

3 May 2019

To: The independent board committee of New Sports Group Limited

Dear Sirs,

**UNCONDITIONAL MANDATORY SECURITIES EXCHANGE OFFER
WITH CASH ALTERNATIVE BY
CCB INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF THE OFFEROR TO ACQUIRE
ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
NEW SPORTS GROUP LIMITED (OTHER THAN THOSE ALREADY
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the letter from the NSG Board (the “**Board Letter**”) contained in the Composite Offer Document dated 3 May 2019 issued by NSG and the Offeror to the NSG Independent Shareholders, 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.

On 17 January 2019, the Offeror (an indirect wholly-owned subsidiary of CGG) and the Vendor Parties entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares (being in aggregate 1,509,180,611 NSG Shares), representing approximately 37.18% of the entire issued share capital of NSG as at the Latest Practicable Date.

Completion took place on 23 April 2019 in respect of a total of 1,508,505,611 Sale Shares (instead of 1,509,180,611 Sale Shares) as Mr. Zhang Xiaodong was only able to deliver 800,000 Sale Shares (instead of 1,475,000 Sale Shares) to the Offeror at Completion and he had retained 675,000 NSG Shares immediately upon Completion. Immediately after Completion and as at the Latest Practicable Date, the Offeror Concert Group directly held in aggregate 2,696,496,898 NSG Shares, representing approximately 66.42% of the issued share capital of NSG. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is making an unconditional mandatory general offer for all the issued NSG Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

The Independent Board Committee comprising Ms. Zhan Yushan who is a non-executive director of NSG, Mr. Chen Zetong, Ms. He Suying and Dr. Tang Lai Wah who are independent non-executive directors of NSG, has been established to advise the NSG Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged by NSG in April 2019 as independent financial adviser to provide opinion on a transaction for internal corporate governance purpose. Notwithstanding the aforesaid engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and NSG or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Offer Document and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the NSG Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, NSG Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the NSG Directors in the Composite Offer Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Offer Document, or the reasonableness of the opinions expressed by NSG, its advisers and/or the NSG Directors, which have been provided to us. Our opinion is based on the NSG Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to (i) the section headed “1. RESPONSIBILITY STATEMENT” under Appendix IV to the Composite Offer Document; and (ii) the section headed “1. RESPONSIBILITY STATEMENTS” under Appendix V to the Composite Offer Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Offer Document, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of NSG, CGG, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the NSG Group or the NSG Shareholders as a result of the Offer. NSG has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Offer Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Offer Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. The NSG Independent Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background and terms of the Offer

On 17 January 2019, the Offeror (an indirect wholly-owned subsidiary of CGG) and the Vendor Parties entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the Sale Shares (being in aggregate 1,509,180,611 NSG Shares), representing approximately 37.18% of the entire issued share capital of NSG as at the Latest Practicable Date.

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According to the “Letter from CCBI Capital” as contained in the Composite Offer Document (the “CCBI Capital Letter”), the Offer is made by CCBI Capital on the following basis:

The Share Alternative

For each Offer Share **1 new CGG Share**

or

The Cash Alternative

For each Offer Share **HK\$0.435 in cash**

With reference to the CCBI Capital Letter, the ratio under the Share Alternative is the same as the ratio of one new CGG Share for every NSG Share sold as Sale Share by the Vendors under the Sale and Purchase Agreement.

The cash consideration per Offer Share under the Cash Alternative is based on the weighted average traded price of board lots of CGG Shares on the date of the Sale and Purchase Agreement.

With reference to the CCBI Capital Letter, as at the Latest Practicable Date, (i) there were 4,059,556,212 NSG Shares in issue; (ii) there were no outstanding warrants, options, derivatives or convertible securities issued by NSG which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into NSG Shares; (iii) 111,548,585 new NSG Shares to be issued to the Yue Jin Seller (or its nominee) as the Yue Jin Retained Shares in accordance with the Yue Jin Agreement; and (iv) the Offeror Concert Group held in aggregate 2,696,496,898 NSG Shares. As such, up to 1,474,607,899 NSG Shares (including the 675,000 NSG Shares retained by Mr. Zhang Xiaodong after Completion and up to 111,548,585 Yue Jin Retained Shares) are subject to the Offer.

(2) Information on the NSG Group

According to the Board Letter, NSG is a company incorporated in the Cayman Islands with limited liability, and its shares are listed on the main board of the Stock Exchange (Stock code: 299). NSG Group is principally engaged in property development and investment in the PRC, trading of commodities in the PRC, operation of a yacht club, provision of trading services and provision of online game service and platform service.

Set out below is a summary of the consolidated financial information on the NSG Group for the three years ended 31 December 2018 as extracted from NSG's annual report for the year ended 31 December 2018 ("FY2018") (the "NSG 2018 Annual Report") and annual report for the year ended 31 December 2017 (the "NSG 2017 Annual Report"):

	For the year ended 31 December 2016 HK\$'000	For the year ended 31 December 2017 HK\$'000	For the year ended 31 December 2018 HK\$'000
Revenue	155,208	191,519	1,892,396
<i>From continuing operation:</i>			
<i>Provision of online game services in the PRC</i>	154,354	36,381	18,428
<i>Yacht club in the PRC</i>	90	38,831	111,255
<i>Education in the PRC</i>	92	14,714	64,101
<i>Real estate and property investment</i>	—	1,275	1,062,727
<i>Construction</i>	—	—	84,279
<i>Trading of commodities</i>	—	100,318	547,976
<i>Others</i>	—	—	3,630
<i>From discontinued operation:</i>			
<i>P2P financial intermediary services in the PRC</i>	1	—	—
<i>Software development in the PRC</i>	671	—	—
Gross profit/(loss)	46,139	(42,772)	134,118
Profit/(Loss) for the year	(920,171)	101,847	161,837

As depicted from the above table, NSG Group's revenue for the year ended 31 December 2017 ("FY2017") increased by approximately 23.40% as compared to that for the year ended 31 December 2016 ("FY2016"). With reference to the 2017 NSG Annual Report, the aforesaid increase in NSG Group's revenue was mainly attributable to the contribution of the revenue derived from the operation of marine sports base and sailing school which was acquired in December 2016 and the trading of commodities which was commenced in FY2017 (being partially offset by the significant decrease in revenue from provision of online game services in the PRC).

Despite the aforesaid increase in NSG Group's revenue, NSG Group's recorded gross loss of approximately HK\$42.77 million for FY2017 (as compared to gross profit for FY2016). With reference to the NSG 2017 Annual Report, the aforesaid turnaround from gross profit to gross loss was mainly due to (i) the decrease in revenue in mobile gaming industry; and (ii) the gross loss from the operation of a yacht club and provision of training services which was resulted from the inclusion of the non-cash amortisation expense of other intangible assets into cost of sales.

With reference to the NSG 2017 Annual Report, NSG Group's gross loss for FY2017, as balanced by the effect of (i) gain on bargain purchase; (ii) fair value gain on investment properties; (iii) fair value gain on contingent consideration payable; (iv) substantial decrease in impairment losses on goodwill and other intangible assets for FY2017 as compared to FY2016; and (v) profit from discontinued operations of approximately HK\$158.81 million for FY2017 (which was the gain on disposal of certain discontinued entities of NSG Group's software development and P2P internet financing business with net liabilities), led to NSG Group's profit for FY2017 (after the loss making position for five consecutive financial years up to FY2016).

As depicted from the above table, NSG Group's revenue for FY2018 increased significantly by over 8 times as compared to those for FY2017. With reference to NSG 2018 Annual Report, the significant increase in revenue was mainly attributable to the contribution of the revenue derived from the recognition of sales of properties of NSG's newly acquired subsidiary in Hunan and the trading of commodities business in the PRC. Along with the revenue growth, NSG Group also made a turnaround from its gross loss position for FY2017 to gross profit for FY2018 and its profit for FY2018 increased substantially by approximately 58.90% as compared to that for FY2017.

As advised by the NSG Directors, NSG Group commenced its real estate and property investment business in FY2017, which became NSG Group's largest revenue contributor (contributed approximately 56.16% of NSG Group's revenue) in FY2018.

Set out below are some industry information of NSG Group's two key business operations, namely, property business (comprising of real estate and property investment segment and construction segment) and sports culture business (comprising of yacht club in the PRC segment, education in the PRC segment and others segment) (although the trading of commodities segment contributed approximately 29% of NSG Group's revenue for FY2018, it recorded negative segment results in FY2018 and was not considered as a key business operation of NSG Group):

Property business

According to 《2018年國民經濟和社會發展統計公報》 (2018 statistical bulletin of national economic and social development*) published by the National Bureau of Statistics of China, the fixed assets investment in the real estate market increased by approximately 8.3% in 2018 as compared to 2017. The table below summarised (i) the amount of real estate development and investment; and (ii) the sale of commodity houses,

from 2015 to 2018, according to 《全國房地產開發投資和銷售情況》 (National real estate development, investment and sale*) for each year from 2015 to 2018 published by the National Bureau of Statistics of China:

	2015 (RMB billion)	2016 (RMB billion)	2017 (RMB billion)	2018 (RMB billion)
Amount of real estate development and investment	9,597	10,258	10,980	12,026
Sale of commodity houses	8,728	11,763	13,370	14,997

As depicted from the above table, both of the (i) amount of real estate development and investment; and (ii) sale of commodity houses, in China experienced continuous growth from 2015 to 2018. From 2017 to 2018, amount of real estate development and investment in China increased by approximately 9.5% and the sale of commodity houses in China increased by approximately 12.2%.

Sports culture business

With reference to the 2018 NSG Annual Report, sports culture is one of the Group's current strong businesses, and has a mature management team, good market relations and a stable development model. The main sports and cultural business operated by the Group include the New Sports Marine Sports Center, the New Sports Marine Training Center and the Shenzhen Bihai Bay Golf Practising Court.

According to 《關於進一步促進體育消費的行動計劃(2019–2020年)》 (National Action Plan on Further Promoting Sports Consumption (2019–2020)*) jointly published by General Administration of Sport of China and National Development and Reform Commission in January 2019, the total national sports consumption will reach RMB1.5 trillion, and the proportion of per capita sports consumption expenditure in total consumption expenditure will rise by 2020.

According to 《2017全國體育產業總規模與增加值數據公告》 (Announcement of National Sports Industry Scale and Increment Data 2017*) as published by the National Bureau of Statistics of the PRC on 8 January 2019, (i) the total scale of national sports industry was approximately RMB2.2 trillion in 2017, representing a nominal increase of 15.7% as compared to that of 2016; and (ii) the sports service continued to maintain a rapid development momentum and the proportion of increment of sports service in the national sports industry continued to rise.

The above industry information demonstrates a general positive prospects of NSG Group's key business operations.

With reference to the 2018 NSG Annual Report, FY2018 is a “year of in-depth adjustment” for NSG Group. Through multiple rounds of mergers and acquisitions, NSG vigorously developed property business and obtains sufficient land reserve resources. At the same time, NSG Group continued to operate the sports culture business steadily, with two wheels driving simultaneously, and consolidated internal and external resources, so as to achieve the effective cooperation and benign development of the two pillar businesses. Looking forward to 2019, NSG Group will resolutely focus on the strategic policy formulated by the NSG Board. In the aspect of property investment, the annual theme is “high quality, accurate supply, accelerated sales, and accelerated repayment”. With a clearer mind and a more aggressive spirit, NSG Group will make up for its shortcomings and consolidate its internal merits; and take more pragmatic and effective measures to control risks and build a solid cash position, so as to achieve steady growth and robust development; in the aspect of sports culture, NSG Group will innovate the operation mode of venues, improve the quality of sports training, intensify the operation of competitions, develop sports tourism, and continue to devote ourselves to the construction and promotion of a well-known brand as a comprehensive platform in the sports culture industry.

(3) Information on CGG

With reference to the CCBI Capital Letter, CGG is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock code: 1282). CGG Group is principally engaged in financial services, automation, manufacturing, securities investment and property investment and development.

Set out below is a summary of the consolidated financial information on the CGG Group for the three years ended 31 December 2018 as extracted from CGG’s annual report for FY2018 (the “CGG 2018 Annual Report”) and annual report for FY2017 (the “CGG 2017 Annual Report”):

	For the year ended 31 December 2016 HK\$'000	For the year ended 31 December 2017 HK\$'000	For the year ended 31 December 2018 HK\$'000
Revenue	995,560	2,825,287	1,582,581
<i>Automation</i>	553,680	612,999	567,061
<i>Financial Services</i>	84,953	145,755	178,773
<i>Manufacturing</i>	58,080	122,946	99,351
<i>Property Investment and Development</i>	—	1,412,734	706,625
<i>Securities Investment</i>	298,847	530,853	30,771
Gross profit	473,438	871,276	519,364
Profit for the year	654,409	893,891	675,596

As depicted from the above table, CGG Group recorded a substantial increase in revenue, gross profit and profit for FY2017 as compared to that for FY2016. With reference to the CGG 2017 Annual Report, except for the manufacturing segment, all other four CGG Group's segments recorded operating profit for FY2017. CGG Group adopted property investment and development as one of the principal businesses in FY2017, aiming at better leveraging its resources to diversify income sources and improve its financial position. CGG Group's property investment and development segment became its largest revenue contributor in FY2017 and its operating profit also contributed to the substantial improvement in CGG Group's profit for FY2017.

As depicted from the above table, CGG Group recorded a substantial decrease in revenue, gross profit and profit for FY2018 as compared to that for FY2017. Nevertheless, CGG Group's revenue, gross profit and profit for FY2018 still remained higher than those for FY2016. CGG Group made profit for four consecutive financial years up to FY2018. With reference to the CGG 2018 Annual Report, except for the manufacturing segment, all other four CGG Group's segments recorded operating profit for FY2018.

With reference to the CGG 2018 Annual Report, CGG Group remains positive to its business development, and is committed to deal with all kinds of challenges and opportunities with stable and healthy business strategies and financial policies. CGG Group has actively conducted strategic transformation in recent years, of which vigorous development of finance business is an important component. After years of development, the financial industry layout has been smoothly promoted, and the current financial business has become comparably large. CGG Group will continue to increase resources in the finance business in the future. In the future, the business structure of CGG Group will focus on financial business, together with real estate, technology and investment businesses.

Set out below are some industry information of CGG Group's key business operations, namely, automation, financial services, and property investment and development (manufacturing and securities investment are not considered to be key business operations given its revenue size in FY2018):

Automation

With reference to the CGG 2018 Annual Report, CGG Group's automation segment represents the trading of automated production related equipment and provision of related services business. Its major product is surface mount technology product. (i.e. component placement systems used to place surface-mount devices onto a printed circuit board).

We found a press release published on the website of MarketsandMarkets Research Private Ltd. in March 2017 in relation to a market research report titled "Surface Mount Technology Market by Equipment (Placement, Inspection, Soldering, Screen Printing, Cleaning, Repair & Rework), Application (Consumer Electronics, Automotive, Aerospace & Defense), and Geography — Global Forecast to 2022". According to the website of MarketsandMarkets Research Private Ltd., it is the largest market research firm worldwide in terms of annually published premium market research reports. According

to the aforesaid press release, the surface mount technology market is expected to be valued at US\$5.42 billion by 2022, representing a compound annual growth rate of 8.9% as compared to that of 2017. The factors driving the growth of the market include the increased demand for miniaturized consumer electronics products and the increasing adoption of electric vehicles.

Financial services

With reference to the CGG 2018 Annual Report, CCG Group's financial services represents regulated business activities in respect to financial services under the SFO in Hong Kong. Glory Sun Securities Limited (formerly known as China Goldjoy Securities Limited), a subsidiary of CCG, holds licences to conduct Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO.

According to the statistics available on the Stock Exchange's website, (i) the average daily turnover of Hong Kong securities market in 2018 was HK\$107.4 billion, representing an increase of approximately 22% as compared with HK\$88.2 billion in 2017; (ii) there were 218 newly listed companies in 2018, representing an increase of approximately 25% as compared with 174 newly listed companies in 2017; (iii) funds raised through IPOs for in 2018 was approximately HK\$286.5 billion, representing an increase of approximately 123% as compared with HK\$128.5 billion in 2017.

We also noticed from the statistics available on the SFC's website that there were 2,215 authorised funds as at 31 March 2018, representing an increase of approximately 1% as compared with 2,203 authorised funds as at 31 March 2017; and (ii) the total net asset value of authorised unit trusts and mutual funds was US\$1,661,324 million as at the end of December 2017, representing an increase of approximately 29% as compared with US\$1,284,104 million as at the end of December 2016.

Property investment and development

The industry information is set out under the section headed "(2) Information on the NSG Group" above.

The above industry information demonstrates a general positive prospects of CGG Group's key business operations.

Please also refer to the section headed "5. FINANCIAL AND TRADING PROSPECTS OF THE CGG GROUP" under Appendix III to the Composite Offer Document.

(4) Intentions of the Offeror in relation to the NSG Group

To provide the NSG Independent Shareholders with information on the intentions of the Offeror, set out below is the Offeror's intentions on NSG Group's business as extracted from the CCBI Capital Letter of the Composite Offer Document:

As at the Latest Practicable Date, the Offeror intended to continue the existing principal businesses of the NSG Group and had no intention to discontinue the employment of the employees (save for changes in the composition of the board of directors of NSG) or to dispose or re-deploy the assets of the NSG Group other than those in its ordinary course of business. In addition, the Offeror had no intention, understanding, negotiation or arrangement on downsizing or disposal of any of the existing businesses of the NSG Group.

The Offeror will, following the close of the Offer, act upon the instructions of CGG to conduct a review on the business activities/operations and financial position of the NSG Group for the purpose of formulating business plans and strategies for the future business development of the NSG Group. Subject to the results of the review, the Offeror, together with other subsidiaries within the CGG Group, may act with the NSG Group to explore and participate in viable projects in major metropolitan centres and districts in the PRC to acquire and invest in assets or cooperation with business partners of the CGG Group with a view of enhancing the NSG Group's business growth and asset base as well as broadening its income stream.

As at the Latest Practicable Date, the Offeror had no plan, and had not engaged in any discussion or negotiation, on any injection of any assets or businesses into the NSG Group and had no intention to change the fundamental businesses of the NSG Group.

As aforementioned, (i) NSG Group commenced its real estate and property investment business in FY2017, which became NSG Group's largest revenue contributor (contributed approximately 56.16% of NSG Group's revenue) in FY2018; and (ii) CGG Group adopted property investment and development as one of the principal businesses in FY2017. As advised by the NSG Directors, both of the development targets of NSG Group and CGG Group are conglomerate complex in the PRC comprising of apartments, residential flats, offices, hotels and commercial units available for lease and/or resale upon completion. CGG Group's experience in property business may have synergy effect (e.g. economies of scale) with NSG Group's property business.

(5) Analysis of the Offer

Based on the closing price of HK\$0.435 per CGG Share as quoted on the Stock Exchange on the Last Trading Day and the exchange ratio of 1 CGG Share for every one Share (the “Exchange Ratio”), the ascribed value of the Offer would be HK\$0.435 (the “Ascribed Value”). The Ascribed Value of HK\$0.435 per Share:

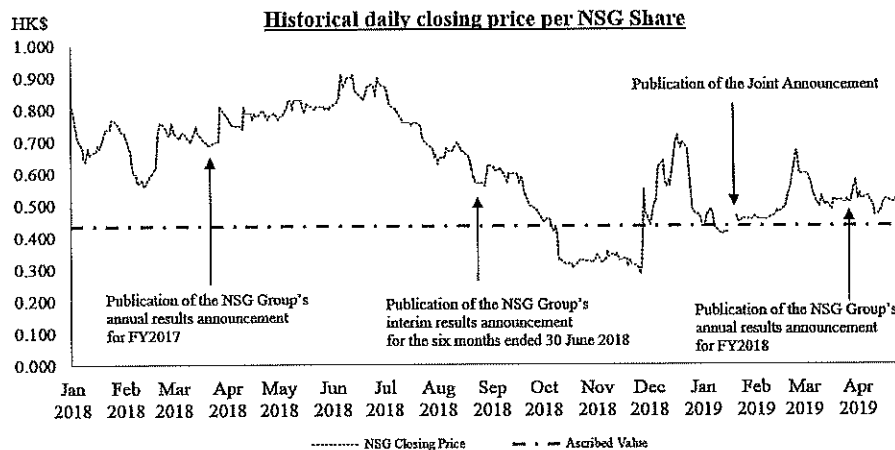
- (i) a discount of approximately 13.00% over the closing price of the NSG Share of HK\$0.500, as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 3.57% to the closing price of HK\$0.420 per NSG Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 4.32% to the average closing price of HK\$0.417 per NSG Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 0.23% to the average closing price of approximately HK\$0.436 per NSG Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 17.77% to the average closing price of approximately HK\$0.529 per NSG 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 36.03% over the audited consolidated net asset value attributable to the owners of NSG of approximately HK\$0.680 per NSG Share as at 31 December 2018, based on NSG’s audited consolidated net asset value attributable to the owners of NSG of approximately HK\$2,760,603,000 as at 31 December 2018 and 4,059,556,212 NSG Shares in issue as at the Latest Practicable Date.
- (vii) a discount of approximately 36.24% over the adjusted consolidated net asset value attributable to the owners of NSG of approximately HK\$0.682 per NSG Share as at 31 December 2018 (as provided by NSG), based on NSG’s audited consolidated net asset value attributable to the owners of NSG as at 31 December 2018 as adjusted for market value of NSG Group’s properties as at 31 January 2019 according to the properties valuation report as set out under Appendix VI to the Composite Offer Document (by adding fair value change for investment properties of approximately HK\$12,074,000 and deducting the deferred tax liabilities of approximately HK\$3,018,000 arising from the fair value change), and 4,059,556,212 NSG Shares in issue as at the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Exchange Ratio and the Ascribed Value, we have conducted the following analysis:

a) *Share price performance*

Share price performance of the NSG as compared to the Ascribed Value

Set out below is a chart showing the movement of the closing prices of the NSG Shares during the period from 2 January 2018, being approximate one-year up to and including the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the NSG Shares:



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

Note: Trading in NSG Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the NSG Shares as quoted on the Stock Exchange were HK\$0.285 recorded on 27 November 2018 and HK\$0.910 recorded on both 7 June 2018 and 14 June 2018 respectively. The Ascribed Value of HK\$0.435 is within the range of the lowest and highest closing prices of the NSG Shares as quoted on the Stock Exchange during the Review Period. Nevertheless, the closing price of the NSG Shares was higher than the Ascribed Value in 277 out of 325 trading days during the Review Period.

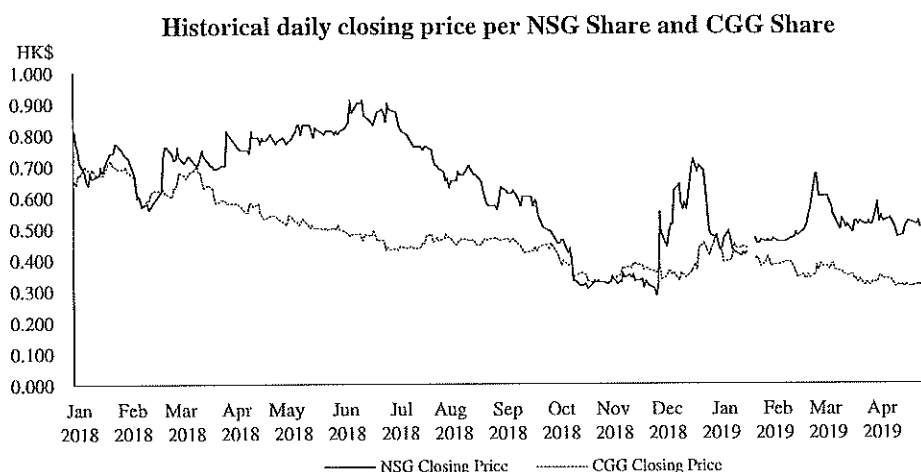
As depicted from the above chart, the closing price of the NSG Shares fluctuated from 2 January 2018 and reached the peak at HK\$0.910 on 7 June 2018. From 14 June 2018, the closing price of the NSG Shares followed a downward trend and hit the lowest at HK\$0.285 on 27 November 2018. Afterwards, the closing price of the NSG Shares rebounded significantly and reached HK\$0.720 on 18 December

2018. After 18 December 2018, the closing price of the NSG Shares followed a downward trend again and dropped below the Ascribed Value on 2 January 2019 and from 9 January 2019 to 17 January 2019 (being the Last Trading Day). We are not aware of any particular event which led to the aforesaid fluctuation of the closing price of the NSG Shares.

After resumption of trading in NSG Shares on 22 January 2019 following the publication of the joint announcement dated 21 January 2019 in relation to, amongst others, the Offer (the “**Joint Announcement**”), the closing price of the NSG Shares increased and remained higher than the Ascribed Value (including the period after Completion) up to the Latest Practicable Date.

Share price performance of the NSG as compared to CGG

Set out below is a chart showing the comparison between the daily closing price per NSG Share and CGG Share during the Review Period:



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

Notes:

1. Trading in NSG Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).
2. Trading in CGG Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the CGG Shares as quoted on the Stock Exchange were HK\$0.310 recorded on 11 April 2019, 16 April 2019, 18 April 2019, and 30 April 2019 and HK\$0.720 recorded on

22 January 2018, respectively. As depicted from the above chart, the closing price of the CGG Shares showed a general decreasing trend during the Review Period. We are not aware of any particular event which led to the aforesaid decreasing trend during the Review Period.

The closing price of NSG Shares was higher than the closing price of the CGG Shares in 268 out of 325 trading days during the Review Period. After resumption of trading in NSG Shares and CGG Shares on 22 January 2019 following the publication of the Joint Announcement, the closing price of the NSG Shares remained higher than the closing price of the CGG Shares (including the period after Completion) up to the Latest Practicable Date.

b) Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the NSG Shares' average daily trading volume (the "Average Volume") as compared to the total number of issued NSG Shares held by the public as at the Latest Practicable Date; and

(iii) the percentage of the CGG Shares' Average Volume as compared to the total number of issued CGG Shares held by the public as at the Latest Practicable Date, during the Review Period:

Month	No. of trading days in each month	% of the Average Volume to total number of issued NSG Shares held by the public as at Latest Practicable Date	% of the Average Volume to total number of issued CGG Shares held by the public as at Latest Practicable Date
		(Note 2) %	(Note 3) %
2018			
January	22	0.18	0.20
February	18	0.15	0.08
March	21	0.20	0.16
April	19	0.15	0.12
May	21	0.17	0.14
June	20	0.34	0.10
July	21	0.07	0.04
August	23	0.05	0.03
September	19	0.24	0.02
October	21	0.29	0.11
November	22	0.39	0.09
December	19	0.45	0.23
2019			
January	20	0.19	0.39
February	17	0.26	0.35
March	21	0.17	0.12
April (up to and including the Latest Practicable Date)	19	0.15	0.02

Source: the Stock Exchange's website

Notes:

- Trading in NSG Shares/CGG Shares was suspended from 18 January 2019 to 21 January 2019 (both days inclusive).
- Based on 1,362,384,314 NSG Shares held by the public as at the Latest Practicable Date as disclosed under the Board Letter.

3. Based on 10,810,834,500 CGG Shares held by the public as at the Latest Practicable Date as disclosed under the CCBI Capital Letter.

As depicted from the above table, the percentage of the NSG Shares' Average Volume as compared to the total number of issued NSG Shares held by the public as at the Latest Practicable Date was higher than the percentage of the CGG Shares' Average Volume as compared to the total number of issued CGG Shares held by the public as at the Latest Practicable Date in most of the months during the Review Period. The aforesaid percentages fluctuated and did not form any obvious trend during the Review Period.

In addition, we noticed that the daily trading volume of the NSG Shares represented, in average, approximately 0.21% of the number of NSG Shares held in public hands as at the Latest Practicable Date.

On the other hand, we noticed that the daily trading volume of the Shares represented, in average, approximately 0.13% of the number of CGG Shares held in public hands as at the Latest Practicable Date.

Accordingly, the trading liquidity of NSG Shares is considered to be higher than that of the CGG Shares during the Review Period, both of which are considered to be low liquidity. Therefore, we consider that it is more difficult to dispose the holding of CGG Shares than to dispose holding of NSG Shares.

Having considered,

- (i) the closing price of the NSG Shares was higher than the Ascribed Value in 277 out of 325 trading days during the Review Period;
- (ii) after resumption of trading in NSG Shares on 22 January 2019 following the publication of the joint announcement dated 21 January 2019 in relation to, amongst others, the Offer, the closing price of the NSG Shares increased and remained higher than the Ascribed Value up to the Latest Practicable Date;
- (iii) the closing price of NSG Shares was higher than the closing price of the CGG Shares in 268 out of 325 trading days during the Review Period; and
- (iv) after resumption of trading in NSG Shares and CGG Shares on 22 January 2019 following the publication of the Joint Announcement, the closing price of the NSG Shares remained higher than the closing price of the CGG Shares up to the Latest Practicable Date,

we consider that the Exchange Ratio and the Ascribed Value (i.e. HK\$0.435, which is also the amount of Cash Alternative) are not fair and reasonable.

c) Completion of the sale and purchase of the Sale Shares

With reference to the CCBI Capital Letter, Completion took place on 23 April 2019. Immediately after Completion and as at the Latest Practicable Date, the Offeror Concert Group directly held in aggregate 2,696,496,898 NSG Shares, representing approximately 66.42% of the issued share capital of NSG. NSG has become a subsidiary of CGG after Completion, and thus the assets, liabilities and financial results of NSG and its subsidiaries has been consolidated into those of the CGG Group since the Completion Date.

By accepting the Share Alternative, NSG Independent Shareholders can retain part of its investment in NSG (its financial performance improved in FY2018) indirectly and hold share of a profitable listed company (i.e. CGG Share) at the same time.

Nevertheless, the closing price of the NSG Shares remained higher than the closing price of the CGG Shares and the Ascribed Value after Completion and up to the Latest Practicable Date. In other words, the implied values of the Share Alternative and the Cash Alternative are still below the market value of the NSG Share after NSG becoming a subsidiary of CGG following the Completion and up to the Latest Practicable Date.

RECOMMENDATION

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

- a) the improved financial performance of NSG Group in FY2018;
- b) the trading liquidity of NSG Shares is considered to be higher than that of the CGG Shares during the Review Period and it is more difficult to dispose the holding of CGG Shares than to dispose holding of NSG Shares;
- c) the Exchange Ratio and the Ascribed Value (i.e. HK\$0.435, which is also the amount of Cash Alternative) are not fair and reasonable as demonstrated above, and,
- d) although NSG Independent Shareholders can retain part of its investment in NSG (its financial performance improved in FY2018) indirectly and hold share of a profitable listed company (i.e. CGG Share) at the same time by accepting the Share Alternative (as NSG has become a subsidiary of CGG after Completion), the closing price of the NSG Shares remained higher than the closing price of the CGG Shares and the Ascribed Value after Completion and up to the Latest Practicable Date,

we consider that the terms of the Offer are not fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the NSG Independent Shareholders not to accept the Offer.

Nevertheless, the NSG Independent Shareholders should note the followings:

- (i) Although NSG Group made profit for FY2017 after making loss for five consecutive financial years up to FY2016, NSG Group made gross loss for FY2017 and its profit for FY2017 was mainly attributable to “non-operational items”. It is uncertain as to whether NSG Group’s improved financial performance in FY2018 can sustain in future.
- (ii) CGG Group made profit for four consecutive financial years up to FY2018. Although CGG Group recorded substantial decrease in revenue, gross profit and profit for FY2018 as compared to that for FY2017, CGG Group’s revenue, gross profit and profit for FY2018 still remained higher than those for FY2016. CGG Group’s financial performance remained positive for FY2018.
- (iii) NSG has become a subsidiary of CGG after Completion, and thus the assets, liabilities and financial results of NSG and its subsidiaries has been consolidated into those of the CGG Group since the Completion Date. By accepting the Share Alternative, NSG Independent Shareholders can retain part of its investment in NSG (its financial performance improved in FY2018) indirectly and hold share of a profitable listed company (i.e. CGG Share) at the same time.

Those NSG Independent Shareholders who considered the facts set out above and are optimistic about the future financial performance of the CGG Group may, having regard to their own circumstances, consider to accept the Share Alternative in respect of all or any part of their NSG Shares.

The NSG Independent Shareholders should also note the Offer is a share exchange offer and the ascribed value of the NSG Shares under the Offer will change from time to time according to the fluctuations in the price of CGG Shares during the Offer Period, and it is uncertain whether the market prices of the NSG Shares and/or the CGG Shares would rise or not and whether the ascribed value of NSG Shares under the Offer would represent discount or premiums to its market prices during and after the Offer. The NSG Independent Shareholders, in particular those who intend to hold their interest as short-term investment, should monitor closely the trading of the NSG Shares and CGG Shares during the Offer Period.

As different NSG Independent Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any NSG Independent Shareholders who may require advice in relation to any aspect of the Composite Offer Document and the Composite Offer Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited


Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.