

### **QUERY 1**

We note that the after tax net profit of BTL Group attributed to the Shares purchased is approximately HK\$110,000 for the financial year ended 31 December 2004. However, the total purchase consideration is set at HK\$20 million. How is the purchase consideration arrived at? How does the company arrive at a 4.44 times P/E for the purchase?

### **RESPONSE**

The P/E for the purchase is computed on the guaranteed after tax profit of HK\$18 million of BTL Group for FY2006 and not on the historically irrelevant FY2004 after tax profit.

The actual computation is  $\text{HK\$20 million} / (\text{HK\$18 million} \times 25\%) = 4.44$  times.

### **QUERY 2**

What is the basis for the HK\$18 million profit guarantee of BTL Group when the after tax net profit of the BTL Group is only HK\$110,000 for the financial year ended 31 December 2004?

### **RESPONSE**

The FY2004 after tax profit for the whole BTL Group is in fact HK\$440,000 (therefore our assumed share of 25% amounts to HK\$110,000) as FY2004 is the start-up year for the BTL Group.

With the assistance of independent professionals, the management has conducted a satisfactory financial and business due diligence exercise on the BTL Group. We also found that BTL Group's sales was backed by confirmed order backlogs and they have successfully implemented three provincial core banking systems in the PRC in FY2005. Accordingly the Vendor has expressed strong confidence in achieving the FY2006 after tax profit guarantee.

**QUERY 3**

Who commissioned the valuation of the BTL Group and what is the date of such a valuation?

**RESPONSE**

The consideration is arrived at after intense negotiations between the parties and the valuation of 4.44 time P/E is arrived at on arm-length's "willing to buy and willing to sell" basis.