



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:

BUT Tin Fu
BUT Tin Hing
LEUNG Cheong
LEUNG Kuen, Ivan

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

SEE Tak Wah
XU Yang Sheng
LI Wanshou

*Head office and 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

2 June 2016

To the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Joint Announcement and the Circular made jointly by the Company and the Offeror in relation to, among other things, the Subscription Agreements and the Offer and the announcements dated 10 December 2015, 8 January 2016 and 4 February 2016 made by the Company pursuant to Rules 3.7 and 3.8 of the Takeovers Code.

LETTER FROM THE BOARD

As mentioned in the Joint Announcement and the Circular, pursuant to the UNISTECH Subscription Agreement entered into on 4 February 2016 among Mr. But, the Company and the Offeror, the Company has conditionally agreed to issue, and the Offeror has conditionally agreed to subscribe, in cash, for (i) 730,000,000 Subscription Shares, representing approximately 139.05% of the then entire issued share capital of the Company and approximately 50.17% of the entire issued share capital of the Company as at the Latest Practicable Date, at 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 approximately 70.48% of the then entire issued share capital of the Company and 25.43% of the entire issued share capital of the Company as at the Latest Practicable Date.

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

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

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror 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). For the avoidance of doubt, the Offer will not be extended in respect of the Excluded Shares being (i) the 100,000,000 Subscription Shares held by Reach General; (ii) the 100,000,000 Subscription Shares held by Chen Ping; (iii) the 45,746,000 Shares held by Mr. But (directly or indirectly through entities controlled by him); and (iv) the 44,121,168 Shares held by Mind Seekers.

This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offer, the information on the Offeror and the intentions of the Offeror in relation to the Group. Further details of the terms of the Offer and the procedures for accepting the Offer are set out in Appendix I to this Composite Document and in the Form of Acceptance. Your attention is also drawn to the letter from the Independent Board Committee and the letter from the Independent Financial Adviser contained in this Composite Document.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising all three independent non-executive Directors, namely Mr. See Tak Wah, Mr. Xu Yang Sheng and Mr. Li Wanshou, has been established by the Company to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, VMS Securities Limited has been appointed after approval by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance (if it is made).

PRINCIPAL TERMS OF THE OFFER

Quam Securities is making the Offer for and on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Form of Acceptance, on the following basis:

For each Offer Share HK\$1.70 payable in cash

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.

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. Acceptance of the Offer will be irrevocable and incapable of being withdrawn, except as permitted under the Takeovers Code.

As at the Latest Practicable Date, save for the Convertible Bonds, the Company had no other outstanding warrants, derivatives, options, convertibles or other securities in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

LETTER FROM THE BOARD

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. Financial information of the Group and general information of the Company are set out in Appendices II and IV to this Composite Document, respectively.

The following table sets out a summary of certain audited financial information of the Group for the three years ended 31 March 2013, 2014 and 2015 and six months ended 30 September 2015:

	Year ended 31 March 2013 <i>HK\$'000</i> (audited)	Year ended 31 March 2014 <i>HK\$'000</i> (audited)	Year ended 31 March 2015 <i>HK\$'000</i> (audited)	Six months ended 30 September 2015 <i>HK\$'000</i> (unaudited)
Revenue	565,372	787,603	838,203	446,214
Gross profit	80,409	108,337	106,518	60,704
Profit before tax for the year	9,391	12,796	4,321	5,738
Total comprehensive income for the year/ period attributable to owners of the Company	21,828	19,223	11,147	(6,630)
	As at 31 March 2013 <i>HK\$'000</i> (audited)	As at 31 March 2014 <i>HK\$'000</i> (audited)	As at 31 March 2015 <i>HK\$'000</i> (audited)	As at 30 September 2015 <i>HK\$'000</i> (unaudited)
Net assets	317,932	331,905	343,052	336,423

Your attention is drawn to the financial information of the Group set out in Appendix II and the general information of the Company set out in Appendix IV to this Composite Document.

LETTER FROM THE BOARD

Shareholding Structure of the Company

The shareholding structures of the Company (a) as at the Latest Practicable Date; (b) following the completion of the Offer (for illustration purposes only and assuming none of the Convertible Bonds are exercised and only the Offer with respect to 184,323,472 Shares will be accepted pursuant to the Irrevocable Undertakings); and (c) following the completion of the Offer (for illustration purposes only and assuming all of the Convertible Bonds are exercised and only the Offer with respect to 184,323,472 Shares will be accepted pursuant to the Irrevocable Undertakings) are as follows:

	As at the Latest Practicable Date		Following the completion of the Offer (for illustration purposes only and assuming none of the Convertible Bonds are exercised and only the Offer with respect to 184,323,472 Shares will be accepted pursuant to the Irrevocable Undertakings)		Following the completion of the Offer (for illustration purposes only and assuming all of the Convertible Bonds are exercised and only the Offer with respect to 184,323,472 Shares will be accepted pursuant to the Irrevocable Undertakings)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
The Offeror and its concert parties	730,000,000	50.17%	914,323,472	62.84%	1,284,323,472	70.37%
Mind Seekers	220,605,840	15.16%	44,121,168	3.03%	44,121,168	2.42%
Mr. But	45,746,000	3.14%	45,746,000	3.14%	45,746,000	2.51%
Mr. But Tin Hing	1,050,000	0.07%	-	-	-	-
Mr. Leung Cheong	2,252,280	0.15%	-	-	-	-
Mr. Leung Kuen, Ivan	4,536,520	0.31%	-	-	-	-
Reach General	100,000,000	6.87%	100,000,000	6.87%	100,000,000	5.48%
Chen Ping	100,000,000	6.87%	100,000,000	6.87%	100,000,000	5.48%
Other public shareholders	250,809,360	17.24%	250,809,360	17.24%	250,809,360	13.74%
Total	1,455,000,000	100%	1,455,000,000	100%	1,825,000,000	100%

LETTER FROM THE BOARD

FUTURE INTENTION REGARDING THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror” and “Future Intentions of the Offeror” in the letter from Quam Capital as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group, including the use of proceeds and the intention to nominate new directors to the Company and for certain Directors to resign after the completion of the Offer, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

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

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

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

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

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

ADVICE AND RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document which contains the recommendation of the Independent Board Committee in respect of the Offer. Your attention is also drawn to the letter from the Independent Financial Adviser set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to, and which forms part of, this Composite Document. You are also recommended to read carefully this Composite Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offers.

Yours faithfully,
For and on behalf of the Board of
Sun East Technology (Holdings) Limited

A handwritten signature in black ink, appearing to read 'BUT Tin Fu', is written over a horizontal line.

BUT Tin Fu
Chairman