

---

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt as to any aspect of the Offer, this Composite Document, the accompanying Form of Acceptance, or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Sun East Technology (Holdings) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to the transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

---



### UNIS TECHNOLOGY STRATEGY INVESTMENT LIMITED

紫光科技戰略投資有限公司  
(Incorporated in Hong Kong with limited liability)

### SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技(控股)有限公司\*  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 365)

### COMPOSITE OFFER AND RESPONSE DOCUMENT 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  
Financial adviser to Unis Technology Strategy Investment Limited



Independent financial adviser to the Independent Board Committee and the Independent Shareholders



VMS Securities Limited

---

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Quam Capital containing, among other things, the details of the terms of the Offer is set out on pages 11 to 24 of this Composite Document. A letter from the Board is set out on pages 25 to 31 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 32 to 33 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 34 to 52 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out on pages 1 to 8 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 23 June 2016, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed "Overseas Shareholders" in the letter from Quam Capital contained in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

\* For identification purposes only

---

## CONTENTS

---

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	ii
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM QUAM CAPITAL</b> .....	11
<b>LETTER FROM THE BOARD</b> .....	25
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	32
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	34
<b>APPENDIX I – FURTHER TERMS OF ACCEPTANCE OF THE OFFER</b> .....	I-1
<b>APPENDIX II – FINANCIAL INFORMATION ON THE GROUP</b> .....	II-1
<b>APPENDIX III – GENERAL INFORMATION RELATING TO THE OFFEROR</b> .....	III-1
<b>APPENDIX IV – GENERAL INFORMATION RELATING TO THE COMPANY</b> .....	IV-1
<b>APPENDIX V – DOCUMENTS AVAILABLE FOR INSPECTION</b> .....	V-1

---

## EXPECTED TIMETABLE

---

*The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.*

Despatch date of this Composite Document and  
the accompanying Form of Acceptance and  
commencement date of the Offer (*Note 1*) ..... Thursday, 2 June 2016

Latest time and date for acceptance  
of the Offer (*Note 2*) ..... 4:00 p.m.  
on Thursday, 23 June 2016

Closing Date (*Notes 2 and 3*) ..... Thursday, 23 June 2016

Announcement of the results of the Offer  
to be posted on the website of the Stock  
Exchange (*Note 2*) ..... at or before 7:00 p.m.  
on Thursday, 23 June 2016

Latest date for posting of remittances for the amounts  
due in respect of valid acceptances received under  
the Offer (*Notes 3 and 4*) ..... Tuesday, 5 July 2016

*Notes:*

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Thursday, 2 June 2016 until the Closing Date.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Thursday, 23 June 2016. The Offeror reserves the right to extend the Offer until such date as it may determine pursuant to the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Thursday, 23 June 2016 stating whether the Offer has been revised or extended. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 calendar days' notice in writing will be given, before the extended Offer is closed, to those Shareholders who have not accepted the Offer. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
  - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

---

## EXPECTED TIMETABLE

---

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer will be posted to the accepting Shareholders by ordinary post at their own risk as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the date of receipt by the Registrar of the duly completed Form of Acceptance and all the valid requisite documents.
5. 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 issued 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 trading in the Shares.

All time and date references contained in this Composite Document and accompanying Form of Acceptance are to Hong Kong times and dates.

---

## DEFINITIONS

---

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

“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 meaning ascribed to it in the Takeovers Code
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Beijing Jiankun”	Beijing Jiankun Investment Group Co., Ltd. (北京健坤投資集團有限公司), a company established under the laws of the PRC and which is owned as to 70% by Mr. Zhao Weiguo, 15% by Mr. Li Yi and 15% by Ms. Li Luyuan
“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, inter alia, 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, inter alia, 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

---

## DEFINITIONS

---

“BTH Irrevocable Undertaking”	the irrevocable undertaking entered into between the Offeror and Mr. But Tin Hing on 4 February 2016 in relation to, inter alia, the BTH Acceptance Shares
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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, inter alia, 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
“Circular”	the circular of the Company dated 20 April 2016 in relation to the Subscriptions and the corresponding specific mandate
“Closing Date”	the date stated in this Composite Document as the first closing date of the Offer or any subsequent closing date as and may be announced by the Offeror and approved by the Executive

---

## DEFINITIONS

---

“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
“Composite Document”	this composite offer and response document jointly issued by or for and on behalf of the Offeror and the Company in accordance with the Takeovers Code in connection with 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 issued by the Company to the Offeror pursuant to the CB Instrument on 30 May 2016
“Director(s)”	director(s) of the Company

---

## DEFINITIONS

---

“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 held by the Offeror and parties acting in concert with it as of the Latest Practicable Date; (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 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 held by Chen Ping in respect of which Chen Ping has undertaken not to accept the Offer
“Encumbrance”	any claim, charge, mortgage, security, lien, pledge, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind, and “Encumber” shall be construed accordingly
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance”	the Form of Acceptance in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“Group Company(ies)”	member(s) of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all the non-executive Directors, namely Mr. See Tak Wah, Prof. Xu Yang Sheng and Mr. Li Wanshou, to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Offer and as to acceptance of the Offer



---

## DEFINITIONS

---

“Independent Financial Adviser”	VMS Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer
“Independent Shareholder(s)”	the Shareholders other than the Offeror and parties acting in concert with it
“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 announcement dated 14 February 2016 jointly issued by the Company and the Offeror, in relation to, among other things, the Subscription Agreements 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”	30 May 2016, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document prior to its publication
“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

---

## DEFINITIONS

---

“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, inter alia, the LK Acceptance Shares
“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
“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 Acceptance 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, inter alia, 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
“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

---

## DEFINITIONS

---

“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
“Non-Acceptance Shares”	means the BTF Non-Acceptance Shares and the Mind-Seekers Non-Acceptance Shares
“Offer”	the unconditional mandatory cash offer made by Quam Securities for and 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 and whose registered address is at 11th Floor, Central Tower, 28 Queen’s Road Central, Central, Hong Kong, 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
“Overseas Shareholders”	Shareholders whose registered addresses, as shown on the register of members of the Company, are outside Hong Kong as at the date of this Composite Document
“PRC”	the People’s Republic of China
“Quam Capital”	Quam Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror in respect of the Offer
“Quam Securities”	Quam Securities Company Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Reach General”	Reach General International Limited (達廣國際有限公司), a company incorporated in the BVI with limited liability

---

## DEFINITIONS

---

“Registrar”	Tricor Tengis Limited, the Hong Kong branch share registrar of the Company, whose office is situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period from 10 June 2015, six months preceding 10 December 2015 (being the date of the initial announcement of the Company regarding a possible change in control of the Company and the date of commencement of the Offer Period), up to and including the Latest Practicable Date
“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, inter alia, the 100,000,000 Subscription Shares under the RG Subscription
“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)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription(s)”	the UNISTECH Subscription, the RG Subscription and the Chen Subscription, or any of them as the context may suggest

---

## DEFINITIONS

---

“Subscription Agreement(s)”	UNISTECH Subscription Agreement, RG Subscription Agreement and Chen Subscription Agreement, or any of them as the context may suggest
“Subscription Share(s)”	930,000,000 new Shares, in aggregate, subscribed by the Offeror, Reach General and Chen Ping
“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 Holdings”	Tsinghua Holdings Co., Ltd. (清華控股有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Tsinghua University (清華大學)
“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 and as to 49% by Beijing Jiankun
“Tsinghua University”	a tertiary education institution directly under the Ministry of Education of the People’s Republic of China (中華人民共和國教育部直屬高等學校)
“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 subscribed by the Offeror

---

## DEFINITIONS

---

“%”

percentage

*Certain amounts and percentage figures included in this Composite Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain paragraphs and tables in this Composite Document may not be an arithmetic aggregation of the figures preceding them.*

---

## LETTER FROM QUAM CAPITAL

---



**Quam Capital Limited** 華富嘉洛企業融資有限公司

A Member of The Quam Group

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.

---

## LETTER FROM QUAM CAPITAL

---

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.



---

## LETTER FROM QUAM CAPITAL

---

### 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

---

## **LETTER FROM QUAM CAPITAL**

---

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).

---

## LETTER FROM QUAM CAPITAL

---

### **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.

---

## LETTER FROM QUAM CAPITAL

---

### 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.

---

## LETTER FROM QUAM CAPITAL

---

- (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:

---

## LETTER FROM QUAM CAPITAL

---

- (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

---

## LETTER FROM QUAM CAPITAL

---

- (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.

---

## LETTER FROM QUAM CAPITAL

---

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:



---

**LETTER FROM QUAM CAPITAL**

---

<b>Projects</b>	<b>Expected timetable</b>	<b>Expected utilized amount (HK\$)</b>
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><u>172 million</u></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 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

---

## LETTER FROM QUAM CAPITAL

---

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.

---

## LETTER FROM QUAM CAPITAL

---

### **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.

---

## LETTER FROM QUAM CAPITAL

---

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*

---

LETTER FROM THE BOARD

---



**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.

\* For identification purposes only

---

## 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:

	<b>Year ended 31 March 2013</b>	<b>Year ended 31 March 2014</b>	<b>Year ended 31 March 2015</b>	<b>Six months ended 30 September 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(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)
	<b>As at 31 March 2013</b>	<b>As at 31 March 2014</b>	<b>As at 31 March 2015</b>	<b>As at 30 September 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(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	<u>250,809,360</u>	<u>17.24%</u>	<u>250,809,360</u>	<u>17.24%</u>	<u>250,809,360</u>	<u>13.74%</u>
<b>Total</b>	<b><u>1,455,000,000</u></b>	<b><u>100%</u></b>	<b><u>1,455,000,000</u></b>	<b><u>100%</u></b>	<b><u>1,825,000,000</u></b>	<b><u>100%</u></b>

---

## **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**  
**BUT Tin Fu**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



### SUN EAST TECHNOLOGY (HOLDINGS) LIMITED

日東科技(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 00365)

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

We refer to the composite offer and response document dated 2 June 2016 issued jointly by the Offeror and the Company (the “Composite Document”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer.

We wish to draw your attention to the letter from Quam Capital, the letter from the Board, the letter from the Independent Financial Adviser as set out in the Composite Document as well as the additional information set out in the Appendices to this Composite Document.

\* For identification purposes only

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

### RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Independent Shareholders are reminded to carefully monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold your investment in the Shares is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in this Composite Document.

Yours faithfully,

For and on behalf of

Independent Board Committee of

**Sun East Technology (Holdings) Limited**

**SEE Tak Wah**

**XU Yang Sheng**

**LI Wanshou**

*Independent non-executive  
Director*

*Independent non-executive  
Director*

*Independent non-executive  
Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Set out below is the text of the letter of advice from VMS Securities to the Independent Board Committee prepared for inclusion in this Composite Document.*



VMS Securities Limited  
49/F, One Exchange Square  
8 Connaught Place, Central, Hong Kong  
香港中環康樂廣場8號交易廣場1期49樓  
Tel/電話: (852) 2996 2161  
Fax/傳真: (852) 2996 1210

2 June 2016

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

Dear Sirs,

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

### INTRODUCTION

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

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

On 4 February 2016, the Company and Reach General entered into the RG Subscription Agreement, pursuant to which, the Company has conditionally agreed to issue, and Reach General has conditionally agreed to subscribe, in cash, for 100,000,000

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Subscription Shares, representing approximately 19.05% of the then entire issued share capital of the Company and approximately 6.87% of the entire issued share capital of the Company as at the Latest Practicable Date, at the Subscription Price of HK\$0.40 per Subscription Share.

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

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

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

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

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

### **BASIS AND ASSUMPTIONS OF OUR OPINION**

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Company and/or the Directors and/or its senior management. We have assumed that all such statements, information, opinions and representations contained or referred to in the Composite Document or otherwise provided or

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have also assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Composite Document have been reasonably made after due and careful enquiry. In addition, we have sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Composite Document. Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code if there arises any material changes of information previously provided to us by the Company in which event this letter shall be amended and updated.

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

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

### UNCONDITIONAL MANDATORY CASH OFFERS

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

#### Principal Terms of the Offers

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

As at the Latest Practicable Date, the Company had 1,455,000,000 Shares in issue which the Offeror and parties acting in concert with it owned 730,000,000 Shares. As at the Latest Practicable Date, except for the Convertible Bonds held by the Offeror, the Company has no other outstanding convertible securities, options, warrants or derivatives in issue



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

which are convertible or exchangeable into Shares. 435,132,832 Shares will be subject to the Offer after excluding in aggregate of 1,019,867,168 Excluded Shares (details of which are set out in the paragraph headed “*IRREVOCABLE UNDERTAKINGS IN RELATION TO THE OFFER*” in the “*Letter from Quam Capital*”). The total consideration of the Offer would be HK\$739,725,814.40 based on the Offer Price of HK\$1.70 if the Offer is fully accepted.

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### 1. Background information of the Group

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

#### 2. Financial performance and prospects of the Group

##### *a. Financial information on the Group – financial performance*

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

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

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

*For the two years ended 31 March 2013 and 2014*

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

*For the two years ended 31 March 2014 and 2015*

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

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

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

*For the six months ended 30 September 2014 and 2015*

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

***b. Financial information of the Group – financial position***

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

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

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

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

### 3. Analysis of price performance and trading liquidity

#### a. Review of trading of Shares

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



Source: Bloomberg

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *b. Trading liquidity of the Shares*

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

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

*Note: Source: Bloomberg*

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

*c. Offer Price comparisons*

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

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

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



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*d. Highest and lowest Share price*

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

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

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

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

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

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

*e. Comparison of the Offer Price*

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

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

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

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

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

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

*Notes:*

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

#### **4. Information on the Offeror**

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

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### **5. Intentions of the Offeror on The Group**

We note from the “Letter from Quam Capital” that the Offeror intends to assist the Group to upgrade its technology, products and production facilities and further expand its smart production lines and semi-conductor equipment business in the PRC. The Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group.

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

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

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

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

### **7. Maintenance of the Listing Status of the Company**

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

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

### 8. RECOMMENDATION

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

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

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

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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

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

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

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

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

As different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,  
For and on behalf of  
**VMS Securities Limited**  
**Nick Man**  
*Managing Director*  
*Corporate Finance*

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



---

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

---

### 1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set out by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of

---

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

---

your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them;  
or

- (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set out by HKSCC.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Offeror and/or Quam Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with Note 1 to Rule 30.2 of the Takeovers Code), and the Registrar has recorded that the acceptance and any relevant documents required, under paragraph (g) below have been so received.
- (g) Acceptance of the Offer may not be counted as valid unless the Form of Acceptance is duly completed and signed and is:
  - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any

---

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

---

satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

- (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph under this paragraph (g)); or
- (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (h) No acknowledgement of receipt of any Form(s) of Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

### 2. SETTLEMENT

- (a) If you accept the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) after the date of receipt by the Registrar of the duly completed Form of Acceptance together with all the valid requisite documents from the Independent Shareholders accepting the Offer in compliance with Note 1 of Rule 30.2 of the Takeovers Code. Each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's Form of Acceptance at his/her/its own risk.
- (b) 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.
- (c) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

---

## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

---

### **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) The Offer is made on Thursday, 2 June 2016, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date.
- (b) Unless the Offer has previously been revised or extended with the consent of the Executive, all Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance and the Offer will close on the Closing Date.
- (c) If the Offer is extended, the announcement of such extension will state the next closing date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than 21 days following this Composite Document is posted.
- (d) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

### **4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on Thursday, 23 June 2016, being the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or closed.

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

---

## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

---

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in paragraph 1 of this Appendix and which have been received by the Registrar no later than 4:00 p.m. on Thursday, 23 June 2016, being the Closing Date and the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

### **5. NOMINEE REGISTRATION**

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

### **6. RIGHT OF WITHDRAWAL**

- (i) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” in this Appendix above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Acceptance Forms to the relevant Independent Shareholder(s), respectively.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn. By accepting the Offer, the Independent Shareholders will sell their Shares (as the case may be) to the Offeror free from all Encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer are made, being the date of the despatch of this Composite Document.

---

## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

---

### **7. OVERSEAS SHAREHOLDERS**

The Offer will be made in respect of 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), including those held by Overseas Shareholders. 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. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

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.

### **8. STAMP DUTY AND OTHER FEES**

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).

### **9. TAX IMPLICATIONS**

Independent 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 and 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.

---

## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

---

### 10. GENERAL

- (i) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company and any of their respective directors nor the Registrar or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (iii) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Form of Acceptance will constitute an authority to the Offeror, or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (vi) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company:
  - (a) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all third party rights, liens, claims, charges, equities and Encumbrances and together with all rights accruing or attaching thereto on the Closing Date or subsequently becoming attached to them, including, without limitation, in the case of the Shares, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the Closing Date; and
  - (b) that if such Shareholder accepting the Offer is an Overseas Shareholder, he has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents, complied with all requisite formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her in connection with such acceptance in any territory, that he/she has not taken or omitted to take any action which will or may result in the Offeror, the Company, Quam

---

## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

---

Capital, Quam Securities or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his/her acceptance thereof, and is permitted under all applicable laws to accept the Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.

- (vii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (viii) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (ix) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.



## 1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for the three financial years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the three financial years ended 31 March 2013, 2014 and 2015 and the unaudited interim report of the Company for the six months ended 30 September 2015, respectively. The auditor's reports issued by BDO Limited in respect of the Group's audited consolidated financial statements for the three financial years ended 31 March 2013, 2014 and 2015 did not contain any qualifications.

The Group had no exceptional items because of size, nature or incidence recorded in the financial statements of the Group for the three financial years ended 31 March 2013, 2014 and 2015 and for the six months ended 30 September 2015.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	For the year ended 31 March			For the six months ended ended 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
<b>Revenue</b>	565,372	787,603	838,203	446,214
Cost of sales	<u>(484,963)</u>	<u>(679,266)</u>	<u>(731,685)</u>	<u>(385,510)</u>
<b>Gross profit</b>	80,409	108,337	106,518	60,704
Other income and gains	23,373	20,049	28,600	9,862
Selling and distribution costs	(46,805)	(55,749)	(63,540)	(32,879)
Administrative expenses	(44,586)	(53,747)	(55,777)	(28,624)
Other expenses	(1,508)	(5,229)	(6,886)	–
Finance costs	<u>(1,492)</u>	<u>(865)</u>	<u>(4,594)</u>	<u>(3,325)</u>
<b>Profit before income tax</b>	9,391	12,796	4,321	5,738
Income tax expense	<u>(3,653)</u>	<u>(3,370)</u>	<u>(1,786)</u>	<u>(102)</u>
<b>Profit for the year/period attributable to owners of the Company</b>	<u>5,738</u>	<u>9,426</u>	<u>2,535</u>	<u>5,636</u>

	For the year ended 31 March			For the six months ended 30 September
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Surplus on revaluation of properties held for own use	19,499	9,373	4,491	–
Deferred tax relating to revaluation surplus	(4,124)	(2,258)	4,015	–
Exchange gain on translation of financial statements of foreign operations	715	2,682	106	(12,266)
<b>Other comprehensive income for the year/period, net of tax</b>	<u>16,090</u>	<u>9,797</u>	<u>8,612</u>	<u>–</u>
<b>Total comprehensive income for the year/period attributable to owners of the Company</b>	<u>21,828</u>	<u>19,223</u>	<u>11,147</u>	<u>(6,630)</u>
<b>Earnings per share for profit attributable to owners of the Company</b>				
– Basic	HK1.09 cents	HK1.80 cents	HK0.48 cents	HK1.07 cents
– Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March			As at 30
	2013	2014	2015	September
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	2015 HK\$'000 (Unaudited)
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	159,972	165,129	167,349	161,271
Prepaid land lease payments	9,788	9,705	11,181	8,917
Available-for-sale financial assets	–	1,262	–	–
	169,760	176,096	178,530	170,188
<b>Current assets</b>				
Inventories	85,293	119,301	166,263	139,565
Trade and bills receivables	172,173	266,671	373,628	387,544
Prepayments, deposits and other receivables	19,564	21,909	47,533	45,750
Derivative financial instruments	–	451	–	–
Tax reserve certificates	3,600	3,600	3,600	3,600
Taxes recoverable	191	191	191	191
Pledged deposits	53,563	68,044	2,934	16,911
Structured bank deposit	14,581	–	–	–
Cash and bank balances	137,946	88,525	51,700	91,949
	486,911	568,692	645,849	685,510
<b>Current liabilities</b>				
Trade and bills payables	109,490	156,382	178,612	249,802
Other payables and accruals	132,678	144,273	150,769	137,664
Bank borrowings	48,296	60,967	105,447	85,281
Finance lease liabilities	–	–	93	–
Derivative financial instruments	1,343	460	–	–
Taxes payable	31,811	33,881	33,263	33,340
	323,618	395,963	468,184	506,087
<b>Net current assets</b>	163,293	172,729	177,665	179,423

	As at 31 March			As at 30
	2013	2014	2015	September
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)	(Unaudited)
<b>Total assets less current liabilities</b>	333,053	348,825	356,195	349,611
<b>Non-current liabilities</b>				
Finance lease liabilities	–	–	262	307
Deferred tax liabilities	15,121	16,920	12,881	12,881
	<u>348,174</u>	<u>16,920</u>	<u>13,143</u>	<u>13,188</u>
<b>Net assets</b>	<u>317,932</u>	<u>331,905</u>	<u>343,052</u>	<u>336,423</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	52,500	52,500	52,500	52,500
Reserves	265,432	279,405	290,552	283,923
<b>Total equity</b>	<u>317,932</u>	<u>331,905</u>	<u>343,052</u>	<u>336,423</u>

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2015

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015. No exceptional items were recorded in the audited consolidated financial statements of the Group for the year ended 31 March 2015.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>Revenue</b>	6	838,203	787,603
Cost of sales		<u>(731,685)</u>	<u>(679,266)</u>
<b>Gross profit</b>		106,518	108,337
Other income and gains	6	28,600	20,049
Selling and distribution costs		(63,540)	(55,749)
Administrative expenses		(55,777)	(53,747)
Other expenses		(6,886)	(5,229)
Finance costs	7	<u>(4,594)</u>	<u>(865)</u>
<b>Profit before income tax</b>	8	4,321	12,796
Income tax expense	10	<u>(1,786)</u>	<u>(3,370)</u>
<b>Profit for the year attributable to owners of the Company</b>	11	<u>2,535</u>	<u>9,426</u>

	<i>Notes</i>	<b>2015</b> <i>HK\$ '000</i>	<b>2014</b> <i>HK\$ '000</i>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Surplus on revaluation of properties held for own use	<i>14</i>	4,491	9,373
Deferred tax relating to revaluation surplus	<i>27</i>	4,015	(2,258)
 <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		106	2,682
<b>Other comprehensive income for the year, net of tax</b>		8,612	9,797
<b>Total comprehensive income for the year attributable to owners of the Company</b>		11,147	19,223
 <b>Earnings per share for profit attributable to owners of the Company</b>			
	<i>13</i>		
– Basic		HK0.48 cents	HK1.80 cents
– Diluted		N/A	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	167,349	165,129
Prepaid land lease payments	<i>15</i>	11,181	9,705
Available-for-sale financial assets	<i>16</i>	–	1,262
		<u>178,530</u>	<u>176,096</u>
<b>Current assets</b>			
Inventories	<i>18</i>	166,263	119,301
Trade and bills receivables	<i>19</i>	373,628	266,671
Prepayments, deposits and other receivables		47,533	21,909
Derivative financial instruments	<i>26</i>	–	451
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Pledged deposits	<i>20</i>	2,934	68,044
Cash and bank balances	<i>21</i>	51,700	88,525
		<u>645,849</u>	<u>568,692</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>22</i>	178,612	156,382
Other payables and accruals		150,769	144,273
Bank and other borrowings	<i>23</i>	105,447	60,967
Finance lease liabilities	<i>24</i>	93	–
Derivative financial instruments	<i>26</i>	–	460
Taxes payable		33,263	33,881
		<u>468,184</u>	<u>395,963</u>
<b>Net current assets</b>		<u>177,665</u>	<u>172,729</u>
<b>Total assets less current liabilities</b>		<u>356,195</u>	<u>348,825</u>

	<i>Notes</i>	<b>2015</b> <i>HK\$ '000</i>	<b>2014</b> <i>HK\$ '000</i>
<b>Non-current liabilities</b>			
Finance lease liabilities	24	262	–
Deferred tax liabilities	27	12,881	16,920
		<u>13,143</u>	<u>16,920</u>
<b>Net assets</b>		<u><u>343,052</u></u>	<u><u>331,905</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	28	52,500	52,500
Reserves	29(a)	290,552	279,405
		<u>343,052</u>	<u>331,905</u>
<b>Total equity</b>		<u><u>343,052</u></u>	<u><u>331,905</u></u>



## STATEMENT OF FINANCIAL POSITION

*As at 31 March 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<i>14</i>	40	49
Interests in subsidiaries	<i>17</i>	115,668	115,668
		<u>115,708</u>	<u>115,717</u>
<b>Current assets</b>			
Due from subsidiaries	<i>17</i>	145,758	143,874
Prepayments		290	307
Cash and bank balances	<i>21</i>	139	873
		<u>146,187</u>	<u>145,054</u>
<b>Current liabilities</b>			
Due to a subsidiary	<i>17</i>	3,063	1,949
Other payables and accruals		1,220	1,200
		<u>4,283</u>	<u>3,149</u>
<b>Net current assets</b>		<u>141,904</u>	<u>141,905</u>
<b>Net assets</b>		<u><u>257,612</u></u>	<u><u>257,622</u></u>
<b>EQUITY</b>			
Share capital	<i>28</i>	52,500	52,500
Reserves	<i>29(b)</i>	205,112	205,122
<b>Total equity</b>		<u><u>257,612</u></u>	<u><u>257,622</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company								
	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000 (note 29(a))	Asset revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Statutory reserve and enterprise expansion funds* HK\$'000 (note 29(a))	Retained profits* HK\$'000	Proposed final dividend* HK\$'000	Total HK\$'000
Balance at 1 April 2013	52,500	87,728	4,800	49,835	21,770	7,635	88,414	5,250	317,932
Dividends paid (notes 12(b))	-	-	-	-	-	-	-	(5,250)	(5,250)
<b>Transactions with owners</b>	-	-	-	-	-	-	-	(5,250)	(5,250)
Profit for the year	-	-	-	-	-	-	9,426	-	9,426
Other comprehensive income:									
Surplus on revaluation on leasehold land and buildings	-	-	-	9,373	-	-	-	-	9,373
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	2,682	-	-	-	2,682
Deferred tax relating to revaluation of leasehold land and buildings(note 27)	-	-	-	(2,258)	-	-	-	-	(2,258)
<b>Total comprehensive income for the year</b>	-	-	-	7,115	2,682	-	9,426	-	19,223
Appropriations to statutory reserve	-	-	-	-	-	1,815	(1,815)	-	-
<b>Balance at 31 March 2014</b>	<b>52,500</b>	<b>87,728</b>	<b>4,800</b>	<b>56,950</b>	<b>24,452</b>	<b>9,450</b>	<b>96,025</b>	<b>-</b>	<b>331,905</b>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	Attributable to owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium* HK\$'000	Contributed surplus* HK\$'000 (note 29(a))	Asset revaluation reserve* HK\$'000	Exchange reserve* HK\$'000	Statutory reserve and enterprise expansion funds* HK\$'000 (note 29(a))	Retained profits* HK\$'000	Proposed final dividend* HK\$'000	
Balance at 1 April 2014	52,500	87,728	4,800	56,950	24,452	9,450	96,025	-	331,905
Profit for the year	-	-	-	-	-	-	2,535	-	2,535
Other comprehensive income:									
Surplus on revaluation on leasehold land and buildings	-	-	-	4,491	-	-	-	-	4,491
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	106	-	-	-	106
Deferred tax relating to revaluation of leasehold land and buildings (note 27)	-	-	-	4,015	-	-	-	-	4,015
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,506</u>	<u>106</u>	<u>-</u>	<u>2,535</u>	<u>-</u>	<u>11,147</u>
Appropriations to statutory reserve	-	-	-	-	-	495	(495)	-	-
<b>Balance at 31 March 2015</b>	<u>52,500</u>	<u>87,728</u>	<u>4,800</u>	<u>65,456</u>	<u>24,558</u>	<u>9,945</u>	<u>98,065</u>	<u>-</u>	<u>343,052</u>

\* These reserve accounts comprise the consolidated reserves of HK\$290,552,000 (2014: HK\$279,405,000) in the consolidated statement of financial position.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>		
Profit before income tax	4,321	12,796
Adjustments for:		
Finance costs	4,594	865
Interest income	(2,971)	(3,021)
Depreciation	10,309	9,836
Amortisation of prepaid land lease payments	297	268
Fair value loss on derivative financial instruments	1,103	909
Loss on disposal of property, plant and equipment	8	20
Bad debts written off	97	–
Impairment loss on trade receivables written back	(2,260)	(2,893)
Provision for impairment of trade receivables	6,749	5,161
(Write-back)/Write-down of inventories to net realisable value	(788)	2,859
Write-off of property, plant and equipment	40	68
	<hr/>	<hr/>
Operating profit before working capital changes	21,499	26,868
Increase in inventories	(46,174)	(36,867)
Increase in trade and bills receivables	(111,543)	(96,766)
Increase in prepayments, deposits and other receivables	(25,598)	(2,340)
Increase in trade and bills payables	22,230	46,892
Increase in other payables and accruals	6,496	11,595
Changes in derivative financial instruments	(1,112)	(2,243)
	<hr/>	<hr/>
Cash used in operations	(134,202)	(52,861)
Interest paid	(4,587)	(865)
Overseas taxes paid	(2,428)	(2,011)
	<hr/>	<hr/>
<i>Net cash used in operating activities</i>	<hr/> (141,217) <hr/>	<hr/> (55,737) <hr/>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Cash flows from investing activities</b>		
Interest received	2,971	3,021
Decrease in bank deposits with original maturity over three months	–	6,586
Proceeds from disposal of property, plant and equipment	14	104
Purchases of property, plant and equipment	(9,445)	(3,195)
Proceeds from/(Purchase of) available-for-sale financial assets	1,262	(1,262)
Decrease/(Increase) in pledged deposits	65,110	(14,481)
Decrease in structured bank deposit	–	14,581
	<u>59,912</u>	<u>5,354</u>
<b>Cash flows from financing activities</b>		
Dividend paid	–	(5,250)
Proceeds from bank and other borrowings	105,447	60,967
Repayment of bank borrowings	(60,967)	(48,296)
Repayments of capital element of finance lease liabilities	(37)	–
Interest element of finance lease payments	(7)	–
	<u>44,436</u>	<u>7,421</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(36,869)</b>	<b>(42,962)</b>
Cash and cash equivalents at beginning of the year	88,525	131,360
Effect of foreign exchange rate changes, net	44	127
	<u>51,700</u>	<u>88,525</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>51,700</u></b>	<b><u>88,525</u></b>

**Major non-cash transactions**

For the year ended 31 March 2015, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$392,000 (2014: Nil).

**NOTES TO THE FINANCIAL STATEMENTS***31 March 2015***1. GENERAL INFORMATION**

Sun East Technology (Holdings) Limited (the “Company”) is a limited liability company incorporated and domiciled in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 17 to the financial statements. The Company and its subsidiaries are collectively referred to as the “Group” hereafter. There were no significant changes in the operations during the year.

The financial statements for the year ended 31 March 2015 were approved for issue by the board of directors on 19 June 2015.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation**

The financial statements on pages 33 to 110 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention except for land and buildings and derivative financial instruments, which are stated at their fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

**2.2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

### 2.3 Subsidiaries

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

#### 2.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK\$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK\$. Assets and liabilities have been translated into HK\$ at the closing rates at the reporting date. Income and expenses have been converted into the HK\$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

#### 2.5 Borrowing costs

Borrowing costs incurred for acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

#### 2.6 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) the Group has the intention to complete the development and use or sell the new products;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.



Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

## 2.7 Property, plant and equipment

Leasehold land and buildings (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined through appraisals by external professional valuers on a regular basis to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Any surplus arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and is accumulated in asset revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 2.9. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in the other comprehensive income. A decrease in net carrying amount of leasehold land and buildings arising on revaluation is recognised in other comprehensive income to the extent of the revaluation surplus in asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives. Except for leasehold land and buildings which are depreciated on straight-line method, all other property, plant and equipment are depreciated on the reducing balance basis. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	The shorter of the lease terms and 22 years
Machinery and equipment	9% to 25%
Computer software	20%
Furniture, fixtures and leasehold improvements	18% to 25%
Motor vehicles	25%

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profit on the disposal of leasehold land and buildings.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

## 2.8 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long term interest in the usage of the land. The payments are stated at cost less accumulated amortisation and any impairment loss. Amortisation is calculated on straight-line method to write off the up-front payments over the lease terms.

## 2.9 Impairment of non-financial assets

Property, plant and equipment, prepaid land lease payments and interests in subsidiaries are subject to impairment testing. All assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 2.7 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGUs is charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 2.10 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.

- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments ("the initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the period in which they are incurred.

(iv) *Assets leased out under operating leases as the lessor*

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on straight-line method over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

## 2.12 Financial assets

The Group's financial assets are classified into (1) loans and receivables, (2) financial assets at fair value through profit or loss and (3) available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the contractual rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any of such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sales or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sales equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

*Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

For financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### *Available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the profit or loss.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

### **2.13 Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, where work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

### **2.14 Cash and cash equivalents**

Cash and cash equivalents include cash at banks and in hand, time deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### **2.15 Accounting for income taxes**

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **2.16 Revenue recognition**

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time-proportion basis using the effective interest method.

Rental income is recognised on a time-proportion basis over the lease terms.

## 2.17 Employee benefits

### *Defined contribution plan*

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries.

The employees of the Group’s subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group’s obligations under these plans are limited to the fixed percentage contributions payable.

### *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

## 2.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.



### 2.19 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

### 2.20 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, bank and other borrowings, finance lease liabilities and derivative financial instruments.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.5).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### *(i) Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### *(ii) Trade and bills payables, other payables and accruals*

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iii) *Financial liabilities at fair value through profit or loss*

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(iv) *Finance lease liabilities*

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.11(ii)).

## 2.21 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium reserve (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

## 2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

Each of the operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- rental income and rental costs;
- finance costs;
- income tax;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but cash and bank balances, pledged deposits, tax recoverable, tax reserve certificates, operating cash and corporate assets which are not directly attributable to the business activities of any operating segment which primarily applies to the Group's headquarter.

Segment liabilities include all liabilities but deferred tax liabilities and certain corporate liabilities. Corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarters. Deferred tax liabilities are attributable to revaluation of leasehold land and buildings.

### 2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in profit or loss on straight line method over the expected lives of the related assets.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. The adoption of these new and amended HKFRSs did not result in material changes to the Group's accounting policies.

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

#### HKFRS 9 (2014) – Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2018. HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

**HKFRS 15 – Revenue from Contracts with Customers**

The standard is effective for accounting periods beginning on or after 1 January 2017. The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1:	Identify the contract(s) with a customer
Step 2:	Identify the performance obligations in the contract
Step 3:	Determine the transaction price
Step 4:	Allocate the transaction price to each performance obligation
Step 5:	Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(i) Impairment of property, plant and equipment**

Property, plant and equipment (note 14) is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations and valuations require the use of judgments and estimates. The carrying amounts of property, plant and equipment of the Group as at 31 March 2015 were approximately HK\$167,349,000 (2014: HK\$165,129,000).

**(ii) Impairment of trade and other receivables**

The Group's management determines impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the reporting date.

**(iii) Income taxes**

The Group is subject to income taxes in Hong Kong and Mainland China. Significant judgment is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is finalised.

**(iv) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses the estimations at the reporting date to ensure inventories are stated at the lower of cost and net realisable value.

**(v) Fair value measurement**

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Leasehold land and buildings (Note 14)
- Derivative financial instruments (Note 26)

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

## 5. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as reportable segments:

- (i) Production lines and production equipment – Design, manufacture and sale of production lines and production equipment
- (ii) Brand name production equipment – Trading and distribution of brand name production equipment

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2015 HK\$ '000	2014 HK\$ '000	2015 HK\$ '000	2014 HK\$ '000	2015 HK\$ '000	2014 HK\$ '000
Segment revenue:						
Sales to external customers	416,103	442,037	422,100	345,566	838,203	787,603
Other revenue – external	11,829	11,744	13,463	–	25,292	11,744
Reportable segment revenue	<u>427,932</u>	<u>453,781</u>	<u>435,563</u>	<u>345,566</u>	<u>863,495</u>	<u>799,347</u>
Reportable segment results	<u>12,149</u>	<u>10,709</u>	<u>5,085</u>	<u>6,217</u>	<u>17,234</u>	<u>16,926</u>
Depreciation and amortisation	10,606	10,104	–	–	10,606	10,104
Loss on disposal of property, plant and equipment	8	20	–	–	8	20
Bad debts written off	97	–	–	–	97	–
Provision for impairment of trade and bills receivables	6,749	5,161	–	–	6,749	5,161
(Write-back)/Write-down of inventories to net realisable value	(788)	2,859	–	–	(788)	2,859
Write-off of property, plant and equipment	40	68	–	–	40	68
<b>Reportable segment assets</b>	<b>529,795</b>	<b>433,757</b>	<b>226,668</b>	<b>146,495</b>	<b>756,463</b>	<b>580,252</b>
Capital expenditure	9,837	3,195	–	–	9,837	3,195
<b>Reportable segment liabilities</b>	<b>273,528</b>	<b>209,844</b>	<b>54,043</b>	<b>89,148</b>	<b>327,571</b>	<b>298,992</b>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2015 HK\$ '000	2014 HK\$ '000
Reportable segment results	17,234	16,926
Rental income	17	14
Interest and other corporate income	3,291	8,291
Corporate expenses	(11,627)	(11,570)
Finance costs on bank and other borrowings	(4,594)	(865)
Profit before income tax	<u>4,321</u>	<u>12,796</u>

**APPENDIX II**
**FINANCIAL INFORMATION OF THE GROUP**

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Segment assets		
Production lines and production equipment	529,795	433,757
Brand name production equipment	226,668	146,495
	<u>756,463</u>	<u>580,252</u>
Available-for-sale financial assets	–	1,262
Derivative financial instruments	–	451
Tax reserve certificates	3,600	3,600
Taxes recoverable	191	191
Pledged deposits	2,934	68,044
Cash and bank balances	51,700	88,525
Other corporate assets	9,491	2,463
	<u>824,379</u>	<u>744,788</u>
Total assets	<u><u>824,379</u></u>	<u><u>744,788</u></u>
Segment liabilities		
Production lines and production equipment	273,528	209,844
Brand name production equipment	54,043	89,148
	<u>327,571</u>	<u>298,992</u>
Bank and other borrowings	105,447	60,967
Derivative financial instruments	–	460
Finance lease liabilities	355	–
Deferred tax liabilities	12,881	16,920
Other corporate liabilities	35,073	35,544
	<u>481,327</u>	<u>412,883</u>
Total liabilities	<u><u>481,327</u></u>	<u><u>412,883</u></u>

The Group's revenue from external customers and segment assets are divided into the following geographical areas:

	<b>Revenue from</b>		<b>Non-current assets</b>	
	<b>external customers</b>		<b>(excluded available-for-sale</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China (domicile)	804,221	747,970	152,269	152,139
Hong Kong	9,242	13,308	26,261	22,695
Europe (principally Spain)	13,000	19,766	–	–
Others (principally Japan)	11,740	6,559	–	–
	<u>838,203</u>	<u>787,603</u>	<u>178,530</u>	<u>174,834</u>
	<u><u>838,203</u></u>	<u><u>787,603</u></u>	<u><u>178,530</u></u>	<u><u>174,834</u></u>

The geographical location of customers is based on the location at which the goods delivered. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

## 6. REVENUE, OTHER INCOME AND GAINS

The Group's turnover represents revenue from its principal activities, measured at the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue – sale of goods</b>	<b>838,203</b>	<b>787,603</b>
Other income:		
Rental income	17	14
Bank interest income	2,971	3,021
Impairment loss on trade receivables written back	2,260	2,893
Government grants*	16,827	583
Sales of scrap	2,516	2,648
Discount received on the settlement of other payables	1,740	2,455
Others	1,949	2,344
	28,280	13,958
Gains:		
Exchange gain, net	320	6,091
<b>Other income and gains</b>	<b>28,600</b>	<b>20,049</b>

\* Non-refundable government subsidies were received from the PRC government for subsidising the Group in conducting and launching projects relating to research and development activities, development of the high-tech operating system and imports of the high-tech equipments. There are no unfulfilled conditions or contingencies relating to these grants.

## 7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank and other borrowings, wholly repayable within one year	4,587	865
Finance lease charges	7	–
Total interest on financial liabilities stated at amortised cost	4,594	865



## 8. PROFIT BEFORE INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	570,625	544,599
– including (write-back)/write-down of inventories to net realisable value	(788)	2,859
Depreciation on property, plant and equipment		
– Owned	10,279	9,836
– Held under finance leases	30	–
Fair value loss on derivative financial instruments	1,103	909
Research and development costs	6,128	5,971
Minimum lease payments under operating leases in respect of leasehold land and buildings	2,652	1,504
Loss on disposal of property, plant and equipment	8	20
Auditor's remuneration	950	900
Staff costs (including directors' remuneration (note 9))		
– Wages and salaries	130,687	122,019
– Defined contribution scheme	8,913	7,754
	<u>139,600</u>	<u>129,773</u>
Amortisation of prepaid land lease payments	297	268
Provision for impairment of trade and bills receivables	6,749	5,161
Bad debts written off	97	–
Write-off of property, plant and equipment	40	68
	<u><u>139,600</u></u>	<u><u>129,773</u></u>

## 9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fees:		
Independent non-executive directors	432	432
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	7,362	7,763
Defined contribution scheme	72	60
	<u>7,866</u>	<u>8,255</u>
	<u><u>7,866</u></u>	<u><u>8,255</u></u>

**(a) Independent non-executive directors**

The fees paid to independent non-executive directors during the year were as follows:

	<b>2015</b> <i>HK\$'000</i>	<b>2014</b> <i>HK\$'000</i>
Mr. See Tak Wah	144	144
Prof. Xu Yang Sheng	144	144
Mr. Li Wanshou	144	144
	<u>432</u>	<u>432</u>

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

**(b) Executive directors**

	<b>Fees</b> <i>HK\$'000</i>	<b>Salaries, allowances and benefits in kind</b> <i>HK\$'000</i>	<b>Defined contribution scheme</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>2015</b>				
Mr. But Tin Fu	–	1,651	18	1,669
Mr. But Tin Hing	–	2,098	18	2,116
Mr. Leung Cheong	–	1,649	18	1,667
Mr. Leung Kuen, Ivan	–	1,964	18	1,982
	<u>–</u>	<u>7,362</u>	<u>72</u>	<u>7,434</u>
<b>2014</b>				
Mr. But Tin Fu	–	1,753	15	1,768
Mr. But Tin Hing	–	2,217	15	2,232
Mr. Leung Cheong	–	1,749	15	1,764
Mr. Leung Kuen, Ivan	–	2,044	15	2,059
	<u>–</u>	<u>7,763</u>	<u>60</u>	<u>7,823</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

**(c) Five highest paid employees**

The five highest paid employees during the year included four (2014: four) directors, details of whose remuneration are reflected in the above analysis. The remuneration of the remaining one (2014: one) highest paid employee for the year, which fell within the emolument band of nil to HK\$1,000,000 for each of the years ended 31 March 2015 and 2014, is set out as follows:

	<b>2015</b> <i>HK\$ '000</i>	<b>2014</b> <i>HK\$ '000</i>
Salary, allowances and benefits in kind	611	636
Defined contribution scheme	—	15
	<u>611</u>	<u>651</u>

There was no emolument paid by the Group to these five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

**10. INCOME TAX EXPENSE**

	<b>2015</b> <i>HK\$ '000</i>	<b>2014</b> <i>HK\$ '000</i>
Current tax – Elsewhere		
– Tax for the year	1,810	4,502
– Over-provision in prior year	—	(673)
	<u>1,810</u>	<u>3,829</u>
Deferred tax (note 27)	(24)	(459)
	<u>1,786</u>	<u>3,370</u>

No Hong Kong profits tax was provided as the Group did not generate any assessable profits arising from its operations in Hong Kong during the current and prior years. Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

The PRC enterprise income tax for foreign enterprises have been calculated on the estimated assessable profits for the year at 25% except that 日東電子科技(深圳)有限公司 and 日東電子發展(深圳)有限公司 are granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2014. It is subject to income tax rate of 15%.

A reconciliation of the income tax expense applicable to profit before income tax using the statutory rates for the tax jurisdictions in which the Company and majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before income tax	4,321	12,796
Tax at the statutory tax rates	677	2,490
Non-taxable income	(2,535)	(1,520)
Non-deductible expenses	2,023	651
Unrecognised tax losses	953	2,880
Others	668	(458)
Over-provision in prior years	–	(673)
Income tax expense	<u>1,786</u>	<u>3,370</u>

#### 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK\$2,535,000 (2014: HK\$9,426,000), loss of HK\$10,000 (2014: HK\$13,000) which has been dealt with in the financial statements of the Company.

#### 12. DIVIDEND

- (a) The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2014 and 2015.
- (b) Dividend attributable to the previous financial year, approved and paid during the year:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, of Nil (2014: HK\$0.01) per share	–	5,250

#### 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK\$2,535,000 (2014: HK\$9,426,000) attributable to owners of the Company, and 525,000,000 (2014: 525,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2015 and 2014 are not presented as there were no potential ordinary shares in issue during the year.

## 14. PROPERTY, PLANT AND EQUIPMENT

## Group

	Leasehold land and buildings <i>HK\$ '000</i>	Machinery and equipment <i>HK\$ '000</i>	Furniture, fixtures and leasehold improvements <i>HK\$ '000</i>	Computer software <i>HK\$ '000</i>	Motor vehicles <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>2015</b>						
<b>At 1 April 2014</b>						
Cost or valuation	134,418	69,770	31,752	1,668	10,644	248,252
Accumulated depreciation	–	(50,060)	(27,025)	(141)	(5,897)	(83,123)
Net carrying amount	<u>134,418</u>	<u>19,710</u>	<u>4,727</u>	<u>1,527</u>	<u>4,747</u>	<u>165,129</u>
<b>Year ended 31 March 2015</b>						
Opening net carrying amount	134,418	19,710	4,727	1,527	4,747	165,129
Additions	2,784	1,018	1,577	1,275	1,391	8,045
Disposal	–	–	–	–	(22)	(22)
Write-off	–	(17)	(22)	–	(1)	(40)
Surplus on revaluation	4,491	–	–	–	–	4,491
Depreciation	(6,140)	(1,893)	(1,061)	(332)	(883)	(10,309)
Exchange realignment	42	9	2	1	1	55
Closing carrying amount	<u>135,595</u>	<u>18,827</u>	<u>5,223</u>	<u>2,471</u>	<u>5,233</u>	<u>167,349</u>
<b>At 31 March 2015</b>						
Cost or valuation	135,595	70,732	33,369	2,802	11,812	254,310
Accumulated depreciation	–	(51,905)	(28,146)	(331)	(6,579)	(86,961)
Net carrying amount	<u>135,595</u>	<u>18,827</u>	<u>5,223</u>	<u>2,471</u>	<u>5,233</u>	<u>167,349</u>
<b>Analysis of cost or valuation:</b>						
At cost	–	70,732	33,369	2,802	11,812	118,715
At 2015 valuation	135,595	–	–	–	–	135,595
	<u>135,595</u>	<u>70,732</u>	<u>33,369</u>	<u>2,802</u>	<u>11,812</u>	<u>254,310</u>

	Leasehold land and buildings HK\$ '000	Machinery and equipment HK\$ '000	Furniture, fixtures and leasehold improvements HK\$ '000	Computer software HK\$ '000	Motor vehicles HK\$ '000	Total HK\$ '000
<b>2014</b>						
<b>At 1 April 2013</b>						
Cost or valuation	128,835	68,518	30,813	1,683	9,919	239,768
Accumulated depreciation	–	(47,895)	(26,514)	(15)	(5,372)	(79,796)
<b>Net carrying amount</b>	<b>128,835</b>	<b>20,623</b>	<b>4,299</b>	<b>1,668</b>	<b>4,547</b>	<b>159,972</b>
<b>Year ended 31 March 2014</b>						
Opening net carrying amount	128,835	20,623	4,299	1,668	4,547	159,972
Additions	–	790	1,351	–	1,054	3,195
Disposal	–	(52)	(30)	–	(42)	(124)
Write-off	–	–	(68)	–	–	(68)
Surplus on revaluation	9,373	–	–	–	–	9,373
Depreciation	(5,856)	(2,034)	(909)	(172)	(865)	(9,836)
Exchange realignment	2,066	383	84	31	53	2,617
<b>Closing carrying amount</b>	<b>134,418</b>	<b>19,710</b>	<b>4,727</b>	<b>1,527</b>	<b>4,747</b>	<b>165,129</b>
<b>At 31 March 2014</b>						
Cost or valuation	134,418	69,770	31,752	1,668	10,644	248,252
Accumulated depreciation	–	(50,060)	(27,025)	(141)	(5,897)	(83,123)
<b>Net carrying amount</b>	<b>134,418</b>	<b>19,710</b>	<b>4,727</b>	<b>1,527</b>	<b>4,747</b>	<b>165,129</b>
<b>Analysis of cost or valuation:</b>						
At cost	–	69,770	31,752	1,668	10,644	113,834
At 2014 valuation	134,418	–	–	–	–	134,418
	<b>134,418</b>	<b>69,770</b>	<b>31,752</b>	<b>1,668</b>	<b>10,644</b>	<b>248,252</b>

The Group's leasehold land and buildings situated in Hong Kong and Mainland China were revalued individually at the reporting date by RHL Appraisal Limited, independent professional qualified valuers, at fair value of HK\$23,720,000 (2014: HK\$22,200,000) on an open market basis and at fair value of HK\$111,875,000 (2014: HK\$112,218,000) on depreciated replacement cost/open market basis. Open market basis was estimated based on recent market transactions, which were then adjusted for specific conditions relating to the land and buildings. Depreciated replacement cost method was estimated on the current cost of replacement of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Revaluation surplus of approximately HK\$4,491,000 (2014: HK\$9,373,000), resulting from the above valuations, during the year, have been credited to asset revaluation reserve. Deferred tax relating to the revaluation of leasehold land and buildings, of approximately HK\$4,015,000 had been credited (2014: HK\$2,258,000 had been debited) to asset revaluation reserve.

The fair value of land and buildings is a level 3 recurring fair value measurement. Significant unobservable inputs for these valuation approaches are as follows:

Significant unobservable inputs	Range
Open market basis	
Premium/(Discount) on quality of properties	(24%) – 16% (2014: (5%) – 10%)
Depreciated replacement cost:	
Cost of replacement	RMB1,000 – 2,200 (2014: RMB1,000 – 2,200) per square meter
Age adjustment	20.5% – 27.7% (2014: 18.17% – 25.58%)

Higher premiums or discounts for the quality of the Group's properties compared to recent sales will result in corresponding higher or lower fair values. Higher cost of replacement and lower age adjustment will result in higher fair values.

There were no changes to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$65,516,000 (2014: HK\$66,686,000).

The Group's leasehold land and buildings are further analysed as follows:

	2015 <i>HK\$ '000</i>	2014 <i>HK\$ '000</i>
Long-term leases		
Mainland China	2,760	–
Medium-term leases		
Hong Kong	23,720	22,200
Mainland China	109,115	112,218
	<u>135,595</u>	<u>134,418</u>

As at 31 March 2015, certain of the Group's leasehold land and buildings with net carrying amount of approximately HK\$104,959,000 (2014: HK\$11,400,000) were pledged to secure general banking facilities granted to the Group (note 25).

As at 31 March 2015, net carrying amount of property, plant and equipment of HK\$466,000 are held under finance lease.

<b>Company</b>	<b>Machinery and equipment</b> <i>HK\$'000</i>
<b>2015</b>	
<b>At 1 April 2014</b>	
Cost	299
Accumulated depreciation	<u>(250)</u>
<b>Net carrying amount</b>	<b><u>49</u></b>
<b>Year ended 31 March 2015</b>	
Opening net carrying amount	49
Depreciation	<u>(9)</u>
<b>Closing carrying amount</b>	<b><u>40</u></b>
<b>At 31 March 2015</b>	
Cost	299
Accumulated depreciation	<u>(259)</u>
<b>Net carrying amount</b>	<b><u>40</u></b>
<b>2014</b>	
<b>At 1 April 2013</b>	
Cost	299
Accumulated depreciation	<u>(237)</u>
<b>Net carrying amount</b>	<b><u>62</u></b>
<b>Year ended 31 March 2014</b>	
Opening net carrying amount	62
Depreciation	<u>(13)</u>
<b>Closing carrying amount</b>	<b><u>49</u></b>
<b>At 31 March 2014</b>	
Cost	299
Accumulated depreciation	<u>(250)</u>
<b>Net carrying amount</b>	<b><u>49</u></b>



## 15. PREPAID LAND LEASE PAYMENTS

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount at beginning of the year	9,973	10,051
Additions	1,792	–
Charged to profit or loss during the year	(297)	(268)
Exchange realignment	6	190
	<u>11,474</u>	<u>9,973</u>
Carrying amount at end of the year	<u>11,474</u>	<u>9,973</u>
Current portion included in prepayments, deposits and other receivables	<u>(293)</u>	<u>(268)</u>
Non-current portion	<u>11,181</u>	<u>9,705</u>

Prepaid land lease payments of HK\$9,709,000 (2014: HK\$9,973,000) and HK\$1,765,000 (2014: Nil) are held under medium term leases and long term leases respectively and the balance relates to the land situated in Mainland China.

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Equity securities, at cost		
Unlisted in the PRC	–	1,262
	<u>–</u>	<u>1,262</u>

As at 31 March 2014, the Group invested into limited partnership incorporated in the Mainland China. In the opinion of the Company's directors, these investments do not have a quoted market price in active market and the fair value of these investments would not be reliable measured. Therefore, these investments shall be measured at cost less any provision for impairment losses.

## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Unlisted shares, at cost	<u>115,668</u>	<u>115,668</u>
Due from subsidiaries	209,182	207,298
Less: Provision for impairment	<u>(63,424)</u>	<u>(63,424)</u>
	<u>145,758</u>	<u>143,874</u>
Due to a subsidiary	<u>(3,063)</u>	<u>(1,949)</u>

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/(to) subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at 31 March 2015 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
i-System Investment Company Limited	British Virgin Islands ("BVI")	US\$2,000	100	–	Investment holding
Sun East Electronic Equipment Company Limited	Hong Kong	HK\$5,000,000	–	100	Trading of machinery
Fureach Precision Limited	Hong Kong	HK\$10,000	–	100	Trading of machinery
日東電子發展(深圳)有限公司 <sup>#</sup>	Mainland China	HK\$81,000,000	–	100	Manufacture and trading of machinery
Eastern Century Speed Inc.	BVI	US\$1	–	100	Inactive
Frontier Precision System Co., Ltd	Hong Kong	HK\$10,000	–	100	Investment holding
Sun East Tech Development Limited	Hong Kong	HK\$10,000	–	100	Trading of machinery
天力精密系統(深圳)有限公司 <sup>#</sup>	Mainland China	HK\$15,300,000	–	100	Manufacture and trading of machinery
日東電子科技(深圳)有限公司 <sup>#</sup>	Mainland China	HK\$25,000,000	–	100	Manufacture and trading of machinery
日東自動化設備(上海)有限公司 <sup>#</sup>	Mainland China	US\$2,750,000	–	100	Inactive
富運精密設備(深圳)有限公司 <sup>#</sup>	Mainland China	HK\$10,000,000	–	100	Manufacture and trading of machinery

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

<sup>#</sup> Registered as a wholly-owned foreign investment enterprise in Mainland China.

## 18. INVENTORIES

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	79,842	43,514
Work in progress	38,000	35,512
Finished goods	48,421	40,275
	<u>166,263</u>	<u>119,301</u>

## 19. TRADE AND BILLS RECEIVABLES

Ageing analysis of trade and bills receivables as at the reporting dates, based on the date of revenue recognition and net of provision, is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	148,552	105,868
91 to 120 days	33,903	22,864
121 to 180 days	34,988	26,829
181 to 360 days	73,439	71,006
Over 360 days	82,746	40,104
	<u>373,628</u>	<u>266,671</u>

As at 31 March 2015, there are bills receivable of approximately HK\$63.3 million (2014: HK\$36.6 million) included in trade and bills receivables.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. Movements in provision for impairment of trade and bills receivables are as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	49,694	46,878
Written-off	(6,212)	–
Impairment loss recognised	6,749	5,161
Impairment loss reversed	(2,260)	(2,893)
Exchange realignment	(185)	548
	<u>47,786</u>	<u>49,694</u>

The normal credit period granted by the Group to its customers, each of which has a maximum credit limit, ranges from 30 to 180 days (2014: 30 to 180 days).

The carrying value of trade and bills receivables is considered as reasonable approximation of its fair value. Impairment of trade and bills receivables is established when there is objective evidence that the Group is not able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade and bills receivables are impaired. As at 31 March 2015, the Group had determined trade and bills receivables of approximately HK\$47,786,000 (2014: HK\$49,694,000) as impaired and as a result, impairment loss of HK\$6,749,000 for the year ended 31 March 2015 (2014: HK\$5,161,000) have been recognised. The impaired trade and bills receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

The Group does not hold any collateral over the impaired trade and bills receivables, whether determined on an individual or collective basis.

In addition, certain unimpaired trade and bills receivables are past due as at the reporting date. Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	225,179	167,464
1 to 30 days past due	13,552	18,092
31 to 90 days past due	58,232	31,290
91 to 270 days past due	59,989	39,298
271 to 360 days past due	7,278	4,139
Over 360 days past due	9,398	6,388
	<u>373,628</u>	<u>266,671</u>
Total trade and bills receivables, net	<u>373,628</u>	<u>266,671</u>

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade and bills receivables past due but not impaired.

In 2015, the Group discounted part of its bills receivable with full recourse to financial institutions. In the event of default by the debtors, the Group was obliged to pay the financial institutions the amount in default. The Group was therefore exposed to the risks of credit losses and late payment in respect of the discounted bills receivable.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted bills receivable. As at 31 March 2015, bills receivable of approximately HK\$20,493,000 continued to be recognised in the Group's financial statements even though they had been legally transferred to the financial institutions. The proceeds of the discounting transactions were included in bank and other borrowings until the bills receivable was expired or the Group settled any losses suffered by the financial institutions. As at 31 March 2015, the advances obtained from the financial institutions in respect of the unexpired discounted bills receivables included in bank and other borrowings amounted to approximately HK\$20,493,000 (note 23).

There was no discounted bills receivable as at 31 March 2014.

**20. PLEDGED DEPOSITS**

The deposits are pledged to banks to secure the bank facilities granted to the Group (as detailed in notes 23 and 25 to the financial statements). These deposits earn interest at 0.35% to 5.40% (2014: 0.39% to 5.40%) per annum.

**21. CASH AND BANK BALANCES**

The cash and bank balances was summarised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at banks and in hand	51,700	82,213	139	873
Time deposits classified as cash and cash equivalents	—	6,312	—	—
Total cash and cash equivalents	<u>51,700</u>	<u>88,525</u>	<u>139</u>	<u>873</u>

At the reporting date, cash and bank balances of the Group denominated in RMB amounted to HK\$35,800,000 (2014: HK\$41,815,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange businesses.

Cash at bank earns interest at floating rates based on the daily bank deposits rates ranging between 0.01% and 0.35% (2014: 0.01% and 2.8%) per annum. As at 31 March 2014, short term time deposits were made for varying periods of between 1 week and six months depending on the immediate cash requirements of the Group, and earned interest at the respective short term time deposit rates.

**22. TRADE AND BILLS PAYABLES**

Ageing analysis of trade and bills payables as at the reporting dates, based on invoice date, is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	166,744	147,663
91 to 120 days	2,686	1,682
Over 120 days	9,182	7,037
	<u>178,612</u>	<u>156,382</u>

Trade and bills payables are non-interest bearing and are normally settled within 90 to 180 days (2014: 90 to 180 days).

## 23. BANK AND OTHER BORROWINGS

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion		
– Secured bank loans due for repayment within one year ( <i>note i</i> )	78,639	60,967
– Asset-backed financing ( <i>note ii</i> )	20,493	–
– Unsecured bank loans due for repayment within one year	6,315	–
	105,447	60,967
	105,447	60,967

*Notes:*

- (i) These bank borrowings are secured by the Group's leasehold land and buildings in Hong Kong and the PRC (*note 14*) and guaranteed by the Company (2014: secured by pledged deposits of HK\$61,073,000).
- (ii) The asset-backed financing represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bills receivable (*note 19*).

As at 31 March 2015 and 31 March 2014, all bank and other borrowings are due for repayment within one year.

The interest-bearing bank and other borrowings are carried at amortised cost.

As at 31 March 2015, the bank and other borrowings included bank and other loans of approximately USD1,998,200 and RMB71,227,000 (2014: HK\$60,967,000).

Effective interest rate of the bank and other borrowings ranged from 1.73% to 19.20% (2014: from 1.71% to 2.20%) per annum for the year.

Up to the report date, bank and other borrowings of HK\$57,002,000 were repaid.

**24. FINANCE LEASE LIABILITIES**

The Group leased certain of its motor vehicle under finance lease. The lease term is 4 years (2014: Nil). Interest rates underlying all obligations under finance lease are fixed at respective contract dates at 2.35% (2014: Nil) per annum. No arrangements have been entered into for contingent rental payment.

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases:				
Within one year	107	–	93	–
In more than one year and not more than five years	277	–	262	–
	<u>384</u>	<u>–</u>	<u>355</u>	<u>–</u>
Less: future finance charges	(29)	–	N/A	N/A
Present value of lease obligations	<u>355</u>	<u>–</u>	355	
Less: Amount due for settlement within 12 months (shown under current liabilities)			(93)	–
Amount due for settlement after 12 months			<u>262</u>	<u>–</u>

The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Financial lease obligations are denominated in HKD.

**25. BANKING FACILITIES**

As at the reporting date, apart from the bank borrowings as stated in note 23 to the financial statement, the Group's other banking facilities including performance letter of guarantees, import/export loan, letter of credit, documentary credits and trust receipts are secured by (1) pledged deposits of HK\$2,934,000; (2) corporate guarantees provided by the Company (note 30); and (3) cross guarantees provided by subsidiaries in the Group (2014: other banking facilities including performance letter of guarantees, import/export loan, letter of credit, documentary credits and trust receipts are secured by (1) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying amount of HK\$11,400,000; (2) corporate guarantees provided by the Company (note 30); (3) cross guarantees provided by subsidiaries in the Group; and (4) pledged deposits of HK\$6,971,000).

The Group's banking facilities amounting to HK\$226,290,000 (2014: HK\$188,361,000), of which approximately HK\$105,620,000 (2014: HK\$20,579,000) had been utilised as at the reporting date.

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2015	2014
	HK\$'000	HK\$'000
Forward foreign exchange contracts ( <i>note (a)</i> )	–	(451)
Interest rate swaps ( <i>note (b)</i> )	–	460
	<u>–</u>	<u>9</u>
Presented as:		
Current assets	–	(451)
Current liabilities	–	460
	<u>–</u>	<u>9</u>

(a) The Group uses forward foreign exchange contracts to mitigate exchange rate exposure. The forward foreign exchange contracts are considered by management to be part of economic hedge arrangements but have not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value. The fair value of these contracts has been measured as described in note 33.

(b) The Group entered into interest rate swaps during the year to fix the interest rate of most of the Group's bank borrowings. The interest rate swaps will mature within one year. These interest rate swaps were stated at fair value. The fair value of these contracts has been measured as described in note 33.

## 27. DEFERRED TAX LIABILITIES

Movement in the Group's deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK\$'000	Revaluation of leasehold land and buildings HK\$'000	Total HK\$'000
At 1 April 2013	775	14,346	15,121
Deferred tax relating to revaluation of property, plant and equipment	–	2,258	2,258
Charge to profit or loss ( <i>note 10</i> )	<u>(459)</u>	<u>–</u>	<u>(459)</u>
At 31 March 2014 and 1 April 2014	316	16,604	16,920
Deferred tax relating to revaluation of property, plant and equipment			
– Current year	–	711	711
– Effect of changes in tax rate	–	(4,726)	(4,726)
Charge to profit or loss ( <i>note 10</i> )	<u>(24)</u>	<u>–</u>	<u>(24)</u>
<b>At 31 March 2015</b>	<u>292</u>	<u>12,589</u>	<u>12,881</u>



At 31 March 2015, the Group has tax losses of the subsidiaries operating in Hong Kong and Mainland China of approximately HK\$20,706,000 and HK\$29,348,000 (2014: HK\$20,576,000 and HK\$28,937,000) respectively.

Deferred tax asset in respect of unused tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. Tax losses of the subsidiaries operating in Mainland China can be carried forward for 5 years whereas those of the companies within the Group operating in Hong Kong will not expire under the current tax legislation.

At the reporting date, deferred tax liabilities amounted to approximately of HK\$5,979,000 (2014: HK\$5,258,000) in respect of aggregate amount of temporary differences associated with unremitted earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future. Such unremitted earnings for investments in subsidiaries amounted to HK\$59,790,000 at 31 March 2015 (2014: HK\$52,580,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 28. SHARE CAPITAL

	Group and Company	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
525,000,000 ordinary shares of HK\$0.10 each	52,500	52,500

## 29. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on pages 37 to 38 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

#### *Statutory reserve and enterprise expansion funds*

##### (i) Statutory reserve

In accordance with the relevant laws and regulations of the PRC and the articles of association of the Company, upon distributing the net profit of the Company each year, the Company is required to transfer 10% of its profit after tax, being prepared in accordance with the accounting regulations in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the Company's registered capital. Such reserve may be used to reduce any losses incurred by the Company or to be capitalised as paid-up capital of the Company.

## (ii) Enterprise expansion fund

Certain subsidiaries in the PRC are required to set up an enterprise expansion fund. Transfers to this fund are made at the discretion of the respective board of directors of the subsidiaries. This fund can only be utilised on capital items for the collective benefit of the subsidiaries employees. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

## (b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	87,728	115,468	1,939	5,250	210,385
Dividend paid (note 12(b))	–	–	–	(5,250)	(5,250)
Total comprehensive income for the year	–	–	(13)	–	(13)
At 31 March 2014 and 1 April 2014	87,728	115,468	1,926	–	205,122
Total comprehensive income for the year	–	–	(10)	–	(10)
At 31 March 2015	<u>87,728</u>	<u>115,468</u>	<u>1,916</u>	<u>–</u>	<u>205,112</u>

The Company's contributed surplus represents the excess of the then combined net asset value of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

## 30. FINANCIAL GUARANTEE CONTRACTS – COMPANY

The Company executed guarantees amounting to approximately HK\$100,000,000 (2014: HK\$100,000,000) with respect to the bank facilities granted to certain subsidiaries of the Group. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the reporting date, no provision for the Company's obligation under the guarantee contract has been made as the directors consider that it is not probable that the repayment of the loan would be in default.

**31. COMMITMENTS**

At the reporting date, the Group had the following outstanding commitments:

**(a) Operating lease commitments – as lessee**

The Group leases certain of its office premises under operating lease arrangements. Leases for these assets are negotiated for the terms ranging between one and three years.

At 31 March 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,313	1,604
In the second to fifth years, inclusive	92	384
	<u>1,405</u>	<u>1,988</u>

**(b) Capital commitments**

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not accounted for in respect of acquisition of property, plant and equipment	100	169

At the reporting date, the Company does not have any significant commitments (2014: Nil).

**32. RELATED PARTY TRANSACTIONS****Compensation of key management personnel of the Group**

The remuneration of the directors and other members of key management during the year were as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	10,219	10,757
Post-employment benefits	148	125
	<u>10,367</u>	<u>10,882</u>

The remuneration of the 5 (2014: 6) members of senior management (excluding directors) were within the emolument band of nil to HK\$1,000,000 for each of the years ended 31 March 2015 and 2014.

Further details of directors' emoluments are included in note 9 to the financial statements.

## 33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	Group		Company	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets				
– Unlisted investments	–	1,262	–	–
Financial assets at fair value through profit or loss – held for trading				
– Derivatives	–	451	–	–
Loans and receivables:				
– Trade and bills receivables	373,628	266,671	–	–
– Other receivables	12,090	7,324	–	–
– Due from subsidiaries	–	–	145,758	143,874
– Pledged deposits	2,934	68,044	–	–
– Cash and bank balances	51,700	88,525	139	873
	<u>440,352</u>	<u>432,277</u>	<u>145,897</u>	<u>144,747</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss – held for trading				
– Derivatives	–	460	–	–
Financial liabilities measured at amortised cost:				
– Trade and bills payables	178,612	156,382	–	–
– Finance lease liabilities	355	–	–	–
– Other payables and accruals	62,222	73,789	1,220	1,200
– Due to a subsidiary	–	–	3,063	1,949
– Bank and other borrowings	105,447	60,967	–	–
	<u>346,636</u>	<u>291,598</u>	<u>4,283</u>	<u>3,149</u>

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group			Total <i>HK\$'000</i>
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	
<b>At 31 March 2014</b>				
<b>Assets/(Liabilities)</b>				
Forward foreign exchange contracts	–	451	–	451
Interest rate swaps	–	(460)	–	(460)
Net fair values	–	(9)	–	(9)

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. As the derivatives entered into by the Group are not traded on active markets, the fair values of such contracts are estimated using a valuation technique that maximise the use of observable market inputs e.g. market currency and interest rates (Level 2). All derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts and interest rate swaps.

There are no financial assets or liabilities carried at fair value as at 31 March 2015.

#### 34. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates, and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategy regarding its risk management.

The Group's principal financial instruments comprise cash and bank balances, pledged deposits, trade and bills receivables, other receivables, trade and bills payables, other payables and accruals, bank and other borrowings, finance lease liabilities and derivative financial instruments. The most significant financial risks to which the Group is exposed are described below.

##### Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for the deposits held in banks and certain bank and other borrowings. Cash at bank earn interest at floating rates based on the daily bank deposits rate during the year. For bank and other borrowings with floating interest rates, the Group uses interest rate swaps to hedge their exposure to interest rate risk. Therefore, any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profit after tax and retained profits. Changes in interest rates have no material impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

The directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

**Foreign currency risk**

The Group is exposed to foreign currency risk primarily through sales that are denominated in currencies other than the functional currency of the operations to which they related. The currencies giving rise to this risk are US\$, JPY and RMB. The Group reviews its foreign currency exposures on a regular basis and does not consider its foreign exchange risk to be significant.

A reasonably possible change in foreign currency exchange rates in the next twelve months is assessed, which could have immaterial change in the Group's profit after tax and retained profits. Changes in foreign currency exchange rates have no material impact on the Group's other components of equity.

The directors are of the opinion that the Group's sensitivity to the change in foreign currency exchange rates is low.

The Company is not exposed to any foreign currency risk.

**Credit risk**

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The Group's credit risk is primarily attributable to trade and bills receivables, other receivables, pledged deposits and cash and bank balances. Management has a credit policy and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade and bills receivables and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's bank balances are all deposits with State-owned banks in Mainland China and major banks in Hong Kong.

The Company's credit risk is primarily attributable to amount due from subsidiaries and cash and bank balances.

**Fair values**

The fair values of the Group's and the Company's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

**Liquidity risk**

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

	<b>On demand HK\$ '000</b>	<b>Less than 3 months HK\$ '000</b>	<b>Group 3 to less than 6 months HK\$ '000</b>	<b>6 to less than 12 months HK\$ '000</b>	<b>1 year to Less than 5 years HK\$ '000</b>
<b>At 31 March 2015</b>					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	–	9,182	2,686	166,744	–
Other payables and accruals	–	62,222	–	–	–
Bank and other borrowings	–	64,576	12,532	50,429	–
Finance lease liabilities	–	27	27	54	276
	<u>–</u>	<u>136,007</u>	<u>15,245</u>	<u>217,227</u>	<u>276</u>
	<u>–</u>	<u>136,007</u>	<u>15,245</u>	<u>217,227</u>	<u>276</u>
<b>At 31 March 2014</b>					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	–	7,037	1,682	147,663	–
Other payables and accruals	–	73,789	–	–	–
Bank borrowings	–	–	–	61,898	–
	<u>–</u>	<u>80,826</u>	<u>1,682</u>	<u>209,561</u>	<u>–</u>
	<u>–</u>	<u>80,826</u>	<u>1,682</u>	<u>209,561</u>	<u>–</u>
<b>Derivative financial liabilities</b>					
Gross settled forward foreign exchange contracts and interest rate swap – cash outflow	–	–	–	460	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>460</u>	<u>–</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>460</u>	<u>–</u>

	Company			
	On demand <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 to less than 6 months <i>HK\$'000</i>	6 to less than 12 months <i>HK\$'000</i>
<b>At 31 March 2015</b>				
Other payables and accruals	–	1,220	–	–
Due to a subsidiary	3,063	–	–	–
	<u>3,063</u>	<u>1,220</u>	<u>–</u>	<u>–</u>
Financial guarantees issued				
Maximum amount guaranteed	<u>–</u>	<u>100,000</u>	<u>–</u>	<u>–</u>
<b>At 31 March 2014</b>				
Other payables and accruals	–	1,200	–	–
Due to a subsidiary	1,949	–	–	–
	<u>1,949</u>	<u>1,200</u>	<u>–</u>	<u>–</u>
Financial guarantees issued				
Maximum amount guaranteed	<u>–</u>	<u>100,000</u>	<u>–</u>	<u>–</u>

### 35. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (b) to support the Group's stability and growth; and
- (c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 March 2015 and 2014 amounted to approximately HK\$343,052,000 and HK\$331,905,000 respectively which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

There is no change in the Group's capital management policies and objectives during the year.



## 3. UNAUDITED INTERIM FINANCIAL INFORMATION

The following is the full text of the unaudited interim financial statements of the Group for the six months ended 30 September 2015 as extracted from the interim report of the Company for the six months ended 30 September 2015. No exceptional items were recorded in the unaudited interim financial statements of the Group for the six months ended 30 September 2015.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	<b>2014</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	4,5	446,214	481,706
Cost of sales		<u>(385,510)</u>	<u>(414,167)</u>
Gross profit		60,704	67,539
Other income and gains	4	9,862	12,088
Selling and distribution expenses		(32,879)	(35,486)
General and administrative expenses		(28,624)	(28,810)
Other expenses		–	(3,746)
Finance costs	6	<u>(3,325)</u>	<u>(1,476)</u>
<b>Profit before income tax</b>	7	5,738	10,109
Income tax expense	8	<u>(102)</u>	<u>(1,126)</u>
<b>Profit for the Period attributable to owners of the Company</b>		<u>5,636</u>	<u>8,983</u>
<b>Other comprehensive income, including reclassification adjustments and net of tax</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(12,266)</u>	<u>(156)</u>
<b>Total comprehensive income for the Period attributable to owners of the Company</b>		<u>(6,630)</u>	<u>8,827</u>
Earnings per share for profit attributable to owners of the Company	<i>10</i>		
– Basic		<u>1.07 cents</u>	<u>1.71 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>As at 30 September 2015 (Unaudited) HK\$'000</b>	<b>As at 31 March 2015 (Audited) HK\$'000</b>
<i>Notes</i>		
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	161,271	167,349
Prepaid land lease payments	8,917	11,181
	<u>170,188</u>	<u>178,530</u>
<b>Current assets</b>		
Inventories	139,565	166,263
Trade and bills receivables	387,544	373,628
Prepayments, deposits and other receivables	45,750	47,533
Tax reserve certificates	3,600	3,600
Taxes recoverable	191	191
Pledged deposits	16,911	2,934
Cash and bank balances	91,949	51,700
	<u>685,510</u>	<u>645,849</u>
<b>Current liabilities</b>		
Trade and bills payables	249,802	178,612
Other payables and accruals	137,664	150,769
Bank borrowings	85,281	105,447
Finance lease liabilities	–	93
Taxes payable	33,340	33,263
	<u>506,087</u>	<u>468,184</u>
<b>Net current assets</b>	<u>179,423</u>	<u>177,665</u>
<b>Total assets less current liabilities</b>	349,611	356,195
<b>Non-current liabilities</b>		
Finance lease liabilities	307	262
Deferred tax liabilities	12,881	12,881
	<u>13,188</u>	<u>13,143</u>
<b>Net assets</b>	<u>336,423</u>	<u>343,052</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	52,500	52,500
Reserves	283,923	290,552
<b>Total equity</b>	<u>336,423</u>	<u>343,052</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2015

	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Exchange reserve	Statutory reserve and enterprise expansion funds	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2014 (Audited)	52,500	87,728	4,800	56,950	24,452	9,450	96,025	331,905
Profit for the Period	-	-	-	-	-	-	8,983	8,983
Other comprehensive income								
Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(156)	-	-	(156)
Total comprehensive income for the Period	-	-	-	-	(156)	-	8,983	8,827
Balance at 30 September 2014 (Unaudited)	<u>52,500</u>	<u>87,728</u>	<u>4,800</u>	<u>56,950</u>	<u>24,296</u>	<u>9,450</u>	<u>105,008</u>	<u>340,732</u>
Balance at 1 April 2015 (Audited)	52,500	87,728	4,800	65,456	24,558	9,945	98,065	343,052
Profit for the Period							5,636	5,636
Other comprehensive income								0
Exchange loss on translation of financial statements of foreign operations					(12,266)			(12,266)
Total comprehensive income for the period	0	0	0	0	(12,266)	0	5,636	(6,630)
Balance at 30 September 2015 (Unaudited)	<u>52,500</u>	<u>87,728</u>	<u>4,800</u>	<u>65,456</u>	<u>12,292</u>	<u>9,945</u>	<u>103,701</u>	<u>336,422</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2015*

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	71,457	(63,276)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(12,984)	(6,441)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>(20,212)</u>	<u>30,057</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	38,261	(39,660)
Cash and cash equivalents at 1 April	51,700	88,525
Effect of foreign exchange rate changes on cash and cash equivalents	<u>1,988</u>	<u>(55)</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u><u>91,949</u></u>	<u><u>48,810</u></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Sun East Technology (Holdings) Limited (the “Company”) is a limited liability company incorporated and domiciled in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is located at Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

**2. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2015 have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for leasehold land and buildings, which are stated at fair value.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which comprises all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2015.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Company’s financial year beginning on 1 April 2015, the accounting policies applied in preparing this Interim Financial Information are consistent with those of the annual financial statements for the year ended 31 March 2015, as described in the annual financial statements. The application of these new and revised HKFRSs has had no material impact on the Interim Financial Information of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the Interim Financial Information of the Group.

The preparation of Interim Financial Information requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 March 2015.

## 4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 September	
	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Revenue – sale of goods	446,214	481,706
Other income:		
Bank interest income	152	1,621
Recovery of trade receivables previously written off	–	252
Government grant	10,067	7,004
Others	1,962	1,893
	12,181	10,770
Gain		
Exchange gains, net	(2,319)	1,318
	<u>9,862</u>	<u>12,088</u>

## 5. SEGMENT INFORMATION

	Production lines and production equipment Six months ended 30 September (Unaudited)		Brand name production equipment Six months ended 30 September (Unaudited)		Six months ended 30 September (Unaudited)	
	2015	2014	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	264,832	232,655	181,382	249,051	446,214	481,706
Other revenue – external	3,947	1,605	5,763	8,862	9,710	10,467
Reportable segment revenue	<u>268,779</u>	<u>234,260</u>	<u>187,145</u>	<u>257,913</u>	<u>455,924</u>	<u>492,173</u>
Reportable segment results	<u>3,622</u>	<u>2,867</u>	<u>5,289</u>	<u>7,097</u>	<u>8,911</u>	<u>9,964</u>
Depreciation and amortisation	5,347	5,165	–	–	5,347	5,165
Provision for impairment of trade and bills receivables	–	3,746	–	–	–	3,746
Write-off of property, plant and equipment	–	300	–	–	–	300

The totals presented for the Group's segment Result reconcile to the Group's key financial figures as presented in the condensed interim financial statements as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment Results	8,911	9,964
Interest and other income	152	1,621
Finance costs	<u>(3,325)</u>	<u>(1,476)</u>
Profit before income tax	<u>5,738</u>	<u>10,109</u>
<b>6. FINANCE COSTS</b>		
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	<u>3,325</u>	<u>1,476</u>
<b>7. PROFIT BEFORE INCOME TAX</b>		
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax has been arrived at after charging/(credit):		
Cost of inventories sold	385,510	414,167
Depreciation	5,201	5,034
Staff costs (including directors' remunerations)		
– wages and salaries	59,596	68,954
– defined contribution scheme	5,469	4,847
Amortisation of prepaid land lease payments	146	134
Research and development costs	2,993	3,378
Gain/loss on disposal of property, plant and equipment	(42)	22
Minimum lease payments under operation lease in respect of leasehold land and buildings	1,436	1,248
Provision for impairment of trade and bills receivables	–	3,746
Write-off of property, plant and equipment	<u>–</u>	<u>300</u>

**8. INCOME TAX EXPENSE**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	–
Elsewhere	102	1,126
	<u>102</u>	<u>1,126</u>
Total income tax expense	<u>102</u>	<u>1,126</u>

No Hong Kong profits tax was provided as the Group did not generate any assessable profits arising from its operation in Hong Kong during the Period (2014: Nil). Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

**9. INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the Period (2014: Nil).

**10. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the Period of approximately HK\$5,636,000 (2014: HK\$8,983,000) attributable to owners of the Company and 525,000,000 (2014: 525,000,000) ordinary shares in issue during the Period. Diluted earnings per share has not been presented as there were no potential ordinary shares in issue during the Period.

**11. TRADE AND BILLS RECEIVABLES**

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The normal credit period granted by the Group to its customers ranges from 30 to 180 days.

Ageing analysis of the trade and bills receivables as at the reporting dates, based on the date of revenue recognition and net of provision, is as follows:

	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2015</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	295,376	148,552
91 to 120 days	8,509	33,903
121 to 180 days	22,463	34,988
181 to 360 days	42,336	73,439
Over 360 days	18,860	82,746
	<u>387,544</u>	<u>373,628</u>



**12. TRADE AND BILLS PAYABLES**

Ageing analysis of the trade and bills payables as at the reporting dates, based on invoice date, is as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within 90 days	232,762	166,744
91 to 120 days	3,667	2,686
Over 120 days	13,373	9,182
	<u>249,802</u>	<u>178,612</u>

**13. SHARE CAPITAL**

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 525,000,000 (31 March 2015: 525,000,000) ordinary shares of HK\$0.10 each	<u>52,500</u>	<u>52,500</u>

**14. COMMITMENTS**

At the reporting date, the Group had the following outstanding commitments:

***Operating lease commitments – as lessee***

The Group had total future minimum lease payment under non cancellable operating lease falling due as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Within one year	1,777	1,313
In the second to fifth years, inclusive	<u>67</u>	<u>92</u>
	<u>1,844</u>	<u>1,405</u>

*Capital Commitments*

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	<u>3</u>	<u>100</u>

**15. CONTINGENT LIABILITIES**

There were no material contingent liabilities as at 30 September 2015 and 31 March 2015.

**4. INDEBTEDNESS****Borrowings**

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, apart from intra-group liabilities, the Group had outstanding bank borrowings and loans from financial institutions of approximately HK\$150 million which were secured by (i) the mortgage over the Group's property located at Unit A4 on 1st Floor of Block 4, Nos 436-446 Kwung Tong Industrial Centre, Kowloon, Hong Kong; and (ii) the pledges of the Group's certain leasehold land, buildings, production plants and equipment located in Shenzhen, the PRC. As at the close of business on 31 March 2016, the outstanding bank borrowings are due for repayment within one year.

Subsequent to 31 March 2016, on 16 May 2016, the Company entered into a supplementary short-term liquidity facility with one of its existing principal banks and utilized RMB20 million. The outstanding amount of RMB20 million is due for repayment in May 2017.

**Contingent liability**

Save as otherwise disclosed in the section headed "Appendix IV – General information relating to the Company – 6. Material Litigation" of this Composite Document, as at the close of business on 31 March 2016, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Group did not have any contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities, as at the close of business on 31 March 2016, the Group did not have, at the close of business on 31 March 2016, any outstanding borrowings, mortgages, charges, debentures, loan capital or overdraft, debt securities or other similar indebtedness, guarantees or other material contingent liabilities.

**5. MATERIAL CHANGE**

Save and except for:

- i) the unaudited results of the Group for the six months ended 30 September 2015 as disclosed in the Company's interim report dated on 15 December 2015; and
- ii) completion of the subscription of new shares and convertible bonds of the Company as disclosed in the joint announcement jointly issued by Unis Technology Strategy Investment Limited and the Company dated on 30 May 2016,

as at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

**1.    RESPONSIBILITY STATEMENTS OF THE OFFEROR AND TSINGHUA GROUP**

The directors of the Offeror, namely Mr. Zhao Weiguo and Mr. Zhang Yadong, jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, Reach General and Chen Ping), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group, Reach General and Chen Ping) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

The directors of Tsinghua Unigroup, namely Mr. Zhao Weiguo, Mr. Li Yanhe, Mr. Li Zhongxiang, Mr. Zhao Yanlai, Mr. Li Yi, Mr. Zhang Yadong and Mr. Cao Yuangang, jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, Reach General and Chen Ping), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group, Reach General and Chen Ping) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

**2.    RESPONSIBILITY STATEMENT OF REACH GENERAL AND CHEN PING**

The sole director of Reach General, namely Mr. Wu Xin, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Offeror and Chen Ping), and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinion expressed by the Group, the Offeror and Chen Ping) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

Chen Ping accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Offeror and Reach General), and confirm, having made all reasonable inquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Group, the Offeror and Reach General) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

**3. MARKET PRICES**

The table below shows the closing prices per Share on the Stock Exchange on (i) the last Trading Day of each of the calendar months during the Relevant Period; (ii) the last full Trading Day immediately preceding the date of the initial announcement of the Company regarding a possible change in control of the Company; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

<b>Date</b>	<b>Closing price HK\$</b>
30 June 2015	0.94
31 July 2015	0.65
31 August 2015	0.455
30 September 2015	0.73
30 October 2015	1.09
30 November 2015	1.00
9 December 2015 (the last full Trading Day immediately preceding the date of the initial announcement of the Company regarding a possible change in control of the Company)	0.89
31 December 2015	1.40
29 January 2016	1.24
4 February 2016 (Last Trading Day)	1.47
29 February 2016	1.63
31 March 2016	1.65
29 April 2016	1.71
30 May 2016 (Latest Practicable Date)	1.63

During the Relevant Period:

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

**4. INTERESTS IN THE SECURITIES OF THE COMPANY**

- (a) 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.

- (b) As at the Latest Practicable Date:
- (i) save for the UNISTECH Subscription Shares and the Convertible Bonds, none of the Offeror nor any director of the Offeror was interested in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
  - (ii) save for the UNISTECH Subscription Shares and the Convertible Bonds, none of the parties acting in concert with the Offeror owned or controlled any Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into Shares;
  - (iii) Save as disclosed in the paragraphs headed “Irrevocable Undertakings in relation to the Offer” in the “Letter from Quam Capital” in this Composite Document, no other person had irrevocably committed in favour of the Offeror to accept or reject the Offer. The shareholdings in the Company owned or controlled by the Shareholders who have irrevocably committed in favour of the Offeror are set out in the paragraphs headed “Irrevocable Undertakings in relation to the Offer” in the “Letter from Quam Capital” in this Composite Document; and
  - (iv) As at the Latest Practicable Date, the Offeror and parties acting in concert with it had not borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

## **5. DEALINGS**

During the Relevant Period:

- (i) Save for the UNISTECH Subscription Shares and the Convertible Bonds, none of the Offeror and parties acting in concert with it and their respective directors had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (ii) No person who had irrevocably committed in favour of the Offeror to accept or reject the Offer as disclosed in the paragraphs headed “Irrevocable Undertakings in relation to the Offer” in the “Letter from Quam Capital” in this Composite Document had dealt for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.
- (iii) No person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with the it had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

**6. OTHER ARRANGEMENTS IN RELATION TO THE OFFER**

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, save as provided in the Irrevocable Undertakings disclosed in the paragraph headed “Irrevocable Undertakings in relation to the Offer” and the appointment and resignation of certain executive Directors disclosed in the paragraph headed “Proposed Change of Board composition and chief executive officer of the Company” in the “Letter from Quam Capital” in this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders of the Company on the other hand, having any connection with or dependence upon the Offer.
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.
- (d) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had been entered into between the Offeror or any party acting in concert with it and any other persons.
- (e) As at the Latest Practicable Date, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuant of the Offer would be transferred changed or pledged to any other persons.

**7. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following are the qualifications of Quam Capital and Quam Securities who have given opinions or advice which are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Quam Capital	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror in respect of the Offer
Quam Securities	a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

Each of Quam Capital and Quam Securities has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name, in the form and context in which they respectively appear.

**8.    GENERAL**

- (a) The registered office of the Offeror is situated at 11th Floor, Central Tower, 28 Queen's Road Central, Central, Hong Kong. The correspondence address of the Offeror is 6th Floor, Unis Plaza, Tsinghua Science Park, Haidian District, Beijing, 100084, PRC.
- (b) The ultimate beneficial shareholder of the Offeror is Tsinghua Unigroup. Tsinghua Unigroup is a company established under the laws of the PRC and which is owned as to 51% by Tsinghua Holdings and as to 49% by Beijing Jiankun.
- (c) Tsinghua Holdings is a company established under the laws of the PRC and a wholly-owned subsidiary of Tsinghua University (清華大學) which is a tertiary education institution directly under the Ministry of Education of the People's Republic of China (中華人民共和國教育部直屬高等學校). Beijing Jiankun is a company established under the laws of the PRC and which is owned as to 70% by Mr. Zhao Weiguo, 15% by Mr. Li Yi and 15% by Ms. Li Luyuan.
- (d) The principal place of business of each of Quam Capital and Quam Securities is 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong.
- (e) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts in the case of inconsistency.



**1.    RESPONSIBILITY STATEMENTS**

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it, Reach General and Chen Ping), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it, Reach General and Chen Ping) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement in this Composite Document misleading.

**2.    SHARE CAPITAL**

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<b>Nominal value HK\$</b>
<i>Authorised:</i>	
<u>2,000,000,000</u> Shares	<u>200,000,000</u>
<i>Issued:</i>	
<u>1,455,000,000</u> Shares	<u>145,500,000</u>

As at the Latest Practicable Date, the Company had 1,455,000,000 Shares in issue.

Save for the Subscription Shares, the Company has not issued any Shares since 31 March 2015, the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including as regards to capital, dividends and voting rights.

Save for the 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 (subject to adjustments), the Company did not have any outstanding options, warrants, or derivatives or convertible securities or rights affecting the Shares as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Directors	Number of Shares	Nature of interest	Percentage of total issued share capital of the Company (%)
Mr. But	39,525,200	Beneficial owner	2.72
	3,796,000	Interest of controlled corporation ( <i>Note 1</i> )	0.26
	2,424,800	Interest of controlled corporation ( <i>Note 1</i> )	0.17
	<u>45,746,000</u>		<u>3.14</u>
Mr. But Tin Hing	1,050,000	Beneficial owner	0.07
	220,605,840	Interest of controlled corporation ( <i>Note 2</i> )	15.16
	<u>221,655,840</u>		<u>15.23</u>
Mr. Leung Cheong	2,252,280	Beneficial owner	0.15
Mr. Leung Kuen, Ivan	4,536,520	Beneficial owner	0.31

*Note:*

1. Mr. But is the beneficial owner of 50% of the issued shares in Sun East Group Limited and 100% of the issued shares in Sum Win Management Corp. and therefore Mr. But is deemed, or taken to be interested in the 3,796,000 Shares held by Sun East Group Limited and 2,424,800 Shares held by Sum Win Management Corp. for the purposes of the SFO.

2. Mr. But Tin Hing is the beneficial owner of 50% of the issued shares in Mind Seekers and therefore Mr. But Tin Hing is deemed, or taken to be interested in the 220,605,840 Shares held by Mind Seekers for the purposes of the SFO. 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company and shares, underlying shares and debentures of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

#### **4. INTERESTS IN THE OFFEROR**

As at the Latest Practicable Date, neither the Company nor any of the Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

#### **5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY**

As at the Latest Practicable Date,

- (a) no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders), and no such person had dealt in the Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company during the Relevant Period;
- (b) no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt in the Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company during the Relevant Period;
- (c) save for the Subscription Agreements, the Irrevocable Undertakings and the Lock-up Undertakings, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any person who is an associate of the Company by

virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and any other person. The shareholdings of the Offeror, Reach General, Chen Ping, Mr. But, Mr. But Tin Hing, Mr. Leung Cheong and Mr. Leung Kuen, Ivan as at the Latest Practicable Date are set out in the paragraphs headed “Information of the Group – Shareholding Structure of the Company” in the section headed “Letter from the Board” in this Composite Document. Other than the aforesaid interests, no Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and no such person had dealt in the Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company during the Relevant Period;

- (d) neither the Company nor any of the Directors had borrowed or lent any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Company; and
- (e) save as disclosed in the paragraphs headed “Irrevocable Undertakings in relation to the Offer” in the section headed “Letter from Quam Capital” in this Composite Document, no other Director had irrevocably committed in favour of the Offeror to accept or reject the Offer. The shareholdings in the Company owned or controlled by the Shareholders who have irrevocably committed in favour of the Offeror are set out in the paragraphs headed “Irrevocable Undertakings in relation to the Offer” in the section headed “Letter from Quam Capital” in this Composite Document.

## **6. MATERIAL LITIGATION**

Save as disclosed below, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

On 29 January 2013, Sun East Electrical Development (Shenzhen) Co., Ltd.\* (日東電子發展(深圳)有限公司) (“Sun East Electrical”) entered into an agreement (the “Original Agreement”) with Wuhan Jinniu Economic Development Co., Ltd.\* (武漢金牛經濟發展有限公司) (“Wuhan Jinniu”) in relation to the supply, delivery and installation of automated systems. On 10 December 2013, Sun East Electrical, Wuhan Jinniu and Hubei Jinniu Management Co., Ltd.\* (湖北金牛管業有限責任公司) (“Hubei Jinniu”) entered into a tripartite agreement (the “Tripartite Agreement”), pursuant to which the rights and obligations of Wuhan Jinniu under the Original Agreement were assigned to Hubei Jinniu.

On 9 August 2015, the Company received legal claims filed by Hubei Jinniu against the Company as the defendant in relation to the failure of delivery of the automated system pursuant to the Tripartite Agreement claiming for (i) the refund of RMB7,291,050 paid by

---

**APPENDIX IV            GENERAL INFORMATION RELATING TO THE COMPANY**

---

Hubei Jinniu pursuant to the Tripartite Agreement; (ii) the penalty of RMB1,121,700 pursuant to the Tripartite Agreement; and (iii) the costs of the proceedings. On 12 August 2015, The People's Court of Echeng District of Ezhou City ((2015) EECFMCZ No. 01689-1) granted an order to freeze the cash deposit of the Company in an amount of RMB8,500,000 and to accept the production facilities of Hubei Jinniu in the equivalent value of RMB8,500,000 as the guaranteed property for the aforementioned legal proceedings. The case is still in progress.

**7. MATERIAL CONTRACTS**

Save as disclosed below, the Group did not enter into any material contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date:

- (a) the UNISTECH Subscription Agreement;
- (b) the RG Subscription Agreement;
- (c) the Chen Subscription Agreement; and
- (d) the CB Instrument.

**8. ARRANGEMENTS AFFECTING DIRECTORS**

As at the Latest Practicable Date,

- (a) no benefit (other than statutory compensation, if applicable) was or will be given to any of the Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) save as the appointment and resignation of certain executive Directors disclosed in the paragraph headed "Proposed Change of Board Composition and Chief Executive Officer of the Company" in the section headed "Letter from Quam Capital" in this Composite Document, there was no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

**9. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which:

- (a) (including both continuous and fixed term contracts) have been entered into or amended within 6 months prior to 10 December 2015, being the date of commencement of the Offer Period;
- (b) are continuous contracts with a notice period of 12 months or more; or
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

**10. QUALIFICATION AND CONSENT OF AN EXPERT**

The following are the qualifications of VMS Securities Limited who have given opinions or advice which are contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualification</b>
VMS Securities Limited	a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

VMS Securities Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name, in the form and context in which they respectively appear.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit H, 1st Floor, Phase 4, Kwun Tong Industrial Centre, Nos. 436-446 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Company ([www.suneasthk.com](http://www.suneasthk.com)) from the date of this Composite Document onwards for so long as the Offer remains open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the articles of association of the Offeror;
- (c) the annual reports of the Company for each of the two financial years ended 31 March 2014 and 2015 and the interim report of the Company for the six months ended 30 September 2015;
- (d) the letter from Quam Capital, the text of which is set out in this Composite Document;
- (e) the letter from the Board, the text of which is set out in this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (h) the written consents referred to in the paragraph headed “Qualification and Consents of Experts” in Appendix III and the paragraph headed “Qualification and Consent of an Expert” in Appendix IV;
- (i) the material contracts referred to in the paragraph headed “Material Contracts” in Appendix IV; and
- (j) the Irrevocable Undertakings.