

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.

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 approximately 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 approximately 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 jointly announced on the same date by the Company and the Offeror. 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 is not 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 Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" contained in this Composite Document.

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.

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.

Comparisons of value

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

- (a) a premium of approximately 15.65% 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 premium of approximately 25.00% to the average closing price of approximately HK\$1.360 per Share as quoted on the Stock Exchange for the last five Trading Days up to and including the Last Trading Day;
- (c) a premium of approximately 32.09% to the average closing price of approximately HK\$1.287 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day;
- (d) a premium of approximately 33.82% over the average closing price of approximately HK\$1.270 per Share as quoted on the Stock Exchange for the last 30 Trading Days up to and including the Last Trading Day; and
- (e) a premium of approximately 165.31% over the unaudited consolidated net asset value per Share of HK\$0.641 as at 30 September 2015;
- (f) a premium of approximately 4.29% to the closing price of HK\$1.63 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (g) a premium of approximately 91.01% to the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on the last full Trading Day preceding the date of the initial announcement of the Company regarding a possible change in control of the Company.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares was HK\$1.74 per Share as quoted on the Stock Exchange on 24 March 2016 and the lowest closing price of the Shares was HK\$0.42 per Share as quoted on the Stock Exchange on 8 July 2015.

VALUE OF THE OFFER

As at the Latest Practicable Date, there were 1,455,000,000 Shares in issue and save for the Convertible Bonds, the Company had no other options, warrants, convertible bonds or other securities in issue that carry a right to subscribe for or which are convertible into Shares. On the basis of the Offer Price of HK\$1.70 per Share and 1,455,000,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at approximately HK\$2,473,500,000. Excluding the aggregate of 1,019,867,168 Excluded Shares, the number of Shares subject to the Offer is 435,132,832 and the

maximum consideration payable by the Offeror under the Offer will be valued at approximately HK\$739,725,814.40 based on the Offer Price of HK\$1.70 if the Offer is accepted in full.

CONFIRMATION OF FINANCIAL RESOURCES AVAILABLE FOR THE OFFER

The financial resources required from the Offeror to satisfy the consideration for the Offer amount to an aggregate of HK\$739,725,814.40. The Offeror intends to finance the consideration payable under the Offer from its internal resources. Quam Capital has been appointed as the financial adviser to the Offeror in respect of the Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable under the full acceptance of the Offer.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

EFFECTS OF ACCEPTING THE OFFER

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

By accepting the Offer, the Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them 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, being the date of despatch of this Composite Document. Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all Encumbrances and together with all rights accruing or attaching to them, including, without limitation, the right to receive all dividends and distributions which may be recommended, declared, made or paid, if any, at any time on or after the date on which the Offer is made. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

HONG KONG STAMP DUTY

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.10% of (a) the market value of the Offer Shares or (b) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

PAYMENT

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven business days (as defined in the Takeovers Code) after the date on which the duly completed acceptances of the Offer and the relevant documents of title in respect of such acceptances are received by or on behalf of the Offeror to render such acceptance complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

TAXATION ADVICE

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Quam Capital, Quam Securities and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The availability of the Offer to persons who are not residents in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or limited by the laws or regulations of the relevant jurisdictions. Such overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. Persons who are resident, citizen or national outside Hong Kong should inform themselves about and observe, at their own responsibility, any applicable laws, regulations, requirements and restrictions in their own jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

Acceptance of the Offer by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

Acceptance and settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offer as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

IRREVOCABLE UNDERTAKINGS IN RELATION TO THE OFFER

Each of Mr. But, Mind Seekers, Mr. But Tin Hing, Mr. Leung Cheong, Mr. Leung Kuen, Ivan, Reach General and Chen Ping has given an irrevocable undertaking in favour of the Offeror. As at the Latest Practicable Date, pursuant to the Irrevocable Undertakings, the Offer in respect of 289,867,168 Shares will not be accepted and the Offer in respect of 184,323,472 Shares will be accepted. For the avoidance of doubt, the Offer will not be extended in respect of the 289,867,168 Shares which are subject to the Irrevocable Undertakings and are being part of the Excluded Shares. Details of each of the Irrevocable Undertakings are set out as follows:

- (a) *BTF Irrevocable Undertaking.* 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.
- (b) *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.
- (c) *BTH 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.
- (d) *LC 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 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.

- (e) *LK 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.
- (f) *RG Irrevocable Undertaking.* Reach General held 100,000,000 Shares as at the Latest Practicable Date. 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 in respect of the 100,000,000 Subscription Shares issued to Reach General under the RG Subscription Agreement.
- (g) *Chen Irrevocable Undertaking.* Chen Ping held 100,000,000 Shares as at the Latest Practicable Date. 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 in respect of the 100,000,000 Subscription Shares issued to Chen Ping under the Chen Subscription Agreement.

FURTHER 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 Completion Date and ending on the date which is 12 months from the Completion Date, 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 Completion Date and ending on the date which is 12 months from the Completion Date, 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.

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.

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. It aims to become the industry leader in the integrated circuit industry and is committed to the development of an integrated circuit production chain. Principal subsidiaries of Tsinghua Unigroup include Tongfang Guoxin Electronics Co., Ltd. (proposed to be renamed as Unis Guoxin Electronics Co., Ltd.), a company listed on the Shenzhen Stock Exchange (Stock Code: 002049) and Spreadtrum Communications, Inc.

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

INFORMATION ON THE GROUP

The principal activities of the Group comprises the design, manufacture and distribution of production lines and production equipment, and the distribution of brand name production equipment. Further information on the Group is set out in the "Letter from the Board" in this Composite Document. Financial information of the Group and general information of the Company are set out in Appendices II and IV to this Composite Document, respectively.

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 Acorn International, Inc., the American depositary shares of which are listed on the New York Stock Exchange (symbol: ATV) and having several consumer products brands in the PRC such as BABAKA (背背佳) and Ozing (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 Shenzhuangzong Decoration Co., Ltd. (深圳市深裝總裝飾股份有限公司) 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 Reach General and Chen Ping is independent of the Offeror and none of Reach General and Chen Ping are persons who are accustomed to take instructions from the Offeror.

REASONS FOR THE OFFER AND FUTURE INTENTIONS OF THE OFFEROR

The Offer is made to comply with the requirements of the Takeovers Code because 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.

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 investments or business opportunities arise, the Offeror may consider acquisition of assets and/or businesses by the Group.

Subject to the result of the review and save for the proposed change of board composition and chief executive officer 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 or to redeploy the fixed assets 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 were 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 printer, and other miscellaneous fees) respectively. The Company and the Offeror intend that 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 Completion in transforming and enhancing the production capacity of the existing production base in Shenzhen. Approximately HK\$172 million will be utilised 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	60 million
2	Modifying and upgrading the internet big data information platform	Within 12 months after the Completion	10 million
3	Upgrading the facilities of CNC Precision Processing Centre	Within 18 months after the Completion	80 million
4	Upgrading and enhancing the production capacity of the production line in the production equipment workshop	Within 8-10 months after the Completion	10 million
5	Upgrading the engineering testing centre and purchasing new testing equipment	Within 12 months after the Completion	12 million
	Total		<u>172 million</u>

The Company noted that the customers' demand has moved from procurement of traditional equipment to equipment with advanced and intelligent technology. It is intended that approximately HK\$94.5 million will be used 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 (視覺系統機機), 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 from the Group. Based on the unaudited financials of the Tianshi Leasing for the three months ended 29 February 2016, as at 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. It is intended that Tianshi Leasing will be utilized as a platform to further expand the Group's 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, it is intended that the original registered capital of US\$10 million will be paid up and the capital investment in the Tianshi Leasing will be increased by US\$20 million (making a total investment of approximately HK\$232 million). Approximately HK\$150 million of the proceeds for the aforementioned purpose will be applied 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 RMB110 million. Of the aforementioned outstanding balance of approximately RMB110 million, approximately RMB90 million arose from revolving liquidity facilities from two principal banks in the PRC, of which approximately RMB50 million will become due in June 2016 and four separate outstanding borrowings each in an amount of approximately RMB10 million will become due in July, September, November and December 2016, respectively. Of the aforementioned outstanding balance of approximately RMB110 million, approximately RMB20 million arose from a supplementary short-term facility with one of the principal banks. The outstanding amount of approximately RMB20 million is due for repayment in May 2017. Approximately HK\$100 million will be utilized to repay the aforementioned facilities immediately after the Completion, so that the financial costs will be reduced and the profitability of the Group will be improved.

Proposed change of Board composition and chief executive officer of the Company

As at the Latest Practicable Date, the Board was 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, the approval of the Board on or around their respective dates of appointment and in the case of the proposed appointments of the new Directors as nominated by the Offeror, the authorisation of the Shareholders at the special general meeting held on 9 May 2016, (i) Mr. Xia Yuan (夏源) nominated by the Offeror has been appointed as chief executive officer with effect from the UNISTECH Completion; (ii) Mr. Qi Lian (齊聯) and Mr. Xia Yuan (夏源) nominated by the Offeror have been appointed as executive Directors with effect from the date of this Composite Document; and (iii) Mr. Zhang Yonghong (張永紅) nominated by the Offeror has been appointed as executive Director with effect from the completion of the Offer. Pursuant to the terms of the UNISTECH Subscription Agreement, Mr. But Ting Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan shall resign as the executive Directors with effect from the completion of the Offer.

The Offeror's right to nominate the aforementioned Directors as set out in the UNISTECH Subscription Agreement is on a one-off basis and does not automatically guarantee the appointment of such persons. The newly appointed Directors will be subject to re-election by the Shareholders thereafter pursuant to the Bye-laws and as required under the Listing Rules. Any further changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

The biographies of the newly elected Directors and the chief executive officer were set out in the announcement made by the Company in relation to the appointment of executive Directors and the chief executive officer dated 2 June 2016 and 30 May 2016, respectively.

Maintenance of the listing status of the Company

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

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

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

The Offeror intends the Company to 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 Shares.

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

GENERAL

All documents and remittances sent to the Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members of the Company, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror, its concert parties, the Company, Quam Capital, Quam Securities, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from the Independent Financial Adviser contained in this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, and which forms part of, this Composite Document.

Yours faithfully,
For and on behalf of
Quam Capital Limited


Noelle Hung
Managing Director