



2 June 2016

*To: the Independent Board Committee
of Sun East Technology (Holdings) Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
QUAM SECURITIES COMPANY LIMITED
FOR AND ON BEHALF OF
UNIS TECHNOLOGY STRATEGY INVESTMENT LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
(OTHER THAN THE EXCLUDED SHARES) OF
SUN EAST TECHNOLOGY (HOLDINGS) LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document, of which this letter forms part. This letter contains our advice to the Independent Board Committee as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Unless otherwise stated, terms defined in the Composite Document shall have the same meanings in this letter.

On 4 February 2016, Mr. But, the Company and the Offeror entered into the UNISTECH Subscription Agreement, pursuant to which, the Company has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for (i) 730,000,000 Subscription Shares, representing approximately 139.05% of the then entire issued share capital of the Company and approximately 50.17% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Subscription Price of HK\$0.40 per Subscription Share; and (ii) Convertible Bonds with an aggregate principal amount of HK\$148,000,000 which can be converted into 370,000,000 Shares at a Conversion Price of HK\$0.40 per Share, representing (a) approximately 70.48% of the then entire issued share capital of the Company; and (b) approximately 25.43% of the entire issued share capital of the Company as at the Latest Practicable Date.

On 4 February 2016, the Company and Reach General entered into the RG Subscription Agreement, pursuant to which, the Company has conditionally agreed to issue, and Reach General has conditionally agreed to subscribe, in cash, for 100,000,000 Subscription Shares, representing approximately 19.05% of the then entire issued share capital of the Company and approximately 6.87% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Subscription Price of HK\$0.40 per Subscription Share.

On 4 February 2016, the Company and Chen Ping entered into the Chen Subscription Agreement, pursuant to which, the Company has conditionally agreed to issue, and Chen Ping has conditionally agreed to subscribe, in cash, for 100,000,000 Subscription Shares, representing approximately 19.05% of the then entire issued share capital of the Company and approximately 6.87% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Subscription Price of HK\$0.40 per Subscription Share.

The UNISTECH Completion, the RG Completion and the Chen Completion took place contemporaneously on 30 May 2016. Immediately following the UNISTECH Completion, the Offeror and parties acting in concert with it became interested in a total of 730,000,000 Shares, representing approximately 50.17% of the entire issued share capital of the Company as at the Latest Practicable Date. Upon full conversion of the Convertible Bonds, the Offeror and parties acting in concert with it will in aggregate be interested in 1,100,000,000 Shares, representing approximately 60.27% of entire issued share capital of the Company as enlarged by the Conversion Shares upon conversion of the Convertible Bonds in full.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee which comprises the independent non-executive Directors, namely Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou, has been established to advise the Independent Shareholders as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer. In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee has approved our appointment as the Independent Finance Adviser to advise it in relation to the Offer to be made by the Offeror.

During the past two years, we had no past engagement with the Company. Also, as at the Latest Practicable Date, we were independent from and not connected with the Group. Accordingly, in compliance with Rule 2 of the Takeovers Code, we are qualified to give independent advice to the Independent Board Committee in relation to the Offer and as to its acceptance. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Company and/or the Directors and/or its senior management. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have also assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Composite

Document have been reasonably made after due and careful enquiry. In addition, we have sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Composite Document. Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

We have not considered the tax and regulatory consequences on the Independent Shareholders of acceptance or non-acceptance of the Offer since these are particular to their individual circumstances. In particular, Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

UNCONDITIONAL MANDATORY CASH OFFERS

As set out in the Composite Document, the UNITECH Completion took place on 30 May 2016. The Offeror and parties acting in concert with it are interested in an aggregate of 730,000,000 Shares, representing approximately 50.17% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rules 13.5 and 26.1 of the Takeovers Code, Quam Securities is making, on behalf of the Offeror, the Offer. The Offer, as made, is not subject to any acceptance and unconditional in all respects.

Principal Terms of the Offers

For each Offer Share HK\$1.70 payable in cash

As at the Latest Practicable Date, the Company had 1,455,000,000 Shares in issue which the Offeror and parties acting in concert with it owned 730,000,000 Shares. As at the Latest Practicable Date, except for the Convertible Bonds held by the Offeror, the Company has no other outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Shares. 435,132,832 Shares will be subject to the Offer after excluding in aggregate of 1,019,867,168 Excluded Shares (details of which are set out in the paragraph headed “*IRREVOCABLE UNDERTAKINGS IN RELATION TO THE OFFER*” in the “*Letter from Quam Capital*”). The total consideration of the Offer would be HK\$739,725,814.40 based on the Offer Price of HK\$1.70 if the Offer is fully accepted.

Details and the terms of the Offer are set out in the "*Letter from Quam Capital*" and Appendix I to the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Offer, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The principal activity of the Group comprises the design, manufacture and distribution of production lines and production equipment, and the distribution of brand name production equipment.

2. Financial performance and prospects of the Group

a. Financial information on the Group – financial performance

Set out below is a summary of the audited financial information of the Group for each of the three years ended 31 March 2015 and the unaudited financial information of the Group for the six months ended 30 September 2014 and 2015, as extracted from the Company's annual reports for the years ended 31 March 2014 (the "**2014 Annual Report**") and 2015 (the "**2015 Annual Report**") and the Company's interim report for the six months ended 30 September 2015 (the "**2015 Interim Report**").

	For the year ended 31 March			For the six months ended 30 September	
	2013 HK\$'000 (Audited)	2014 HK\$'000 (Audited)	2015 HK\$'000 (Audited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue					
Production lines and production equipment	318,854	442,037	416,103	232,655	264,832
Brand name production equipment	<u>246,518</u>	<u>345,566</u>	<u>422,100</u>	<u>249,051</u>	<u>181,382</u>
Total revenue	565,372	787,603	838,203	481,706	446,214
Cost of sales	<u>(484,963)</u>	<u>(679,266)</u>	<u>(731,685)</u>	<u>(414,167)</u>	<u>(385,510)</u>
Gross profit	80,409	108,337	106,518	67,539	60,704
Other income and gains	23,373	20,049	28,600	12,088	9,862
Selling and distribution expenses	(46,805)	(55,749)	(63,540)	(35,486)	(32,879)
Administrative expenses	(44,586)	(53,747)	(55,777)	(28,810)	(28,624)
Other expenses	(1,508)	(5,229)	(6,886)	(3,746)	–
Finance costs	<u>(1,492)</u>	<u>(865)</u>	<u>(4,594)</u>	<u>(1,476)</u>	<u>(3,325)</u>
Profit before tax for the year	9,391	12,796	4,321	10,109	5,738
Income tax expenses	<u>(3,653)</u>	<u>(3,370)</u>	<u>(1,786)</u>	<u>(1,126)</u>	<u>(102)</u>
Net Profit	<u>5,738</u>	<u>9,426</u>	<u>2,535</u>	<u>8,983</u>	<u>5,636</u>

For the two years ended 31 March 2013 and 2014

As set out in the 2014 Annual Report, the Group generated revenue of approximately HK\$787.6 million in 2014, representing an increase of approximately 39.3% from approximately HK\$565.4 million in 2013. The increase was mainly due to i) the Company's market strategy of implementing small profit margin relative to sales quantity to keep the market share; and ii) the increased demand arising from increase of fixed assets investments in intelligent and automated manufacturing systems and equipment by the PRC companies to combat with the increasing labor cost and manpower shortage.

Product mix for the two years kept stable with the segment of production lines and production equipment accounted for about 56%, more than half, of the total revenue.

Although net profit margin remained at a comparable level of approximately 1.2% in 2014 and approximately 1.0% in 2013, net profit increased approximately 64.3% to approximately HK\$9.4 million in 2014 from HK\$5.7 million. With a fairly stable net profit margin, it indicates that the significant increase in net profit was mainly attributed from the increase in revenue.

For the two years ended 31 March 2014 and 2015

As stated in the 2015 Annual Report, the Group's revenue increased approximately 6.4% to approximately HK\$838.2 million in 2015. The increase was mainly due to the increase in sales of wire bonders which benefited from the China-ASEAN Free Trade Agreement removing the import tariff on the wire bonders.

Comparing to 2014, the profit mix shifted with slightly more weights on segment of brand name production equipment which accounted for approximately 50.4% of the total revenue.

Net profit margin in 2015 was approximately 0.3%. Net profit decreased approximately 73.1% to approximately HK\$2.5 million in 2015 which was mainly due to i) the increase in salary of sales staff and cost of management personnel; and ii) the increase on the finance cost in relation to the interest on bank and other borrowings.

For the six months ended 30 September 2014 and 2015

For the six months ended 30 September 2015, the revenue decreased by approximately 7.4% to approximately HK\$446.2 million compared to that of the six months ended 30 September 2014. The decrease was mainly attributed from the revenue decrease in the segment of brand name production equipment arising from the slowdown of China economy which caused reduced demand for SMT machines and semi-conductor. Accordingly, net profit dropped by approximately 37.3% to approximately HK\$5.6 million compared to that of the six months ended 30 September 2014.

b. Financial information of the Group – financial position

Set out below are the latest published consolidated financial positions of the Group extracted from the 2015 Interim Report.

	As at 30 September 2015 HK\$'000 (Unaudited)	As at 31 March 2015 HK\$'000 (Audited)
Non-current assets	170,188	178,530
Current assets	<u>685,510</u>	<u>645,849</u>
Total assets	<u><u>855,698</u></u>	<u><u>824,379</u></u>
Current liabilities	<u>506,087</u>	<u>468,184</u>
Net current assets	<u>179,423</u>	<u>177,665</u>
Non-current liabilities	<u>13,188</u>	<u>13,143</u>
Net assets/Total equity	<u><u>336,423</u></u>	<u><u>343,052</u></u>
Net asset value (the “NAV”) per Share attributable to owners of the Company (Note)	<u><u>HK\$0.64</u></u>	<u><u>HK\$0.65</u></u>

Note: The NAV per Share attributable to owners of the Company is calculated based on 525,000,000 Shares in issue as at the end of the period.

Financial positions of the Group as at 30 September 2015 and 31 March 2015

As set out in the 2015 Interim Report, non-current assets of the Group decreased by approximately HK\$8.3 million from approximately HK\$178.5 million as at 31 March 2015 to approximately HK\$170.2 million as at 30 September 2015. For current assets, they valued at approximately HK\$685.5 million as at 30 September 2015 and approximately HK\$645.9 million as at 31 March 2015, representing an increase of approximately 6.1%. Such increase was mainly attributed from the aggregate increase of cash and bank balance and pledged deposits of from approximately HK\$54.6 million as at 31 March 2015 to approximately HK\$108.9 million as at 30 September 2015. Although the Group's current liabilities increased approximately 8.1% from approximately HK\$468.2 million as at 31 March 2015 to approximately HK\$506.1 million as at 30

September 2015, net current assets of the Group only increased less than approximately 1% to approximately HK\$179.4 million as at 30 September 2015 due to noticeable increase in current assets.

The Group's total equity slightly decreased approximately 1.9% from approximately HK\$343.1 million as at 31 March 2015 to approximately HK\$336.4 million. However, the NAV per share attributable to owners of the Company remained stable at approximately HK\$0.65 as at 31 March 2015 and approximately HK\$0.64 as at 30 September 2015.

3. Analysis of price performance and trading liquidity

a. Review of trading of Shares

Set out below is a chart showing the daily closing price of the Shares as quoted on the Stock Exchange from 1 December 2014 up to and including the Latest Practicable Date (the “**Review Period**”):



Source: Bloomberg

Note: Trading of the Shares was suspended from 5 February 2016 to 13 February 2016 pending the release of the Joint Announcement in relation to the Subscription Agreement and the Offer.

We have reviewed the closing price of the Shares for a roughly 18-months period from 1 December 2014 up to and including the Latest Practicable Date (the “**Review Period**”) which covered more than 12 months before and including the Joint Announcement in relation to the Subscription and the Offer on 14 February 2016. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer. The chart above represents the daily movement in the closing prices of the Shares against the Offer Price during the Review Period.

Prior to the release of the announcement in relation to the possible share subscription on 10 December 2015 (the **“First Announcement”**), the lowest and highest closing price of the Shares during 1 December 2014 to 9 December 2015 (the **“First Review Period”**) were HK\$0.42 per Share recorded on 8 July 2015 and HK\$1.21 per Share recorded on 5 June 2015 respectively. The average daily closing price of the Shares during the First Review Period before the release of the First Announcement was approximately HK\$0.70 per Share. The Offer Price of HK\$1.70 per Share represents (i) a premium of approximately 304.76% to the lowest closing price during the First Review Period before the release of the First Announcement; (ii) a premium of approximately 40.50% to the highest closing price during the First Review Period before the release of the First Announcement; and (iii) a premium of approximately 142.86% to the average daily closing price during the First Review Period before the release of the First Announcement. In this regard, the Shares have been traded at a price substantially lower than the Offer Price before the First Announcement.

Upon the release of the First Announcement, the Share price surged from HK\$1.19 per Share, being the closing price on 10 December 2015, the last trading day before the release of the First Announcement, to HK\$1.63 per Share on 15 February 2016, being the first day of resumption of trading after release of the Joint Announcement. The Share price peaked on 24 March 2016, closing at HK\$1.74 per Share as quoted on Bloomberg. The Share price became steady after 16 February 2016 and up to the Latest Practicable Date ranging from HK\$1.61 per Share to HK\$1.74 per Share. The Shares price closed at HK\$1.63 per Share as at the Latest Practicable Date.

Over the Review Period, the average closing price was approximately HK\$0.96 per share, over which the Offer Price of HK\$1.70 represents a premium of approximately 77.08%.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

b. Trading liquidity of the Shares

The table below sets out the total trading volume per month/period, the number of trading days per month/period, the average daily trading volume of Shares during each month/period of the Review Period and the percentage of average daily trading volume to the total number of issued Shares:

	No. of Trading Days	Total Daily Trading Volume (note)	Average Daily Trading Volume	Total no. of issued Shares	Percentage of average daily trading volume to the total no. of Shares in issue (Approximate)	Percentage of the total daily trading volume of the Shares to the public float (Approximate)
2014						
December	21	14,870,000	708,095	525,000,000	0.135%	5.929%
2015						
January	21	4,656,000	221,714	525,000,000	0.042%	1.856%
February	18	422,000	23,444	525,000,000	0.004%	0.168%
March	22	670,000	30,455	525,000,000	0.006%	0.267%
April	19	15,141,046	796,897	525,000,000	0.152%	6.037%
May	19	180,636,217	9,507,169	525,000,000	1.811%	72.021%
June	22	179,040,264	8,138,194	525,000,000	1.550%	71.385%
July	22	26,805,866	1,218,448	525,000,000	0.232%	10.688%
August	21	8,648,977	411,856	525,000,000	0.078%	3.448%
September	20	26,545,200	1,327,260	525,000,000	0.253%	10.584%
October	20	59,466,800	2,973,340	525,000,000	0.566%	23.710%
November	21	20,788,044	989,907	525,000,000	0.189%	8.288%
December	22	104,527,707	4,751,259	525,000,000	0.905%	41.676%
2016						
January	20	64,752,021	3,237,601	525,000,000	0.617%	25.82%
February	15	106,754,369	7,116,958	525,000,000	1.356%	42.56%
March	21	81,465,200	3,879,295	525,000,000	0.739%	32.48%
April	20	30,259,200	1,512,960	525,000,000	0.2888%	12.06%
May (up to the Latest Practicable Date)	20	23,706,585	1,185,329.25	525,000,000	0.226%	9.452%

Note: Source: Bloomberg

As set out in the above table, the highest average daily trading volume of the Shares during the First Review Period was approximately 9.5 million Shares in May 2015, and representing approximately 72.02% of the total trading volume of the Shares to the public float. In fact, the average daily trading volume from April 2015 to June 2015 was substantially higher than previous months which coincided with the very

active Hong Kong capital markets during that period when daily turnover on the Stock Exchange reached new highs until the PRC stock market crashed in July 2015 and the average trading volume subsided to approximately the same level before April 2015. The daily average trading volume remained stable from August 2015 up to May 2016 (up to the Latest Practicable Date). The daily average trading volume climbed to approximately 7.1 million Shares in February 2016 due to the Company issued the Joint Announcement in relation to the Subscription Agreement and the Offer. The daily average trading volume declined to approximately 3.9 million on March 2016.

c. Offer Price comparisons

The closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day was HK\$1.47.

The Offer Price of HK\$1.70 per Offer Share represents:

- (a) a premium of approximately 4.29% over the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 15.65% over the closing price of HK\$1.47 per Share as quoted on the Stock Exchange on 4 February 2016, being the Last Trading Day;
- (c) a premium of approximately 25.00% over the average closing price of approximately HK\$1.36 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (d) a premium of approximately 32.09% over the average closing price of approximately HK\$1.287 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (e) a premium of approximately 33.82% over the average closing price of approximately HK\$1.27 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 91.01% over the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on 9 December 2015, being the full last trading day prior to the commencement of the Offer Period; and
- (g) a premium of approximately 165.21% over the unaudited consolidated net asset value per Share of HK\$0.641 as at 30 September 2015.

d. Highest and lowest Share price

During the Review Period (i.e. from 1 December 2014 up to the Latest Practicable Date)

- i. the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.74 per Share on 24 March 2016; and
- ii. the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.42 per Share on 8 July 2015.

Having considered that (i) the Offer Price is substantially higher than the historical prices of the Shares during the Review Period prior to the release of the Joint Announcement; and (ii) although the Share price has risen substantially after the release of the Joint Announcement with the Offer Price being known by the public, the current level of Share price may not be sustainable if it were solely due to market speculation, we are of the view that the Offer price is fair and reasonable so far as the Independent Shareholders are concerned.

During the First Review Period (i.e. from 1 December 2014 up to 9 December 2015)

- i. the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.21 per Share on 5 June 2015; and
- ii. the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.42 per Share on 8 July 2015.

As further analysed under the section headed “3. Analysis of price performance and trading liquidity – a. Review of trading of the Shares”, the Shares have been traded notably below the Offer Price for majority of the duration of the First Review Period. The Offer Price represents a premium of approximately 91.01% over the closing price of HK\$0.89 as quoted on the 9 December 2015. The Offer Price also represents a premium of 165.21% and approximately 161.54% over the Group’s unaudited and audited consolidated net asset value per Share attributable to owners of the Company of approximately HK\$0.641 as at 30 September 2015 and approximately HK\$0.65 as at 31 March 2015, respectively, based on the number of the issued Shares as at 30 September 2015 and 31 March 2015, respectively. On this basis, we consider the Offer Price to be fair and reasonable so far as the Independent Shareholders are concerned.

e. Comparison of the Offer Price

In assessing the fairness and reasonableness of the Offer Price, we have attempted to compare the price-to-earnings ratio (the “**P/E Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”), with the P/E Ratio and P/B Ratio of other listed companies (the “**Comparable Companies**”) engaged in business similar to the Group (which are design, manufacture and distribution of production lines and production equipment, and

the distribution of brand name production equipment). On a best effort basis to identify the Comparable Companies, we identified six Comparable Companies which are engaged in design, manufacture of electronic equipment and to the best of our knowledge and belief, it is an exhaustive list of the Comparable Companies. We have not been able to identify any company listed on the Stock Exchange which is principally engaged in the design, manufacture and distribution of production lines and production equipment, and the distribution of brand name production equipment.

Taking into account the importance and representation of the sale of production lines and production equipment in the Group's overall business where such segment has been a major growth driver of the Group in recent years, we consider that the Comparable Companies which are principally engaged in the manufacture and sale of electronic equipment are relevant in giving valuation information in relation to the Group's business.

Company Name	Principle business	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	PE Ratio (Note 2)	PB Ratio (Note 3)
Asia Tele-Net And Technology Corporation Ltd. (stock code: 679)	Design, manufacturing and sale of custom-built electroplating equipment, sale of spare parts of electroplating machinery and provision of repairs and maintenance services.	417.93	14.41	1.40
Wuxi Sunlit Science and Technology Co. Ltd. (stock code: 1289)	Research and development, design, manufacture, equipment supply, installation, testing, repair and maintenance of production lines for manufacturing steel wire products.	531.20	N/A	0.83

Company Name	Principle business	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	PE Ratio (Note 2)	PB Ratio (Note 3)
CW Group Holdings Ltd. (stock code: 1322)	Provision of precision engineering solutions, machine tool manufacturing and distribution as well as cement production equipment and components manufacturing and distribution.	1,481.13	6.73	0.98
CIMC Enric Holdings Ltd. (stock code: 3899)	Design, development, manufacturing, engineering and sales of, and provision of technical maintenance services for, a wide spectrum of transportation, storage and processing equipment that used in energy, chemical and liquid food industries.	7,454.66	11.64	0.99

Company Name	Principle business	Market capitalisation as at the Latest Practicable Date (HK\$ million) (Note 1)	PE Ratio (Note 2)	PB Ratio (Note 3)
Huazhang Technology Holding Ltd. (stock code: 1673)	Research and development, manufacture and sale of industrial automation and sludge treatment products and the provision of after-sales service in the PRC.	1,258.36	36.52	5.94
North Asia Strategic Holdings Ltd. (stock code: 8080)	Trading of surface mount technology assembly equipment, machinery & spare parts; provide related installation, training, repair & maintenance services; provide advisory services in mining exploration, exploitation & valuation projects.	235.54	9.22	0.22
Maximum			36.52	5.94
Minimum			6.73	0.22
Average			15.70	1.73
Median			11.64	0.98
The Group at the Offer Price			352.07 (Note 4)	2.65 (Note 5)

Notes:

1. As extracted from Bloomberg.
2. P/E Ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date divided by the net profit attributable to shareholders of the respective Comparable Companies as extracted from their respective latest annual reports.

3. P/B Ratio is calculated based on the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date divided by the latest published net assets attributable to shareholders of the respective Comparable Companies as extracted from their respective latest published financial results.
4. The P/E Ratio implied by the Offer Price is calculated by multiplying the Offer Price of HK\$1.70 per Offer Share by the total number of issued Shares as at the Latest Practicable Date, divided by the net profit attributable to Shareholders of the Group for the year ended 31 March 2015 of HK\$2.54 million.
5. The P/B Ratio implied by the Offer Price is calculated by multiplying the Offer Price of HK\$1.70 per Offer Share by the total number of issued Shares as at the Latest Practicable Date, divided by the net assets attributable to Shareholders of the Group as at 30 September 2015 of HK\$336.4 million.

As illustrated in the analysis above, the P/B Ratios of the Comparable Companies range from a low of approximately 0.22 times to a high of approximately 5.94 times with the average figure being approximately 1.73 times. Accordingly, the implied P/B Ratio of the Company (based on the Offer Price) of approximately 2.65 times is (i) within the range of the Comparable Companies' P/B Ratios; and (ii) higher than the average of approximately 1.73 times of the Comparable Companies' P/B Ratios. With regard to P/E Ratio, as illustrated in the analysis above, the P/E Ratios of the Comparable Companies range from a low of approximately 6.73 times to a high of approximately 36.52 times with the average figure being approximately 15.70 times. The implied P/E Ratio of the Company (based on the Offer Price) of approximately 352.07 times is thus (i) above the top end of the range of the Comparable Companies' P/E Ratios; and (ii) above the average P/E Ratio of the Comparable Companies. On this basis, we consider the Offer Price to be fair and reasonable so far as the Independent Shareholders are concerned.

4. Information on the Offeror

Set out below is the information on the Offeror as extracted from the Composite Document:

The Offeror is a wholly-owned subsidiary of Tsinghua Unigroup and was established for the purpose of the UNISTECH Subscription. Tsinghua Unigroup is one of the key enterprises under Tsinghua Holdings. It aims to become the industry leader in the integrated circuit industry and is committed to the development of an integrated circuit production chain. Principal subsidiaries of Tsinghua Unigroup include Tongfang Guoxin Electronics Co., Ltd. (proposed to be renamed as Unis Guoxin Electronics Co., Ltd.), a company listed on the Shenzhen Stock Exchange (Stock Code: 002049) and Spreadtrum Communications, Inc.

As at the Latest Practicable Date, the directors of the Offeror were Mr. Zhao Weiguo and Mr. Zhang Yadong and the directors of Tsinghua Unigroup were Mr. Zhao Weiguo, Mr. Li Yanhe, Mr. Li Zhongxiang, Mr. Zhao Yanlai, Mr. Li Yi, Mr. Zhang Yadong and Mr. Cao Yuangang.

5. Intentions of the Offeror on The Group

We note from the “Letter from Quam Capital” that the Offeror intends to assist the Group to upgrade its technology, products and production facilities and further expand its smart production lines and semi-conductor equipment business in the PRC. 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 future 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.

Subject to the result of the review and save for the proposed change of board composition and senior management as set out below, the Offeror does not intend nor does it have any plans to terminate the employment of the current employees of the Group. As at the Latest Practicable Date, no definitive agreement, proposals, terms or timetable have been entered into or determined for any possible future transaction or arrangement.

6. Proposed change of board composition and chief executive officer of the Company

As at the Latest Practicable Date, the Board is currently made up of seven Directors, comprising four executive Directors, being Mr. But, Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan and three independent non-executive Directors, being Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou.

As at Latest Practicable Date, (i) Xia Yuan (夏源) nominated by the Offeror has been appointed as chief executive officer of the Company with effect from the UNISTECH Completion; (ii) Mr. Qi Lian (齊聯) and Mr. Xia Yuan (夏源) nominated by the Offeror have been appointed as executive Directors with effect from the date of this Composite Document; (iii) Mr. Zhang Yonghong (張永紅) nominated by the Offeror has been appointed as executive Director with effect from the completion of the Offer. Pursuant to the terms of the UNISTECH Subscription Agreement, Mr. But Ting Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan shall resign as the executive Directors with effect from the completion of the Offer.

7. Maintenance of the Listing Status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that: –

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to maintain listed on the Stock Exchange. The directors of the Offeror and the new directors appointed/ to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares.

As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the completion of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of new Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

8. RECOMMENDATION

Having considered the abovementioned principal factors and reasons as set out in this letter, in particular:

- i. the Offer Price is substantially higher than the historical prices of the Shares prior to the release of the Joint Announcement;
- ii. the Offer Price represents a premium of approximately 15.65% over the closing price of the Shares of HK\$1.47 per Share as quoted on the Stock Exchange on the Last Trading Day;
- iii. the Offer Price represents a significant premium of (a) approximately 161.54% over the audited consolidated net asset value per Share (based on the number of the issued Shares as at 31 March 2015) of the Company of approximately HK\$0.65; and (b) 165.21% over the unaudited consolidated net asset value per Share (based on the number of the issued Shares as at 30 September 2015) of the Company of approximately HK\$0.641;
- iv. The P/E Ratio represented by the valuation for the Offer Shares is significantly higher than the mean and maximum of those of the Comparable Companies; and
- v. The P/B Ratio represented by the valuation for the Offer Shares is higher than the mean and within the range of those of the Comparable Companies.

We consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

The Independent Shareholders who hold a positive view on the future prospect of the Group may consider keeping their Shares instead of accepting the Offer. The Independent Shareholders who would like to realise part or all of their investments in the Shares should monitor the market prices of the Shares (which may reflect the potential investors'

expectation due to the announcement of the Offer Price in the Joint Announcement, the change in controlling shareholder subsequent to the publication of the Joint Announcement and the potential change in the prospect of the Group) during the Offer Period. In the event that the market price of the Shares exceeds the Offer Price during the Offer Period, the Independent Shareholders should consider selling their Shares in the open market instead of accepting the Offer.

In view of the recent surge in the Share price of the Group, Independent Shareholders who wish to realize their investment in the Group are reminded that they should carefully and closely monitor the market price of the Group during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer.

The Independent Shareholders may consider searching for other potential purchaser(s) to purchase the Shares and to consider selling their Shares to those potential purchaser(s), if possible, instead of accepting the Offer, if the net proceeds from such sales exceed the amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investment in the Shares should carefully monitor the intentions of the Offeror regarding the Group in the future and the potential difficulties the Independent Shareholders may encounter in disposing of their investments in the Shares after the close of the Offer. Further details and terms of the Offer are set out in the “Letter from Quam Capital” and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite 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
VMS Securities Limited



Nick Man
Managing Director
Corporate Finance

Note: Mr. Nick Man is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of VMS Securities Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.