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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Sun East Technology (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for your information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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**SUN EAST TECHNOLOGY (HOLDINGS) LIMITED**

**日東科技(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00365)**

**SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS  
OF SUN EAST TECHNOLOGY (HOLDINGS) LIMITED  
BY THE SUBSCRIBERS UNDER SPECIFIC MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

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Capitalized terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 9 to 39 of this circular.

A notice convening the SGM to be held at Monet Room B, Basement 1, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Monday, 9 May 2016 at 11:00 a.m. is set out on pages 40 to 43 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so desire.

\* *For identification purposes only*

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context otherwise requires:*

“Acceptance Shares”	means the BTH Acceptance Shares, the LC Acceptance Shares, the LK Acceptance Shares and the Mind Seekers Acceptance Shares
“Accepting Shareholders”	means Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan
“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Bermuda”	the Islands of Bermuda
“Board”	the board of Directors
“BTF Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mr. But on 4 February 2016 in relation to, <i>inter alia</i> , the BTF Non-Acceptance Shares
“BTF Lock-Up Undertaking”	the lock-up undertaking entered into between the Offeror and Mr. But on 4 February 2016 in relation to, <i>inter alia</i> , the BTF Non-Acceptance Shares
“BTF Non-Acceptance Shares”	the 45,746,000 Shares held by Mr. But (directly or indirectly through entities controlled by him) and other Shares received, allotted to or otherwise acquired by Mr. But from the date of the BTF Irrevocable Undertaking and before the Offer closes, which are subject to BTF Lock-Up Undertaking and BTF Irrevocable Undertaking
“BTH Acceptance Shares”	the 1,050,000 Shares to which Mr. But Tin Hing is the beneficial owner and other Shares received, allotted to or otherwise acquired by Mr. But Tin Hing from the date of the BTH Irrevocable Undertaking and before the Offer closes
“BTH Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mr. But Tin Hing on 4 February 2016 in relation to, <i>inter alia</i> , the BTH Acceptance Shares

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## DEFINITIONS

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“Business Day”	means a day (other than a Saturday or Sunday or Hong Kong public holiday and any other day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in Hong Kong, and “Business Days” shall be construed accordingly
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company
“CB Instrument”	the instrument constituting the Convertible Bonds
“Chen Completion”	completion of the Chen Subscription in accordance with the terms and conditions of the Chen Subscription Agreement
“Chen Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Chen Ping on 12 February 2016 in relation to, <i>inter alia</i> , the 100,000,000 Subscription Shares under the Chen Subscription
“Chen Ping”	an independent investor
“Chen Subscription”	the subscription of 100,000,000 Subscription Shares by Chen Ping pursuant to the Chen Subscription Agreement
“Chen Subscription Agreement”	the subscription agreement entered into between the Company and Chen Ping on 4 February 2016 in relation to the subscription of 100,000,000 Subscription Shares
“Company”	Sun East Technology (Holdings) Limited (Stock Code: 365), a company incorporated in Bermuda with limited liability and the Ordinary Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Subscriptions in accordance with the terms and conditions of the Subscription Agreements
“Completion Date”	the date on which Completion under the UNISTECH Subscription Agreement, the RG Subscription Agreement or the Chen Subscription Agreement occurs, as the context may suggest

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## DEFINITIONS

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“Composite Document”	the composite offer and response document in respect of the Offer to be jointly despatched by the Offeror and the Company in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offer
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.40 per Conversion Share, being the initial conversion price at which the Conversion Shares will be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	new Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
“Convertible Bond(s)”	the zero coupon convertible bonds due 2021 in the aggregate principal amount of up to HK\$148,000,000 to be issued by the Company to the Offeror pursuant to the CB Instrument as described in this circular
“Director(s)”	director(s) of the Company
“Excluded Shares”	(i) Shares owned or agreed to be acquired by the Offeror and parties acting in concert with it, including 730,000,000 Subscription Shares which will be held by the Offeror and parties acting in concert with it upon Completion; (ii) the 45,746,000 Shares in respect of which Mr. But has undertaken not to accept the Offer; (iii) the 44,121,168 Shares held by Mind Seekers in respect of which Mind Seekers has undertaken not to accept the Offer; (iv) the 100,000,000 Subscription Shares which will be held by Reach General in respect of which Reach General has undertaken not to accept the Offer; and (v) the 100,000,000 Subscription Shares which will be held by Chen Ping in respect of which Chen Ping has undertaken not to accept the Offer
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“Group Company(ies)”	member(s) of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	means the Shareholders other than (i) Mr. But, his associates (including Mind Seekers and the Accepting Shareholders) and parties acting in concert with him; (ii) the Offeror, and parties acting in concert with it and those who are involved in or interested in the Offer; and (iii) any Shareholders who are interested in the Subscription Agreements and any transactions contemplated therein
“insignificant subsidiary”	has the meaning given in Rule 14A.09(1) of the Listing Rules
“Irrevocable Undertakings”	collectively, the BTF Irrevocable Undertaking, the Mind Seekers Irrevocable Undertaking, the BTH Irrevocable Undertaking, the LC Irrevocable Undertaking, the LK Irrevocable Undertaking, the RG Irrevocable Undertaking and Chen Irrevocable Undertaking or any of them as the context may suggest
“Joint Announcement”	the joint announcement dated 14 February 2016 issued by the Company and the Offeror in relation to, among others, the Subscriptions and the Offer
“Last Trading Day”	4 February 2016, being the last trading day of the Ordinary Shares prior to the suspension of trading in the Shares
“Latest Practicable Date”	14 April 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LC Acceptance Shares”	the 2,252,280 Shares to which Mr. Leung Cheong is the beneficial owner and other Shares received, allotted to or otherwise acquired by Mr. Leung Cheong from the date of the LC Irrevocable Undertaking and before the Offer closes
“LC Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mr. Leung Cheong on 4 February 2016 in relation to, inter alia, the LC Acceptance Shares

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## DEFINITIONS

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“LK Acceptance Shares”	the 4,536,520 Shares to which Mr. Leung Kuen, Ivan is the beneficial owner and other Shares received, allotted to or otherwise acquired by Mr. Leung Kuen, Ivan from the date of the LK Irrevocable Undertaking and before the Offer closes
“LK Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mr. Leung Kuen, Ivan on 4 February 2016 in relation to, <i>inter alia</i> , the LK Acceptance Shares
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Undertakings”	collectively, the BTF Lock-Up Undertaking and the Mind Seekers Lock-Up Undertaking, or any of them as the context may suggest
“Long Stop Date”	31 May 2016 (or such other date as may be agreed by the parties to the Subscription Agreements in writing (such date being not more than 90 days after the Long Stop Date))
“Maturity Date”	the fifth (5) anniversary from the date of issue of the Convertible Bonds
“Mind Seekers”	Mind Seekers Investment Limited, a company incorporated in BVI with limited liability, which is beneficially owned by Mr. But Tin Hing, Mr. But, Mr. Leung Cheong and Mr. Leung Kuen, Ivan as to 50%, 20%, 20% and 10%, respectively
“Mind Seekers Acceptances Shares”	the 176,484,672 Shares held by Mind Seekers and 80% of the Shares received, allotted to or otherwise acquired by Mind Seekers from the date of the Mind Seekers Irrevocable Undertaking and when the Offer closes
“Mind Seekers Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mind Seekers on 4 February 2016 in relation to, <i>inter alia</i> , the Mind Seekers Non-Acceptance Shares and the Mind Seekers Acceptance Shares
“Mind Seekers Lock-Up Undertaking”	the lock-up undertaking entered into between the Offeror and Mind Seekers on 4 February 2016 in relation to the Mind Seekers Non-Acceptance Shares

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## DEFINITIONS

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“Mind Seekers Non-Acceptance Shares”	the 44,121,168 Shares held by Mind Seekers and 20% of the Shares received, allotted to or otherwise acquired by Mind Seekers from the date of the Mind Seekers Irrevocable Undertaking and when the Offer closes, which are subject to the Mind Seekers Lock-Up Undertaking and the Mind Seekers Irrevocable Undertaking
“Mr. But”	Mr. But Tin Fu, as at the Latest Practicable Date, an executive Director and the chairman of the Company, and an existing shareholder of the Company
“Offer”	subject to the UNISTECH Completion, the unconditional mandatory cash offer to be made by Quam Securities Company Limited on behalf of the Offeror to acquire all the issued Shares (other than the Excluded Shares) at the Offer Price
“Offeror”	Unis Technology Strategy Investment Limited, a company incorporated in Hong Kong with limited liability, being the subscriber under the UNISTECH Subscription Agreement, and which is indirectly wholly-owned by Tsinghua Unigroup
“Offer Period”	has the meaning given to it in the Takeovers Code
“Offer Price”	the amount of HK\$1.70 per Offer Share
“Offer Share(s)”	the Share(s) which are subject of the Offer
“PRC”	the People’s Republic of China
“Principal Subsidiary”	a subsidiary of the Company which is not an insignificant subsidiary
“Reach General”	Reach General International Limited (達廣國際有限公司), a company incorporated in the BVI with limited liability
“RG Completion”	completion of the RG Subscription in accordance with the terms and conditions of the RG Subscription Agreement
“RG Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Reach General on 12 February 2016 in relation to, <i>inter alia</i> , the 100,000,000 Subscription Shares under the RG Subscription



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## DEFINITIONS

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“RG Subscription”	the subscription of 100,000,000 Subscription Shares by Reach General pursuant to the RG Subscription Agreement
“RG Subscription Agreement”	the subscription agreement entered into between the Company and Reach General on 4 February 2016 in relation to the subscription of 100,000,000 Subscription Shares
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, <i>inter alia</i> , the Subscription Agreements and the transactions contemplated thereunder, including allotment and issue of the Subscription Shares and Convertible Bonds, the granting of the Specific Mandate and the proposed appointments of the new Directors
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the SGM for the allotment and issue of the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber(s)”	the Offeror, Reach General and Chen Ping, or any of them as the context may suggest
“Subscription(s)”	the UNISTECH Subscription, the RG Subscription and the Chen Subscription, or any of them as the context may suggest
“Subscription Agreement(s)”	UNISTECH Subscription Agreement, RG Subscription Agreement and Chen Subscription Agreement, or any of them as the context may suggest
“Subscription Price”	HK\$0.40 per Subscription Share

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## DEFINITIONS

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“Subscription Share(s)”	930,000,000 new Shares, in aggregate, to be subscribed by any Subscriber(s)
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC in Hong Kong as amended from time to time
“Tianshi Leasing”	Tianshi Financial Leasing (Shenzhen) Co., Ltd.* (天時融資租賃(深圳)有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of the Company
“Trading Day”	a day when the Stock Exchange is open for trading in Hong Kong
“Tsinghua Unigroup”	Tsinghua Unigroup Co., Ltd. (紫光集團有限公司), a company established under the laws of the PRC and which is owned as to 51% by Tsinghua Holdings Co., Ltd. (清華控股有限公司), a wholly-owned subsidiary of Tsinghua University (清華大學), and as to 49% by Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司)
“UNISTECH Subscription”	the subscription of the UNISTECH Subscription Shares and Convertible Bonds by the Offeror pursuant to the UNISTECH Subscription Agreement
“UNISTECH Subscription Agreement”	the subscription agreement entered into among Mr. But, the Company and the Offeror on 4 February 2016 in relation to the subscription of the UNISTECH Subscription Shares and the Convertible Bonds
“UNISTECH Completion”	completion of the UNISTECH Subscription in accordance with the terms and conditions of the UNISTECH Subscription Agreement
“UNISTECH Subscription Shares”	730,000,000 new Shares to be subscribed by the Offeror
“%”	percentage

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LETTER FROM THE BOARD

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**SUN EAST TECHNOLOGY (HOLDINGS) LIMITED**

**日東科技(控股)有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00365)**

*Executive Directors:*

Mr. But Tin Fu  
Mr. But Tin Hing  
Mr. Leung Cheong  
Mr. Leung Kuen, Ivan

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Mr. See Tak Wah  
Prof. Xu Yang Sheng  
Mr. Li Wanshou

*Principal place of business:*

Unit H, 1st Floor, Phase 4  
Kwun Tong Industrial Centre  
Nos. 436-446 Kwun Tong Road  
Kwun Tong  
Kowloon  
Hong Kong

20 April 2016

*To the Shareholders*

Dear Sir/Madam,

**SUBSCRIPTION OF NEW SHARES AND CONVERTIBLE BONDS  
OF SUN EAST TECHNOLOGY (HOLDINGS) LIMITED  
BY THE SUBSCRIBERS UNDER SPECIFIC MANDATE  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Joint Announcement.

The purpose of this circular is to provide you with, among other things, relevant information on (i) the Subscription Agreements, the Convertible Bonds and the Specific Mandate in relation to the Subscriptions; (ii) notice of the SGM; and (iii) other information as required under the Listing Rules.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AGREEMENTS

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 number of issued Shares as at the Latest Practicable Date and approximately 50.17% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, at a 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 issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 20.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares.

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 number of issued Shares as at the Latest Practicable Date and approximately 6.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, at a 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 number of issued Shares as at the Latest Practicable Date and approximately 6.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, at a Subscription Price of HK\$0.40 per Subscription Share.

**Date:** 4 February 2016

**Parties:**

- (i) the Company, as the issuer;
- (ii) Mr. But, as the guarantor, only in the case of the UNISTECH Subscription Agreement; and
- (iii) Each of the Offeror, Reach General and Chen Ping, as the subscriber, entered into a separate Subscription Agreement.

Mr. But agreed to guarantee the obligations of the Company in relation to the truth, accuracy and completeness of the representations and warranties and provide indemnities under the UNISTECH Subscription Agreement. For the avoidance of doubt, Mr. But was not a signing party to the RG Subscription Agreement and the Chen Subscription Agreement and Mr. But has not agreed to give any guarantee nor provide indemnities under the RG Subscription Agreement and the Chen Subscription Agreement.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscribers and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Please refer to the section headed "Information on the Parties" for more information on the Subscribers.

### The Subscription Shares and the Convertible Bonds

The following table sets out a summary of the Subscription Shares and the Convertible Bonds to be subscribed for by each of the Subscribers pursuant to the Subscription Agreements:

	Number of Subscription Shares	Shareholding percentage at Completion (assuming there is no change to the share capital of the Company other than the issue of the Subscription Shares)	Number of Shares held upon full conversion of the Convertible Bonds	Number of shares held upon full conversion of the Convertible Bonds and after the acquisition of the Acceptance Shares under the Offer (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares and there is no Independent Shareholder accepting the Offer)	Shareholding percentage immediately upon full conversion of the Convertible Bonds and after the acquisition of the Acceptance Shares under the Offer (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares and there is no Independent Shareholder accepting the Offer)
The Offeror	730,000,000	50.17%	1,100,000,000	1,284,323,472	70.37%
Reach General	100,000,000	6.87%	100,000,000	100,000,000	5.48%
Chen Ping	100,000,000	6.87%	100,000,000	100,000,000	5.48%
	<u>930,000,000</u>	<u>63.91%</u>	<u>1,300,000,000</u>	<u>1,484,323,472</u>	<u>81.33%</u>

### The Subscription Price

The Subscription Price of HK\$0.40 per Subscription Share represents:

- (a) a discount of approximately 72.79% to the closing price of HK\$1.470 per Share as quoted on the Stock Exchange on 4 February 2016, being the Last Trading Day;
- (b) a discount of approximately 70.59% to the average closing price of approximately HK\$1.360 per Share for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 68.92% to the average closing price of approximately HK\$1.287 per Share for the last ten consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM THE BOARD

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- (d) a discount of approximately 37.57% to the unaudited net asset value per Share of HK\$0.641 as at 30 September 2015;
- (e) a discount of approximately 75.46% to the closing price of HK\$1.63 per Share on the Latest Practicable Date; and
- (f) a multiple of approximately 83 times the earnings per Share for the year ended 31 March 2015.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers after taking into account the prevailing market prices of the Shares, the trading volume of the Shares, the earnings per Share for the year ended 31 March 2015 and for the six months ended 30 September 2015 and the unaudited net asset value per Share as at 30 September 2015.

### Consideration for the Subscription

The total Subscription Price amounts to HK\$520 million which shall be payable in cash by the Subscribers in proportion to their Subscription Shares and Convertible Bonds subscribed upon Completion.

### Conditions of the Subscriptions

Each Subscriber's obligation to subscribe and pay for, and the obligations of the Company to issue, the Subscription Shares to the Subscribers and the Convertible Bonds to the Offeror are subject to the fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) **Approvals:** all necessary approvals for the Subscriptions required under the constitutional documents of the Company, applicable laws, the Listing Rules and otherwise having been obtained, including:
  - (i) the passing by the requisite majority of Shareholders or independent Shareholders (as appropriate) in an SGM of all resolutions required under relevant laws and regulations, including pursuant to the Listing Rules, in respect of, among other things, the specific mandates for the allotment and issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares falling to be issued upon conversion of the Convertible Bonds; and
  - (ii) the granting of the approval for the listing of, and permission to deal in the Subscription Shares and the Conversion Shares falling to be issued upon conversion of the Convertible Bonds by the Listing Committee of the Stock Exchange;
- (b) **Due diligence:** the Subscriber having completed its due diligence of the Group to its satisfaction;

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## LETTER FROM THE BOARD

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- (c) **Company's warranties:** the warranties in respect of the Company specified in the respective Subscription Agreements continuing to be true, accurate and complete in all material respects as at the respective Completion Date;
- (d) **Compliance:** the Company having performed all of its obligations specified in the respective Subscription Agreements expressed to be performed on or before the respective Completion Date (including but not limited to the covenants specified in the respective Subscription Agreements);
- (e) **Material adverse effect:** no material adverse effect on the Group Companies having occurred since the date of the respective Subscription Agreements;
- (f) **No injunction:** no injunction, interim or otherwise, having been granted in respect of the Company which would prohibit the Company to enter into and perform its obligations under the respective Subscription Agreements; and
- (g) **Subscribers' warranties:** the warranties in respect of the respective Subscribers specified in the respective Subscription Agreements continuing to be true, accurate and complete in all material respects as at the respective Completion Date.

The UNISTECH Completion, the RG Completion and the Chen Completion are not inter-conditional to each other.

Each of the Subscribers may in its absolute discretion waive conditions (b) to (e) above under its respective Subscription Agreement at any time by notice in writing to the Company. The Company may in its absolute discretion waive condition (g) above under the respective Subscription Agreements at any time by notice in writing to the respective Subscriber.

In the event that any of the above conditions shall not have been satisfied or waived (as applicable) prior to the Long Stop Date, then none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the respective Subscription Agreements and the respective Subscription Agreements shall cease to be of any effect save for, among others, as to any antecedent breach of the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled or waived.

### **Completion**

Completion shall take place on the seventh Business Day from and excluding the day on which the last of the conditions precedent of the respective Subscription Agreements has been fulfilled or waived. It is expected that the UNISTECH Completion, the RG Completion and the Chen Completion will take place contemporaneously as each of the UNISTECH Subscription Agreement, the RG Subscription Agreement and the Chen Subscription

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## LETTER FROM THE BOARD

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Agreement is subject to the same conditions precedent. At Completion, the Company shall allot and issue to the Subscribers, their respective number of Subscription Shares and to the Offeror, the Convertible Bonds.

### **Other major terms**

The Subscription Agreements contain customary representations, warranties, undertakings and indemnities provisions by the Company and Mr. But (in the case of the UNISTECH Subscription Agreement) about matters such as the Group and its operations or business affairs. In particular, the Company, and Mr. But (in the case of the UNISTECH Subscription Agreement) represented and warranted to each of the Subscribers that the unaudited consolidated net asset value of the Group as at 31 December 2015 shall not be less than HK\$328,000,000 (the “NAV Warranty”). Such NAV Warranty is not a condition precedent of the Subscription Agreements. The Company and Mr. But, as the warrantors, shall indemnify the Subscribers from and against any loss suffered or incurred as a result of or in connection with the breach of the NAV Warranty.

Pursuant to the UNISTECH Subscription Agreement, the total liability of the Company in respect of all claims shall be in any event no more than the sum of (a) the subscription amount under the UNISTECH Subscription Agreement and (b) the total consideration to be paid for the Shares to be acquired by the Offeror pursuant to the general offer; the total liability of Mr. But in respect of all claims shall be in any event no more than approximately HK\$145 million.

Pursuant to the RG Subscription Agreement and the Chen Subscription Agreement, the total liability of the Company in respect of all claims shall be in any event no more than the subscription amount under each of the RG Subscription Agreement and the Chen Subscription Agreement, respectively.

Pursuant to each of the Subscription Agreements, the warranties given by the Company shall survive Completion and remain in full force and effect until the expiration of the second anniversary of Completion.

### **Ranking**

Upon Completion, the Subscription Shares shall be issued and credited as fully paid. The Subscription Shares and the Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares and the Conversion Shares, respectively.



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## LETTER FROM THE BOARD

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### Information on the Convertible Bonds

The principal terms of the Convertible Bonds are summarized as below:

Principal amount:	HK\$148,000,000
Maturity date:	The fifth anniversary of the date of issue of the Convertible Bonds
Interest:	The Convertible Bonds will not bear any interest
Conversion rights:	<p>The bondholders will have the right, during the period commencing from the date of issue of the Convertible Bonds up to the close of business in Hong Kong on the Maturity Date to convert all or part of the Convertible Bonds held by it (if in part, the principal amount of Convertible Bonds to be converted shall be in the minimum amount of HK\$2,000,000 and integral multiples of HK\$1,000,000 or the whole outstanding principal amount of the Convertible Bonds) into Conversion Shares at the Conversion Price (subject to adjustments).</p> <p>No exercise of conversion rights attaching to the Convertible Bonds shall be allowed if the conversion would result in the Company breaching the minimum public float requirement under Rule 8.08 of the Listing Rules.</p> <p>The Conversion Shares will in all respects rank <i>pari passu</i> with the Shares in issue on the relevant registration date.</p>
Conversion Price:	The initial Conversion Price shall be HK\$0.40 per Conversion Share subject to adjustment provisions as summarized below.

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## LETTER FROM THE BOARD

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Anti-dilution adjustments: The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

- (a) consolidation, sub-division or reclassification of the Shares;
- (b) capitalisation of profits or reserves;
- (c) capital distribution to the Shareholders;
- (d) issue of Shares to all or substantially all Shareholders as a class by way rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue or grant and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue or grant;
- (e) issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) issue (other than as mentioned in paragraph (d) above) of any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (other than as mentioned in paragraph (d) above) options, warrants or other rights to subscribe for, or purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue and (ii) the Conversion Price then in effect on the date of the announcement of the terms of the issue;

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## LETTER FROM THE BOARD

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- (g) save in the case of an issue of securities arising from a conversion of exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph (g), the issue wholly for cash in paragraphs (d), (e) and (f) of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription at a consideration per Share which is less than the higher of (i) 80% of the market price on the date of the announcement of the terms of the issue of such securities and (ii) the Conversion Price in effect on the date of the announcement of the terms of the issue of such securities;
- (h) when the rights of conversion, exchange or subscription attached to any such securities as are mentioned in paragraph (g) above (other than in accordance with the terms of such securities) are modified so that the consideration per Share is less than the higher of (i) 80% of the market price on the date of the announcement of the proposals for such modification and (ii) the Conversion Price then in effect on the date of the announcement of the proposals for such modification;
- (i) when any of the Company or any of its subsidiaries issues, sells or distributes any securities whereby the Shareholders generally are entitled to participate in such issue, sale or distribution (except where the Conversion Price falls to be adjusted under paragraphs (d), (e), (f) or (g) above), the Conversion Price shall be adjusted, in order to reflect the fact that such right of participation represents an adjustment to the value of the Shares, by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

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## LETTER FROM THE BOARD

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Where:

- A is the current market price of one (1) Share on the date on which such issue, sale or distribution is publicly announced; and
  - B is the fair market value on the date of such announcement of the portion of the rights attributable to one (1) Share; and
- (j) if the Company or any bondholder determines that a downward adjustment should be made to the Conversion Price as a result of one (1) or more events or circumstances not referred to in paragraphs (a) to (i), the Company or such bondholder shall, at the costs and expenses of the Company, consult an independent bank of international repute (acting as an expert) to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and the date on which such adjustment should take effect.

Transferability:

A Convertible Bond may be transferred to another person provided, however, that (a) where not all of the Convertible Bonds then held by the bondholder are being transferred, the aggregate principal amount of the Convertible Bonds so transferred shall be at least HK\$2,000,000 and integral multiples of HK\$1,000,000, and (b) if the transfer is not to a bank, financial institution or other financiers for financing purpose of the bondholder, the prior consent of the Company shall have been obtained (such consent not to be unreasonably withheld or delayed and shall be deemed to have been given unless the Company has expressly refused such consent within five (5) business days of the bondholder's request).

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## LETTER FROM THE BOARD

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Events of default:

If any of the following events occurs, the Convertible Bonds shall on the giving of notice in writing by the bondholder to the Company become due and payable at the Early Redemption Amount:

- (a) a default is made by the Company in the payment of any principal, premium or any other amount due in respect of the Convertible Bonds on its due date of payment (except where failure to pay is caused solely by administrative or technical error and payment is made within three (3) business days of its due date);
- (b) failure by the Company to deliver any Shares as and when such Shares are required to be delivered following conversion of a Convertible Bond and such failure continues for a period of seven (7) business days;
- (c) the occurrence of any event or circumstance which could reasonably likely to result in a material adverse effect;
- (d) the Company fails to perform or comply with one or more of its other obligations in the Convertible Bonds (other than those referred to in paragraphs (a) to (c) above), which default is incapable of remedy or, if capable of remedy, is not remedied within 7 days after written notice of such default shall have been given to the Company by a bondholder;

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## LETTER FROM THE BOARD

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- (e) the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of the Company; an administrator or liquidator of the Company, or the whole or any part of the assets and revenue of the Company is appointed and such appointment is not discharged or stayed within 60 days;
  
- (f) any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a substantial part of (or of a particular type of) its debts as they fall due, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of a substantial part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of (or of a particular type of) the debts of any Principal Subsidiary; an administrator or liquidator of any Principal Subsidiary or the whole or any part of the assets and revenue of any Principal Subsidiary is appointed and such appointment is not discharged or stayed within 60 days (other than in respect of a solvent liquidation);

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## LETTER FROM THE BOARD

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- (g) any judgment or order for the payment of money in excess of HK\$1,000,000 or the equivalent thereof (for each judgment or order) or HK\$10,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Principal Subsidiary and is not discharged for a period of 30 days following such judgment (or such longer period as the Company and the bondholders may agree) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (h) any judgment or order for the payment of money in excess of HK\$10,000,000 or the equivalent thereof (for each judgment or order) or HK\$20,000,000 or the equivalent thereof in the aggregate (for all such judgments or orders) shall be rendered against the Company and/or any Principal Subsidiary;
- (i) any other present or future indebtedness of the Company or any of its Principal Subsidiaries for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period; or (iii) the Company or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this condition have occurred equals or exceeds HK\$100,000,000 or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the Hong Kong dollar as quoted by any leading bank on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity);

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## LETTER FROM THE BOARD

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- (j) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Company or any of its Principal Subsidiaries, and is not discharged or stayed within 60 days;
- (k) an order is made or an effective resolution passed for the liquidation, winding up, dissolution, judicial management or administration of the Company or any of its Principal Subsidiaries or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or a material part of its business;
- (l) an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Company or any of its Principal Subsidiaries (as the case may be), and is not discharged within 60 days;
- (m) it is or will become unlawful for the Company to perform or comply with anyone or more of its obligations under the Convertible Bonds;
- (n) any step is taken by any person that could reasonably be expected to result in the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Principal Subsidiaries;
- (o) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds; (ii) to ensure that these obligations are legally binding and enforceable; and (iii) to make the Convertible Bonds admissible in evidence in the courts of Bermuda or Hong Kong is not taken, fulfilled or done; or



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## LETTER FROM THE BOARD

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- (p) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing conditions.

Early Redemption Amount = outstanding principal amount of such Convertible Bond  $\times (1.10)^N$  where:

N = a fraction the numerator of which is the number of calendar days between the date of issue of the Convertible Bonds and the date of redemption of such amount and the denominator of which is 365.

### **Specific Mandate for the issue of the Subscription Shares and Conversion Shares**

The Subscription Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the SGM.

### **Listing application**

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

### **Equity fund raising by the Company in the past 12 months**

The Company did not carry out any equity fund raising activities in the 12 months period immediately preceding the Latest Practicable Date.

### **Reasons for and benefits of the Subscriptions**

The Group is engaged in the manufacture and sale of production equipment and production lines for the manufacturing industries including semi-conductor, electronic and logistics industries. It is committed to innovation and diversification of its products and has invested significantly in the development of smart and automated production equipment and production lines.

The Group provides customers with one-stop solutions of research and development, design, production, sale and service for production equipment and production lines. Currently, the Group has successfully developed linear motor, DDR direct drive motor and vision systems. These technologies have been applied to the Group's existing high-speed high-precision solder paste screen printer machines, and can be applied to semi-conductor equipment and other high-speed high-precision equipment. Meanwhile, the Group is optimistic about the development of the semi-conductor-related business, and has developed a semi-conductor wafer handling robot prototype with linear motor and DDR direct drive motor technology. At the same time, the Group has formulated plans to expand its semi-conductor-related business and it has also hired an experienced professional team for its business expansion.

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## LETTER FROM THE BOARD

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The Group has been focusing on the manufacturing of smart production lines and semi-conductor equipment, and also acts as distributor for foreign brands of automated machines. The Group expects there will be increasing demand for smart production lines, smart production equipment and semi-conductor equipment. Having considered (1) the technological developments in the domestic market compared to its foreign counterparts; (2) the large volume of semi-conductors being imported as compared to the significantly smaller volume of semi-conductors being exported; and (3) the recent policies launched by the PRC Government, including favourable industry policies, e.g. provision of tax benefits and subsidies, and the establishment of the National Integrated Circuit Industry Development Investment Fund with a total size of RMB120 billion focusing on the investment in chip design and the manufacturing and packaging of related equipment, the Company is optimistic about the future growth in the industry.

The Directors are of the view that the Subscriptions represent a valuable opportunity for the Group to bring in the Offeror as a solid strategic corporate investor. The Offeror, a wholly-owned subsidiary of Tsinghua Unigroup, has extensive experience, strong expertise and a wide business network in the integrated circuit industry in the PRC.

The Directors consider that the Subscriptions will bring about certain benefits including but not limited to the following:

- (a) The Group can finance the upgrade of its technology, products and production facilities as well as business expansion with proceeds to be received from the Subscriptions;
- (b) Tsinghua Unigroup, supported by Tsinghua University, has the technology and talent that may help the Group in upgrading its technology, products and production facilities;
- (c) With Tsinghua Unigroup's existing business and future investments in the semi-conductor industry, the Group may be able to leverage its new controlling shareholder to further expand its smart production lines and semi-conductor equipment business in the PRC;
- (d) With the business connections of Reach General, the Company believes that Reach General will assist the Company in its business strategy discussions with the large production logistics companies and help advancing the strategic planning of the Group. For details relating to the background of Reach General, please refer to the section headed "Information on the parties – Information on Reach General" of this circular; and
- (e) Chen Ping is an experienced investor and has access to human resources and resources in the computer communication and consumer electronics industry. The Company believes that Chen Ping will bring in valuable business opportunities to the Group. For details relating to the background of Reach General, please refer to the section headed "Information on the parties – Information on Chen Ping" of this circular.

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## LETTER FROM THE BOARD

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In addition to the synergies and business opportunities that the Subscribers will bring to the Company's future developments after the Subscriptions, the Directors have considered the following factors when determining the Subscription Price (and the Conversion Price):

- (a) *The historical financial performance of the Group* – Based on the audited consolidated financial statements of the Group for the four years ended 31 March 2015, the Directors noted that the net profits had significantly declined from HK\$12,997,000 in 2012 to HK\$2,535,000 in 2015;
- (b) *The historical Share price of the Company* – According to the available historical data during the four years ended 31 March 2015, the Directors noted that the Shares had been traded at the Stock Exchange within the range of HK\$0.40 to HK\$0.80 per Share, which the Directors believe, to an extent reflective of the historical financial performance of the Group prior to the negotiation or discussions of the Subscriptions;
- (c) *The price earnings multiple of the Subscription Price* – The Subscription Price (and the Conversion Price) represents a price earnings multiple of 83 times the earnings per Share for the year ended 31 March 2015. Notwithstanding the discount of the Subscription Price and the Conversion Price to the prevailing market price of the Share, which the Company believes that such prevailing market price has been inflated since 2015 and does not consistently reflect the historical profitability and the future prospects of the Group, the Company considers that the Subscription Price (and the Conversion Price) was agreed at a relatively high price earnings multiples, being 83 times of the the earnings per Share for the year ended 31 March 2015; and
- (d) *The lock-up undertakings of the Subscribers* – The irrevocable undertakings by each of the Subscribers not to accept the offer and the undertaking not to dispose the Subscription Shares for a period of 12 months from the date of the Subscriptions. As disclosed in the sectioned headed “Future intention regarding the Group”, each of the Subscribers intends to assist the future development and expansion of the Group and the irrevocable lock-up undertakings by each of the Subscribers align their respective interest with the future intention regarding the Group.

Having considered the historical financial performance and the future prospect of the Group, the historical price performance of the Shares, the lock-up undertakings agreed by the Subscribers, the potential benefits and synergies as a result of the Subscriptions, the Directors are of the view that the Subscription Price and the Conversion Price are fair and reasonable and in the best interest of the Shareholders and it would not be commercially viable to set the subscription price and/or the conversion price comparable to the net asset value per Share or the market price of the Shares.

## LETTER FROM THE BOARD

### Effect on shareholding structure of the Company

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options, warrants or derivatives in issue which are convertible or exchangeable into Shares.

The table below sets out the effect of the Subscriptions on the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion (assuming there is no change to the share capital of the Company other than the issue of the Subscription Shares); (iii) immediately upon Completion and full conversion of the Convertible Bonds (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares); and (iv) immediately upon full conversion of the Convertible Bonds and after the acquisition of the Acceptance Shares under the Offer (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares and there is no Independent Shareholder accepting the Offer):

	(i) As at the Latest Practicable Date		(ii) Upon Completion (assuming there is no change to the share capital of the Company other than the issue of the Subscription Shares)		(iii) Upon Completion and full conversion of the Convertible Bonds (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares) (Note 5)		(iv) Upon full conversion of the Convertible Bonds and after the acquisition of the Acceptance Shares under the Offer (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares and there is no Independent Shareholder accepting the Offer) (Note 5)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mind Seekers (Note 1)	220,605,840	42.02%	220,605,840	15.16%	220,605,840	12.09%	44,121,168	2.42%
Mr. But (Note 2)	45,746,000	8.71%	45,746,000	3.14%	45,746,000	2.51%	45,746,000	2.51%
Mr. But Tin Hing (Note 3)	1,050,000	0.20%	1,050,000	0.07%	1,050,000	0.06%	-	-
Mr. Leung Cheong	2,252,280	0.43%	2,252,280	0.15%	2,252,280	0.12%	-	-
Mr. Leung Kuen, Ivan	4,536,520	0.86%	4,536,520	0.31%	4,536,520	0.25%	-	-
<b>The Subscribers</b>								
The Offeror and parties acting in concert with it	-	-	730,000,000	50.17%	1,100,000,000	60.27%	1,284,323,472	70.37%
Reach General (Note 4)	-	-	100,000,000	6.87%	100,000,000	5.48%	100,000,000	5.48%
Chen Ping (Note 4)	-	-	100,000,000	6.87%	100,000,000	5.48%	100,000,000	5.48%
<b>Existing public Shareholders</b>	<u>250,809,360</u>	<u>47.78%</u>	<u>250,809,360</u>	<u>17.26%</u>	<u>250,809,360</u>	<u>13.74%</u>	<u>250,809,360</u>	<u>13.74%</u>
<b>Total</b>	<u>525,000,000</u>	<u>100.00%</u>	<u>1,455,000,000</u>	<u>100.00%</u>	<u>1,825,000,000</u>	<u>100.00%</u>	<u>1,825,000,000</u>	<u>100.00%</u>

*Notes:*

- The entire issued share capital of Mind Seekers is beneficially owned by Mr. But Tin Hing, Mr. But, Mr. Leung Cheong and Mr. Leung Kuen, Ivan, as to 50%, 20%, 20% and 10% respectively.
- Mr. But is the beneficial owner of 39,525,200 Shares. He is the beneficial owner of 50% of the issued shares in Sun East Group Limited (which holds 3,796,000 Shares) and 100% of the issued shares in Sum Win Management Corp. (which holds 2,424,800 Shares) and therefore he is deemed, or taken to be interested in 45,746,000 Shares for the purposes of the SFO.

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## LETTER FROM THE BOARD

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3. Mr. But Tin Hing is the beneficial owner of 1,050,000 Shares. He is the beneficial owner of 50% of the issued shares in Mind Seekers and therefore he is deemed, or taken to be interested in 221,655,840 Shares for the purposes of the SFO.
4. Reach General and Chen Ping are considered as public Shareholders upon Completion. Upon Completion (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares), approximately 31.00% of the issued shares will be held by the public. Upon Completion and full conversion of the Convertible Bonds (assuming there is no change to the share capital of the Company other than the issue of Subscription Shares and the Conversion Shares), approximately 24.70% will be held by the public.
5. This scenario is shown for illustrative purposes only. Conversion of any Convertible Bonds will be limited by the Company being able to comply with the minimum public float requirements under the Listing Rules immediately after Conversion.

### **LOCK-UP UNDERTAKINGS**

#### **Lock-Up Undertakings in relation to the Subscription Shares**

Each of the Offeror, Reach General and Chen Ping has unconditionally and irrevocably undertaken and covenanted to the Company under their respective Subscription Agreement that, without the prior consent of the Company it will not and will procure the registered owner or nominee of its Subscription Shares (if applicable) not to, whether directly or indirectly:

- (a) in the period commencing on the date of Completion and ending on the date which is 12 months from the date of Completion, sell, offer, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any of the Subscription Shares; or
- (b) enter into a swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party any of the economic benefits of ownership of the Subscription Shares, for the purpose of hedging its economic or beneficial ownership in, or holdings of, the Subscription Shares.

Each of Reach General and Chen Ping has further undertaken to the Offeror under the RG Irrevocable Undertaking and Chen Irrevocable Undertaking, respectively, that without the prior consent of the Offeror, it will not and will procure the registered owner or nominee of its Subscription Shares (if applicable) not to, whether directly or indirectly:

- (a) in the period commencing on the date of Completion and ending on the date which is 12 months from the date of Completion, sell, offer, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any of the Subscription Shares; or

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## LETTER FROM THE BOARD

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- (b) enter into a swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party any of the economic benefits of ownership of the Subscription Shares, for the purpose of hedging its economic or beneficial ownership in, or holdings of, the Subscription Shares.

### **BTF LOCK-UP UNDERTAKING AND MIND SEEKERS LOCK-UP UNDERTAKING**

Mr. But has entered into the BTF Lock-up Undertaking, pursuant to which Mr. But has undertaken to the Offeror that, without the prior written consent of the Offeror, he will not, and will procure that the registered owner or nominee of the BTF Non-Acceptance Shares not to, whether directly or indirectly:

- (a) in the period commencing from the date of the BTF Lock-up Undertaking and ending on the date which is 12 months from the date of the UNISTECH Completion, sell, offer, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any of the BTF Non-Acceptance Shares; or
- (b) enter into a swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party any of the economic benefits of ownership of the BTF Non-Acceptance Shares, for the purpose of hedging its economic or beneficial ownership in, or holdings of, the BTF Non-Acceptance Shares.

Mind Seekers has entered into the Mind Seekers Lock-up Undertaking, pursuant to which Mind Seekers has undertaken to the Offeror that, without the prior written consent of the Offeror, it will not, and will procure that the registered owner or nominee of the Mind Seekers Non-Acceptance Shares not to, whether directly or indirectly:

- (a) in the period commencing from the date of the Mind Seekers Lock-up Undertaking and ending on the date which is 12 months from the date of the UNISTECH Completion, sell, offer, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, any of the Mind Seekers Non-Acceptance Shares; or
- (b) enter into a swap or other arrangement that would have (i) the same economic consequences as paragraph (a) above or (ii) the effect of transferring to another party any of the economic benefits of ownership of the Mind Seekers Non-Acceptance Shares, for the purpose of hedging its economic or beneficial ownership in, or holdings of, the Mind Seekers Non-Acceptance Shares.

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## LETTER FROM THE BOARD

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### FUTURE INTENTION REGARDING THE GROUP

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 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 had been entered into or determined for any possible future transaction or arrangement.

### Use of proceeds

The gross proceeds and net proceeds from the Subscriptions are approximately HK\$520 million and approximately HK\$516.5 million (after deduction of the fees and expenses payable to professional parties and advisers in connection with the Subscriptions including legal counsels, independent financial adviser, share registrar and printers, and other miscellaneous fees) respectively. The net proceeds are to be applied as follows:

- (a) *as to approximately HK\$266.5 million for the expansion of production capacity, improvement of facilities and increase of investment in research and development:* A major part of the proceeds from the Subscriptions will be used to expand and technologically upgrade the Group's existing business. The production plant of the Company was established and has been in use for approximately 19 years and the production machinery, equipment, design and the automated system require significant upgrading and improvements so that the Company will be able to capture the upcoming business opportunities and new demands in the market. Approximately HK\$172 million will be used within 12 to 18 months after the

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## LETTER FROM THE BOARD

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Completion in transforming and enhancing the production capacity of the existing production base in Shenzhen. We will utilize approximately HK\$172 million for the expansion of production capacity and improvement of facilities as follows:

Projects	Expected timetable	Expected utilized amount (HK\$)
1	Modifying and upgrading the primary infrastructure of Sun East Industrial Park	Within 12 months after the Completion
2	Modifying and upgrading the internet big data information platform	Within 12 months after the Completion
3	Upgrading the facilities of CNC Precision Processing Centre	Within 18 months after the Completion
4	Upgrading and enhancing the production capacity of the production line in the production equipment workshop	Within 8-10 months after the Completion
5	Upgrading the engineering testing centre and purchasing new testing equipment	Within 12 months after the Completion
Sub-total		172 million

The Company noted that the customers' demand has moved from procurement of traditional equipment to equipment with advanced and intelligent technology. The Company intends to utilize HK\$94.5 million on various research and development projects to migrate its production lines from manufacturing traditional equipment to intelligent and high-precision equipment. Approximately HK\$51.5 million will be used within 12 months after the Completion in research and development for high-speed-high-precision equipment (高速高精度直線電機), semi-conductor robot driven machine arms equipment (半導體產業機器人) and the IMS information and management system (IMS信息化管理訊息化系統). Approximately HK\$43 million will be used within 18 months after Completion in research and development for solutions for the visual system (視覺系統樣機), the integration of the automated system (升級自動化立體倉庫產業) and the "industry 4.0" demonstration center (工業4.0樣板示範中心).

- (b) *as to approximately HK\$150 million for capital injection into Tianshi Leasing:* The Group established Tianshi Leasing in China in 2014 to provide financial leasing services to customers purchasing products from the Group, thereby strengthening the market competitiveness of the Group's existing business. Since the establishment of Tianshi Leasing in 2014, the Company has been developing its financial leasing services as an alternative payment method to its existing customers who purchased the SMT machines, equipment and production lines



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## LETTER FROM THE BOARD

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from the Group. Based on the unaudited financials of the Tianshi Leasing for the three months ended 29 February 2016, Tianshi Leasing secured finance leases in an aggregate contractual amount of approximately HK\$6 million and the Company noticed that there has been a growing demand for the financial leasing services in the manufacturing industry in the Mainland market. The Company intends to utilize its platform through Tianshi Leasing to further expand its financial leasing services to a wider client base. Separately, according to the “Provisions on Matters concerning the Pilot Program of Replacing Business Tax with Value-Added Tax”, Appendix 2 to the “Notice of the Ministry of Finance and the State Administration of Taxation on Including the Railway Transportation and Postal Industries in the Pilot Program of Replacing Business Tax with Value-Added Tax” (“財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知” (財稅[2013]106號) 附件2 “營業稅改徵增值稅試點有關事項的規定”), financial leasing enterprises can only enjoy preferential tax treatments, such as tax rebates, if they have registered capital of US\$30 million or more. Tianshi Leasing currently has a registered capital of US\$10 million which remains unpaid. In order to accelerate the development of the Group’s financial leasing business and raise the profitability of the business, the Group intends to pay up the original registered capital of US\$10 million and increase the capital investment in the Tianshi Leasing by US\$20 million (making a total investment of approximately HK\$232 million). The Group intends to apply approximately HK\$150 million of the proceeds for the aforementioned purpose within one to two months after the Completion.

Of the HK\$150 million of the proceeds that would be injected to Tianshi Leasing as registered capital, Tianshi Leasing intends to utilise (i) approximately HK\$6 million for repayment of the loan owed by Tianshi Leasing to the Group which has been used to pay for the underlying contractual amount arising from the finance leases for the three months ended 29 February 2016; (ii) approximately HK\$72 million for paying the underlying contractual amount arising from the future finance leases for the year ending 31 March 2017; and (iii) approximately HK\$72 million for paying the underlying contractual amount arising from the future finance leases for the year ending 31 March 2018.

- (c) *as to approximately HK\$100 million for repayment of bank facilities:* As of the Latest Practicable Date, the Company had an outstanding balance of approximately RMB90 million arising from revolving liquidity facilities from two principal banks in the PRC, of which RMB50 million will become due in June 2016 and four separate outstanding borrowings each in an amount of RMB10 million will become due in July, September, November and December 2016, respectively. The Group intends to utilize approximately HK\$100 million to repay the aforementioned revolving liquidity facilities immediately after the Completion, so that the financial costs will be reduced and the profitability of the Group will be improved.

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## LETTER FROM THE BOARD

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### Proposed change of board composition of the Company

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.

Pursuant to the terms of the UNISTECH Subscription Agreement, subject to the UNISTECH Completion and the requirements of the Takeovers Code, the Company shall cause (i) such persons as the Offeror may nominate to be appointed as the general manager and financial controller of the Company with effect from the UNISTECH Completion; (ii) such two persons as the Offeror may nominate to be appointed as executive Directors with effect from the date of despatch of the Composite Document; (iii) such person as the Offeror may nominate to be appointed as an executive Director with effect from the completion of the Offer; and (iv) the resignation of Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan as the executive Directors with effect from the completion of the Offer.

The Bye-laws do not contain any provisions preventing the Company from entering into or restricting it to enter into an agreement which contains a term entitling the counterparty to nominate any person to become a Director. The Offeror's right to nominate any person to become Directors with effect from the date of despatch of the Composite Document and from the completion of the Offer as set out in the UNISTECH Subscription Agreement is on an one-off basis and does not automatically guarantee the appointment of such person(s). The credentials of the nominees proposed by the Offeror will be submitted to review by the nomination committee of the Company prior to the SGM. The appointment of Mr. Qi Lian, Mr. Xia Yuan and Mr. Zhang Yonghong as Directors as nominated by the Offeror is still subject to the approval of the Board and the authorisation of the Shareholders at the SGM and such directors (if appointed) will be subject to re-election by the Shareholders pursuant to the Bye-laws and as required under the Listing Rules.

The Offeror proposed to nominate Mr. Qi Lian and Mr. Xia Yuan to be appointed as executive Directors with effect from the date of despatch of the Composite Document; and Mr. Zhang Yonghong to be appointed as an executive Director with effect from the completion of the Offer.

The biographies of Mr. Qi Lian, Mr. Xia Yuan and Mr. Zhang Yonghong are set out below:

**Mr. QI Lian** (齊聯), aged 48, held the following positions in 紫光股份有限公司 (Unisplendour Corporation Limited) and its predecessor, 清華紫光股份有限公司 (Tsinghua Unisplendour Corporation Limited), a company listed on the Shenzhen Stock Exchange (stock code: 000938): vice chairman of the board and president from May 2014 to January 2016; director and president from June 2011 to May 2014; director, executive vice president and secretary of the board from May 2007 to May 2011; secretary of the board and chief investment officer from January 2003 to May 2007; and secretary of the board from March 1999 to January 2003. Mr. Qi was a director of 北京千方科技股份有限公司 (China Transinfo Technology Co., Ltd.) and its predecessor, 北京聯信永益科技股份有限公司 (Surekam Corporation), a company with shares listed on the Shenzhen Stock Exchange (stock code:

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## LETTER FROM THE BOARD

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002373) from June 2014 to August 2015. He also served as chief manager of 清華紫光集團戰略研究中心 (Tsinghua Unigroup Strategic Research Centre) from September 1997 to March 1999; and deputy general manager of 清華紫光集團測控公司 (Tsinghua Unigroup Test Control Co., Ltd.) from April 1992 to September 1997.

Mr. Qi acquired his master's degree in business administration from Chinese University of Hong Kong in 2002 and a master's degree in electrical engineering from Tsinghua University in 1992 after he obtained a bachelor's degree in electrical engineering from Tsinghua University in 1990. Mr. Qi obtained his senior engineer qualification in August 1999.

**Mr. XIA Yuan (夏源)**, aged 35, is currently the assistant general manager of 北京同仁堂健康藥業股份有限公司 (Beijing Tong Ren Tang Health Pharmaceutical Co., Ltd.). Before the appointment to his current position in October 2010, Mr. Xia was the vice president of China Great Wall Computer (H.K.) Holdings Limited (中國長城計算機(香港)控股有限公司) from September 2007 to September 2010 and assistant to president from October 2006 to September 2007. Before joining China Great Wall Computer (H.K.) Holdings Limited, Mr. Xia consecutively served as a sales engineer and a sales manager at Huawei Technologies Co. Ltd. (華為技術有限公司). Mr. Xia was an independent non-executive director of 華聯控股股份有限公司 (China Union Holdings Ltd.) from June 2013 to December 2014, a company listed on the Shenzhen Stock Exchange (stock code: 000036). Mr. Xia has over 10 years of experiences in strategic planning, marketing and capital operations.

Mr. Xia acquired his doctoral degree in communication studies from Zhejiang University (浙江大學) in 2012 and a master's degree in marketing communications from Bournemouth University in 2004 after he obtained a bachelor's degree in English literature from University of International Relations (國際關係學院) in 2002. Mr. Xia is a committee member of Shanghai Youth Federation (上海市青聯委員).

**Mr. ZHANG Yonghong (張永紅)**, aged 48, is currently the executive vice president of Tsinghua Unigroup. Prior to his appointment to the current position in December 2015, Mr. Zhang was the president of China consumer business of Acer Incorporated, a company with shares listed on the Taiwan Stock Exchange (code: 2532) and global depository receipts listed on the London Stock Exchange (symbol: ACID), from November 2009 to October 2015; vice president and general manager of the imaging, printing and ink-jet systems division of China Hewlett-Packard Co., Ltd. (中國惠普有限公司) from October 1998 to November 2009; sales manager of the northern region of Motorola (China) Electronics Co., Ltd. (摩托羅拉(中國)電子有限公司) from June 1998 to October 1998; deputy general manager, marketing and sales manager of Beijing Xinjun Technology Group (北京新駿科技集團) from June 1996 to June 1998; and vice president of commercial systems division of Lenovo Group Ltd. from April 1993 to June 1996. Mr. Zhang has over 23 years of experiences in consumer marketing, sales and operations.

Mr. Zhang acquired his master's degree in mechanical manufacturing from University of Science and Technology of China (中國科學技術大學) in 1993 after he obtained a bachelor's degree in precision instruments from Tsinghua University (清華大學) in 1990. Mr. Zhang obtained his computer engineering qualification from Chinese Academy of Sciences (中國科學院) in October 1995.

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## LETTER FROM THE BOARD

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After the appointment of the above proposed Directors, the proposed Directors shall retire and shall be eligible for re-election at least once every three years in accordance with the Bye-laws and the Listing Rules. The proposed Directors shall be entitled to an emolument to be determined by the Board following recommendation by the remuneration committee with reference to market terms and their qualifications and experience and the remuneration policy of the Company. The remuneration committee shall make such recommendations in relation to the remuneration to each of the proposed Directors prior to the SGM.

Save as disclosed above, none of the above proposed Directors has held any directorship in other listed companies in the past three years. Furthermore, none of the above proposed Directors has any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company nor has any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters relating to the appointment of the proposed Directors that need to be brought to the attention of the shareholders of the Company.

Further announcements will be made by the Company upon the taking effect of the appointment of the above proposed Directors. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

### **Maintaining the listing status of the Company**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

In the event that after the completion of the Offer, the public float of the Company falls below 25%, the new Directors who are nominated by the Offeror to be appointed as Directors and the then directors of the Offeror will undertake to the Stock Exchange that they will take appropriate steps to restore the minimum public float as required under the Listing Rules as soon as possible following the close of the Offer to ensure that sufficient public float exists for the Shares.

**The Stock Exchange has stated that if, upon closing 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) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.**

A further announcement will be made on any further proposed change of composition of the Board. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

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## LETTER FROM THE BOARD

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### POSSIBLE UNCONDITIONAL MANDATORY CASH GENERAL OFFER

#### Terms of the Offer

Subject to fulfillment (or waiver as applicable) of the conditions precedent of the UNISTECH Subscription Agreement and following the UNISTECH Completion, the Offeror and parties acting in concert with it will in aggregate be interested in 730,000,000 Shares, representing approximately 50.17% of the Shares in issue as enlarged by the allotment and issue of the Subscription Shares but before conversion of any Convertible Bonds (assuming that there is no other change in the number of Shares in issue). 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 the number of Shares in issue as enlarged by the allotment and issue of the Shares in issue as enlarged by the allotment and issue of the Subscription Shares and Conversion Shares upon conversion of the Convertible Bonds in full (assuming that there is no adjustment to the Conversion Price and there is no other change in the number of Shares in issue).

Pursuant to Rule 26.1 of the Takeovers Code, immediately following the UNISTECH Completion, the Offeror and the parties acting in concert with it are required to make 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 it). As at the Latest Practicable Date, (i) the Offeror or the parties acting in concert with it did not own any Shares or securities in the Company; and (ii) Mr. But (directly and indirectly through entities controlled by him) held 45,746,000 Shares and is the beneficial owner of 44,121,168 Shares, being the Mind Seekers Non-Acceptance Shares (representing the 20% beneficial interest held by Mr. But in Mind Seekers). The Offer will be made to all Shareholders (excluding the holders of the Excluded Shares). For the avoidance of doubt, the Offer will not be extended to: (i) Reach General or Chen Ping in respect of the Subscription Shares held by each of them; (ii) Mr. But in respect of the 45,746,000 Shares held by him (directly or indirectly through entities controlled by him); and (iii) Mind Seekers in respect of 44,121,168 Shares held by it.

Pursuant to Rule 21.2 of the Takeovers Code, the Offeror and parties acting in concert with it are prohibited from selling any securities in the Company during the Offer Period unless with the Executive's prior consent. None of the Offeror and parties acting in concert with it will dispose of their holding in any securities in the Company during the Offer Period.

Subject to the UNISTECH Completion, the Offer will be made by Quam Securities Company Limited on behalf of the Offeror in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . . HK\$1.70 payable in cash

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## LETTER FROM THE BOARD

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The Offer Shares acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, 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.

As at the Latest Practicable Date, there were 525,000,000 Shares in issue and the Company had no other class of relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date. Subject to the UNISTECH Completion, the Offer is an unconditional mandatory cash offer and will not be conditional upon acceptance being received in respect of a minimum number of shares or any other conditions. The Offer, if and when made, will be unconditional in all respects.

**For the avoidance of doubt, the Offer Price will not be adjusted as a result of the payment of final dividend in respect of the Group's results for the year ended 31 March 2016 (if any) which is recommended or paid before the close of the Offer.**

### **Irrevocable Undertakings in relation to the Offer**

Mr. But (directly or indirectly through entities controlled by him) held 45,746,000 Shares as at the Latest Practicable Date. Mr. But has entered into the BTF Irrevocable Undertaking, pursuant to which Mr. But has undertaken to the Offeror that (1) he will not, and will procure that none of the entities controlled by him will accept the Offer in respect of the BTF Non-Acceptance Shares or any part thereof during the period while the Offer remains open for acceptance; and (2) he will procure Mind Seekers to perform its obligations under the Mind Seekers Irrevocable Undertaking.

Mind Seekers held 220,605,840 Shares as at the Latest Practicable Date. Mind Seekers has entered into the Mind Seekers Irrevocable Undertaking, pursuant to which Mind Seekers has undertaken to the Offeror that (1) it will not accept the Offer in respect of the Mind Seekers Non-Acceptance Shares, being 44,121,168 Shares (representing the 20% beneficial interest held by Mr. But in Mind Seekers), or any part thereof during the period while the Offer remains open for acceptance; and (2) it will accept the Offer in respect of the Mind Seekers Acceptance Shares, being 176,484,672 Shares (representing the 80% beneficial interest collectively held by the Accepting Shareholders in Mind Seekers), in accordance with the terms of the Mind Seekers Irrevocable Undertaking.

Mr. But Tin Hing was the beneficial owner of 1,050,000 Shares as at the Latest Practicable Date. Mr. But Tin Hing has entered into the BTH Irrevocable Undertaking, pursuant to which Mr. But Tin Hing has undertaken to the Offeror that (1) he will accept the Offer in respect of the BTH Acceptance Shares in accordance with the terms of the BTH Irrevocable Undertaking; and (2) he will procure Mind Seekers to perform its obligations under the Mind Seekers Irrevocable Undertaking.

Mr. Leung Cheong was the beneficial owner of 2,252,280 Shares as at the Latest Practicable Date. Mr. Leung Cheong has entered into the LC Irrevocable Undertaking, pursuant to which Mr. Leung Cheong has undertaken to the Offeror that (1) he will accept

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## LETTER FROM THE BOARD

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the Offer in respect of the LC Acceptance Shares in accordance with the terms of the LC Irrevocable Undertaking; and (2) he will procure Mind Seekers to perform its obligations under the Mind Seekers Irrevocable Undertaking.

Mr. Leung Kuen, Ivan (directly and indirectly through an entity controlled by him) held 4,536,520 Shares as at the Latest Practicable Date. Mr. Leung Kuen, Ivan has entered into the LK Irrevocable Undertaking, pursuant to which Mr. Leung Kuen, Ivan has undertaken to the Offeror that (1) he will accept the Offer, and will procure the entity controlled by him to accept the Offer in respect of the LK Acceptance Shares in accordance with the terms of the LK Irrevocable Undertaking; and (2) he will procure Mind Seekers to perform its obligations under the Mind Seekers Irrevocable Undertaking.

Reach General has entered into the RG Irrevocable Undertaking, pursuant to which Reach General has undertaken to the Offeror that it will not accept the Offer with respect to the 100,000,000 Subscription Shares to be issued to Reach General under the RG Subscription Agreement.

Chen Ping has entered into the Chen Irrevocable Undertaking, pursuant to which Chen Ping has undertaken to the Offeror that she will not accept the Offer with respect to the 100,000,000 Subscription Shares to be issued to Chen Ping under the Chen Subscription Agreement.

Please refer to the Joint Announcement for further information of the Offer.

### INFORMATION ON THE PARTIES

#### Information on 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.

#### Information on the Offeror

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 Co., Ltd. (清華控股有限公司). 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 UNIS Guoxin Electronics Co., Ltd.), a company listed on the Shenzhen Stock Exchange (Stock Code: 002049), Spreadtrum Communications, Inc. and RDA Microelectronics, Inc. The Company was referred to the Offeror by Deloitte & Touche Financial Advisory Service Limited in mid-October 2015 in Beijing, PRC.

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## LETTER FROM THE BOARD

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### Information on Reach General

Reach General is an investment company, providing value-adding services to its investments with the aim of discovering and extracting their value. It is solely and beneficially owned by Mr. Wu Xin (吳新), who has over 20 years of experience in investment management and business operations. Mr. Wu Xin has previously invested in BABAKA (背背佳) and Hao Ji Xing (好記星). Reach General is a business contact of Mr. But.

### Information on Chen Ping

Chen Ping (陳萍) has been a business partner of Shenzhen Decoration Engineering Industrial Co., Ltd. (深圳市裝飾工程工業有限公司) since 1992. She is an experienced investor and holds investments in communication and consumer electronics industry. Chen Ping is a business contact of Mr. But.

Each of the Offeror, Reach General and Chen Ping confirms to the Company that, each of the Subscribers is independent of one another and none of Reach General and Chen Ping are persons who are accustomed to take instructions from the Offeror.

## GENERAL

### SGM

The issue of the Subscription Shares and the Convertible Bonds will be subject to, amongst other things, the approval of the Shareholders for the Subscription Agreement and the granting of the Specific Mandate in accordance with the requirements of the Listing Rules.

A notice convening the SGM to be held at Monet Room B, Basement 1, InterContinental Grand Standford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Monday, 9 May 2016 at 11:00 a.m. is set out on pages 40 to 43 of this circular. The SGM will be convened and held for the purposes of considering and, if thought fit, approving, *inter alia*, the Subscription Agreements and the transactions contemplated thereunder, including allotment and issue of the Subscription Shares and Convertible Bonds and the allotment and issue of Conversion Shares, the granting of the Specific Mandate and the proposed appointments of the new Directors. The voting in relation to the Subscription Agreements and the transactions contemplated thereunder, the granting of the Specific Mandate and the proposed appointments of the new Directors at the SGM will be conducted by poll by the Independent Shareholders. In view of Mr. But's interest in the Subscription Agreements, Mr. But, his associates, including Mind Seekers and the Accepting Shareholders, and parties acting in concert with them, who collectively hold 52.22% of the total issued share capital of the Company, will abstain from voting on the proposed resolution(s) in respect of the Subscription Agreements, the Specific Mandate and the proposed appointments of the new Directors at the SGM.



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## LETTER FROM THE BOARD

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Save as aforementioned, to the best knowledge of the Directors, no existing Shareholder has a material interest in the above matters and therefore no Shareholder is required to abstain from voting in relation to the resolutions concerning the Subscription Agreements and the transactions contemplated thereunder, the granting of the Specific Mandate and the proposed appointments of the new Directors to be proposed at the SGM. As at the Latest Practicable Date, the Subscribers and parties acting in concert with the Offeror did not hold any Shares and accordingly will not be entitled to vote on any resolutions at the SGM.

A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event not later than 48 hours before the time appointed for holding the SGM.

An announcement on the results of the SGM will be made by the Company after the conclusion of the SGM in according with the Listing Rules.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Information and confirmation relating to the Offeror and the parties acting in concert with it and the information relating to Reach General and Chen Ping set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of the reproduction or presentation of such information.

### **RECOMMENDATION**

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Subscriptions and the transactions contemplated thereunder are fair and reasonable and the entering into of the Subscription Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all the Independent Shareholders should vote in favour of the resolutions proposed at the SGM to approve the aforesaid matters and the proposed appointments of the new Directors.

By Order of the Board  
**Sun East Technology (Holdings) Limited**  
**BUT Tin Fu**  
*Chairman*

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## NOTICE OF SPECIAL GENERAL MEETING

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### SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技(控股)有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 00365)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**”) of Sun East Technology (Holdings) Limited (the “**Company**”) will be held at Monet Room B, Basement 1, InterContinental Grand Standford Hong Kong, 70 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Monday, 9 May 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolution of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:-**

- (a) the subscription agreement dated 4 February 2016 entered into between the Company, Unis Technology Strategy Investment Limited (“**UNISTECH**”) and Mr. But Tin Fu in relation to the subscription of (i) 730,000,000 ordinary shares of the Company (the “**UNISTECH Subscription Shares**”) at a subscription price of HK\$0.40 per share and (ii) convertible bonds with an aggregate principal amount of HK\$148,000,000 which can be converted into 370,000,000 ordinary shares (the “**Convertible Bonds**”) at a conversion price of HK\$0.40 per share (the “**UNISTECH Subscription Agreement**”) (a copy of the UNISTECH Subscription Agreement has been tabled at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;
- (b) the subscription agreement dated 4 February 2016 entered into between the Company and Reach General International Limited (“**Reach General**”) in relation to the subscription of 100,000,000 ordinary shares (the “**RG Subscription Shares**”) at a subscription price of HK\$0.40 per share (the “**RG Subscription Agreement**”) (a copy of the RG Subscription Agreement has been tabled at the meeting marked “B” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;

\* For identification purposes only

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## NOTICE OF SPECIAL GENERAL MEETING

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- (c) the subscription agreement dated 4 February 2016 entered into between the Company and Ms. Chen Ping in relation to the subscription of 100,000,000 ordinary shares (the “**Chen Subscription Shares**”, together with the UNISTECH Subscription Shares and the RG Subscription Shares, the “**Subscription Shares**”) at a subscription price of HK\$0.40 per share (the “**Chen Subscription Agreement**”, together with the UNISTECH Subscription Agreement and the RG Subscription Agreement, the “**Subscription Agreements**”) (a copy of the Chen Subscription Agreement has been tabled at the meeting marked “C” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and is hereby approved, ratified and confirmed;
- (d) subject to the fulfillment or waiver of the conditions precedent set out in the Subscription Agreements, the grant of the specific mandate (the “**Specific Mandate**”) to the Directors to exercise the powers of the Company (i) to allot and issue the Subscription Shares at HK\$0.40 per Share to UNISTECH, Reach General and Ms. Chen Ping in accordance with the terms and conditions of the respective Subscription Agreements be and is hereby approved, and such Subscription Shares (upon issue) shall rank pari passu in all respects with the then existing issued Shares; and (ii) to issue the Convertible Bonds to UNISTECH on terms and conditions set out in the instrument (a copy of which has been tabled at the meeting marked “D” and signed by the chairman of the meeting for identification purpose) and upon exercise of the rights attaching to the Convertible Bonds, the Conversion Shares where such Conversion Shares (upon issue) shall rank pari passu in all respects with the then existing issued Shares be and are hereby approved; and
- (e) any one Director be and is hereby authorised to sign, seal, execute and deliver all such documents and deeds, including under seal where applicable (in which case by any two Directors or one Director together with the Secretary (as defined in the Bye-Laws of the Company)), and do all such acts and things, as he/she considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Subscription Agreements, the allotment and issue of Subscription Shares, the Convertible Bonds and the Conversion Shares, and the transactions contemplated thereunder and to agree to such variation, amendments or modification of the terms and conditions of the Subscription Agreements on such terms and conditions as any Director(s) of the Company may think fit.”

2. “**THAT:**–

- (a) subject to passing of the ordinary resolution 1(a) above and the fulfillment or waiver of the conditions precedent set out in the UNISTECH Subscription Agreement, the appointment of the following candidates as Directors with effect from the date of despatch of the composite offer and response document (the “**Composite Document**”) to be jointly despatched by the Offeror and the Company in relation to the unconditional mandatory cash

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## NOTICE OF SPECIAL GENERAL MEETING

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offer to be made by Quam Securities Company Limited on behalf of the Offeror to acquire all the issued shares of the Company (the “Offer”) be and is hereby approved:

(i) Mr. Qi Lian as the executive Director; and

(ii) Mr. Xia Yuan as the executive Director.

(b) the Board be and is hereby authorised to fix their remuneration.”

3. “**THAT**:–

(a) subject to passing of the ordinary resolution 1(a) above, the fulfillment or waiver of the conditions precedent set out in the UNISTECH Subscription Agreement and the completion of the Offer, the appointment of Mr. Zhang Yonghong as the executive Director with effect from the completion of the Offer be and is hereby approved.

(b) the Board be and is hereby authorised to fix his remuneration.”

Yours faithfully,  
For and on behalf of the board  
**Sun East Technology (Holdings) Limited**  
**BUT Tin Fu**  
*Chairman*

Hong Kong, 20 April 2016

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*  
Unit H, 1st Floor, Phase 4  
Kwun Tong Industrial Centre  
Nos. 436-446 Kwun Tong Road  
Kwun Tong  
Kowloon  
Hong Kong

*Notes:*

- (1) A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the Bye-Laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
- (3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s share registrar, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

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## NOTICE OF SPECIAL GENERAL MEETING

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- (4) In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- (5) All the resolutions are to be voted by way of poll.
- (6) The Hong Kong branch register of members of the Company will be closed on 9 May 2016, Monday, for the purposes of determining the entitlements of the members of the Company to attend and vote at the SGM. No transfers of Shares may be registered on that day. In order to qualify for the aforesaid entitlements, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 6 May 2016, Friday.
- (7) As at the date hereof, the directors of the Company are Mr. But Tin Fu, Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan as executive directors; and Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou as independent non-executive directors.