mid of February 2016, the closing price of the Share was generally in a declining trend. The declining trend of the closing price of the Share during the period from beginning of September 2015 to mid of February 2016 was generally in line with similar trend of the HSI in the same period, which was primarily due to the overall negative market sentiment during such period. The profit warning announcement issued on 1 February 2016, put a mild downward pressure on the Share price.

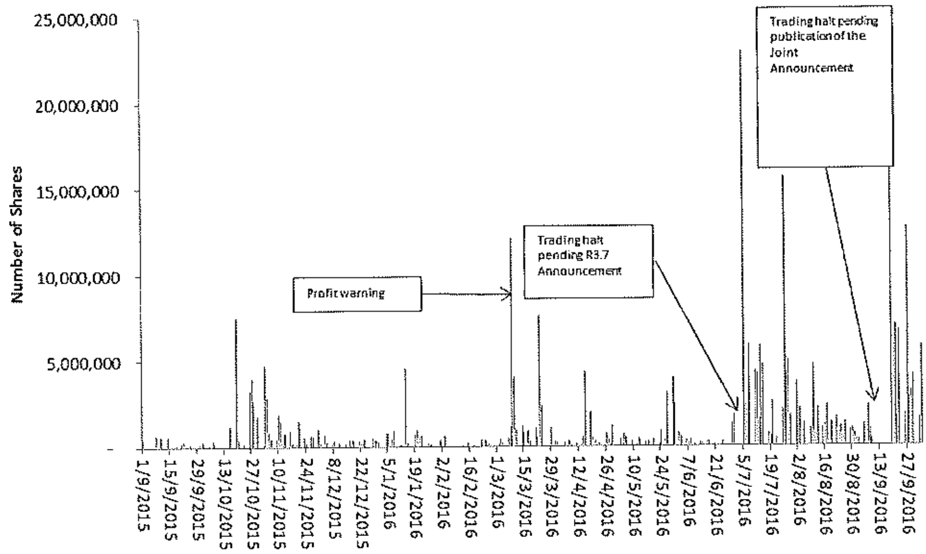
Despite the profit warning announcement issued on 1 February 2016, the closing price of the Shares began to go up and the upward price movement was maintained starting from 15 February 2016. As advised by the Board, the Board was not aware of any reasons for such increases in the closing price of the Share. After the announcement of the profit warning issued on 3 March 2016 regarding to the financial performance for the year ended 31 December 2015, the closing price of the Share had a mild set back. However the downward movement was quickly reverted after it reached the bottom of HK$0.65 on 3 March 2016. After the announcement of the annual result for the year ended 31 December 2015 that the Group incurred loss before income tax expense of approximately HK$5.8 million for the year ended 31 December 2015 compared to profit before income tax of HK$27.8 million for the year ended 31 December 2014, the closing price of the Share started to drop and reached HK$0.64 on 5 April 2016. After that, the closing price of the Share fluctuated but still remained an upward trend in general.

Immediately after the publication of the R3.7 Announcement, the closing price of the Shares was HK$0.97 and further increased to HK$1.19 on 5 August 2016, being the date after the first update of R3.7 Announcement. Trading in the Shares was suspended on 12 September 2016, on which the Company published the Joint Announcement and the closing price of the Share remained in an upward trend. Trading was suspended on 12 September 2016, on which the Company published the Joint Announcement. Therefore, the closing price of the Shares increased to HK$1.29 on 19 September 2016 and maintained in the range of HK$1.29 to HK$1.38 afterwards.

Having considered that (i) the Offer Price is above at premium over the closing prices of the Share and net asset value of the Group during 260 out of 269 trading days of the Review Period; and (ii) the closing prices of the Shares increased after the publication of the R3.7 Announcement and Joint Announcement, there may be possibility that such situation may have been the result of the speculation, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

ii. Trading liquidity

The following chart shows the daily trading volume of the Shares during the Review Period:



The number of trading days, the average daily trading volume of the Shares, and the respective percentages of the Share's daily trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Total monthly trading volume	Approximate average daily trading volume	% of average daily trading volume to total number of issued Shares *(Note 3)*	% of average daily trading volume to no. of Shares held by the public *(Note 4)*
2015					
September	20	4,270,500	213,525	0.05	0.12
October	20	23,928,000	1,196,400	0.26	0.70
November	21	20,028,000	953,714	0.21	0.55
December	22	5,896,000	268,000	0.06	0.16
2016					
January	20	11,640,000	582,000	0.13	0.34
February	18	2,636,000	146,444	0.03	0.09
March	21	36,442,000	1,735,333	0.37	1.01
April	20	12,186,000	609,300	0.13	0.35
May	21	15,302,000	728,667	0.16	0.42
June	21	7,412,000	352,952	0.08	0.21
July *(Note 1)*	20	88,730,440	4,436,522	0.95	2.58
August	22	32,626,000	1,483,000	0.32	0.86
September *(Note 2)*	21	75,468,000	3,593,714	0.77	2.09
October (and up to and including the Latest Practicable Date)	2	7,392,000	3,696,000	0.79	2.15

Source: the Stock Exchange

Notes:

1. The trading in Shares on the Stock Exchange was halted on 4 July 2016 pending the release of the R3.7 Announcement.

2. The trading in Shares on the Stock Exchange was suspended on 12 September 2016 up to the release of the Joint Announcement on 15 September 2016 and trading of Shares on the Stock Exchange was resumed on 19 September 2016.

3. Based on the total number of Shares in issue as at the Latest Practicable Date.

4. Based on the total number of Shares held by the public as at the Latest Practicable Date.

We note from the above table that the average daily trading volume of the Shares has been thin in general prior to the release of the announcement of profit warning issued on 9 March 2016 after trading hour. As illustrated in the table above, during the Review Period, the average trading volume of the Shares as percentage of the total number of issued Shares ranged from approximately 0.03% to 0.95% which the average daily trading volume of Shares as a percentage of the total number of Shares held by the public ranged from approximately 0.09% to 2.58%.

The trading volume reached the highest level in July 2016, the month of which the R3.7 Announcement was issued. In July 2016 and September 2016, the trading volume was significantly larger than the average. The average trading volume of the Shares as percentage of the total number of issued Shares was approximately 0.95% and 0.77% respectively in July 2016 and September 2016. The average daily trading volume of the Shares as a percentage of the total number of Shares held by the public was approximately 2.58% and 2.09% respectively in July 2016 and September 2016.

In view of the generally low liquidity of Shares prior to the release of the R3.7 Announcement during the Review Period and the liquidity only modestly increased after the release of the R3.7 Announcement, we considered that the Independent Shareholders who might wish to realise their investment in the Company in market may not be able to do so without exerting a downward pressure on the market price of Shares and the Independent Shareholders may not necessarily receive proceeds reflected by the market price from disposal of Shares in the open market and thus, the Offer furnishes an alternative means for Independent Shareholders to realise their investment in Shares if they so wish.

6. Comparable Analysis

To further assess the fairness and reasonableness of the Offer Price, Price-to-earnings ratio ("**P/E Ratio**") and price-to-book ratio ("**P/B Ratio**") analysis are commonly used benchmarks in valuing a company. The P/E Ratio and P/B Ratio are calculated based on audited profits attributable to owners and the net asset values attributable to the owners of the company from the most recent financial year. The Group is principally engaged in operation of full-services Chinese restaurants including the provision of dining and wedding banquet services, provision of wedding services and distribution of goods consisting of fresh vegetables, fruits, seafood and frozen meat. The Group also has been franchising the use of "U Banquet" to a Chinese restaurant in Hong Kong. Therefore, we have identified 5 similar companies, which are (i) listed on the Stock Exchange; (ii) have market capitalisation of less than HK$5 billion; (iii) engaged in catering business; and (iv) have over 50% of its revenue generated in Hong Kong, to compare the P/E Ratio and P/B Ratio of the Group with that of the comparable listed companies (the "**Comparables**"). We consider the selection of the Comparables can reflect the general business performance and value similar to those of the Company. However, given that the Company was loss making for the year ended 31 December 2015 and the six months 30 June 2016, it is impracticable to use P/E Ratio to value the Company with other companies engaged in similar industry and therefore we have attempted to conduct an analysis with reference to the P/B Ratio. We consider the Comparables set forth in the table below an exhaustive list under such criteria. Summarised below are our relevant findings:

Company name (code)	Closing price[1] (HK$)	Market Capitalisation as at the Latest Practicable Date (HK$ Million)	Latest published net asset value attributable to owners of the company[2] (HK$ Million)	P/B Ratio (times)
Fairwood (52)	37	4,713.5	676.3	7.0
Fulum Group (1443)	1.32	1,716.0	959.4	1.8
Tao Heung (573)	2.5	2,541.5	1,781.8	1.4
G-Vision International (657)	0.375	729.9	107.8	6.8
Tsui Wah (1314)	1.43	2,018.1	1,169.4	1.7
			Mean	3.7
			Median	1.8
			Maximum	7.0
			Minimum	1.4
The Company	1.29032[3]	600.0	86.6	6.9

Source: The Stock Exchange and published information of the abovementioned companies

Notes:

1. Based on the closing price on 4 October 2016, being the Latest Practicable Date.

2. Unless otherwise specified, net asset value attributable to the owners of the company refers to the latest published accounts.

3. Based on the Offer Price of HK$1.29032 per Share.

Based on the above table, we noted that the P/B Ratios of the Comparables ranged from approximately 1.4 times to 7.0 times as at the Latest Practicable Date, with a median and an average of approximately 1.8 and 3.7 times respectively. The P/B Ratio implied by the Offer Price of approximately 6.9 times is slightly below the upper range of the Comparables as at the Latest Practicable Date. Therefore, we are of the view that the Offer Price is fair and reasonable to the Independent Shareholders.

RECOMMENDATION ON THE OFFER

Taking into consideration the abovementioned principal factors and reasons, in particular, the following:

(i) the Company's financial performance deteriorated and incurred loss attributable to owners of the Company for the year ended 31 December 2015 and for the six months ended 30 June 2016;

(ii) the uncertain prospect and outlook of the Group is subject to factors such as rental expenses, labour cost and the feasibility of the new marketing strategies and cost control measures;

(iii) the Offer Price is above the closing price of the Shares for the majority of the Review Period;

(iv) the average daily trading volume of the Shares has been thin in general prior to the publication of the announcement of MOU which the Independent Shareholders may find it difficult to dispose a large number of Shares in the open market without exerting a downward pressure on the price of the Shares, while the Offer provides the Independent Shareholders with an assumed exit if they wish to realise their investments in the Shares;

(v) the P/B Ratio implied by the Offer Price of approximately 6.9 times is slightly below the upper range of the Comparables as at the Latest Practicable Date;

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. On such basis, we recommend Independent Board Committee of the Company to advise the Independent Shareholders to accept the Offer.

However, the Independent Shareholders should note that the price level of the Shares has been maintaining at a level higher than the Offer Price since the publication of the Joint Announcement and up to the Latest Practicable Date. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

Those Independent Shareholders who intend to accept the Offer are strongly reminded to closely monitor the market price and the liquidity of the Shares during the period when the Offer remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer after having regard to the market price and the liquidity of the Shares.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Wong Wai Leung**
Managing Director	*Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.