
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in PINE Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, 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).

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

PINE 
PINE TECHNOLOGY HOLDINGS LIMITED
松景科技控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 1079)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE
OF 15% EQUITY INTERESTS IN PINE TECHNOLOGY (BVI) LIMITED;
AND
(II) NOTICE OF SGM**

Financial adviser to PINE Technology Holdings Limited

VEDA | CAPITAL
智略資本

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

 **红日资本有限公司**
RED SUN CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the content requires otherwise.

A letter from the Board is set out on pages 8 to 28 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 29 to 30 of this circular. A letter from Red Sun Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Disposal Agreement and the respective transactions contemplated thereunder is set out on pages 31 to 63 of this circular.

A notice convening the SGM to be held at Unit 4608, 46/F., The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 29 May 2017 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such case, the form of proxy shall be deemed to be revoked.

CONTENTS

		<i>Pages</i>
Definitions	.....	1
Letter from the Board	.....	8
Letter from the Independent Board Committee	.....	29
Letter from the Independent Financial Adviser	.....	31
Appendix I	— Letters from the reporting accountant and the financial adviser of the Company on the profit forecast of Pine Technology BVI Group	I-1
Appendix II	— General Information	II-1
Notice of SGM	.....	SGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Alliance Express” or “First Vendor”	Alliance Express Group Limited, a company incorporated in BVI with limited liability, which is wholly and beneficially owned by the Second Vendor and directly held 196,500,000 Shares as at the date of the Sale and Purchase Agreement
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday and Sunday and public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. to 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“CCBI”	CCB International Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Offeror in respect of the Offers
“Company”	PINE Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board (Stock Code: 1079)
“Company’s Loan”	the sum of approximately US\$39.64 million (equivalent to approximately HK\$307.59 million) indebted by the Pine Technology BVI Group to the Company as at the Latest Practicable Date

DEFINITIONS

“Composite Document”	the formal composite document proposed to be jointly issued by or for and on behalf of the Offeror and the Company in connection with the Offers in accordance with the Takeovers Code containing, amongst other things, detailed terms of the Offers
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of 15% of the issued share capital of Pine Technology BVI by the Company to Simply Perfect pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 22 March 2017 entered into between the Company and Simply Perfect simultaneously with the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and Simply Perfect agreed to purchase 15% of the issued share capital of Pine Technology BVI on and subject to the terms and conditions contained therein
“Disposal Completion”	the completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement
“Disposal Completion Date”	the date of completion of the Disposal Agreement
“Disposal Conditions”	the conditions to the Disposal Completion, as set out in the subsection headed “Disposal Conditions” under the section headed “2. The Disposal Agreement” in this circular
“Disposal Shares”	1,500 issued shares of Pine Technology BVI, representing 15% of the issued share capital of Pine Technology BVI
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest or deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same

DEFINITIONS

“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fifth Vendor”	Ms. Chiu Man Wah, who directly held 67,944,591 Shares as at the date of the Sale and Purchase Agreement
“Fourth Vendor”	Mr. Chiu Herbert Hang Tat, who directly held 66,051,465 Shares as at the date of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantor” or “Mr. Zhang”	Mr. Zhang Sanhuo (張三貨先生), being the sole beneficial owner of the Offeror
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising three independent non-executive Directors, namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming, which has been established to advise the Independent Shareholders on the Disposal and the Offers (if they are made)
“Independent Financial Adviser” or “Red Sun Capital”	Red Sun Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Offers (if they are made)
“Independent Shareholder(s)”	Shareholders other than (i) the Shares Vendors, Simply Perfect, their respective associates and parties acting or presumed to be acting in concert with any of them; (ii) the Offeror, the Guarantor, their respective associates and parties acting in concert with any of them; and (iii) those Shareholders who are involved or interested in the Disposal Agreement and/or the Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Joint Announcement”	the joint announcement issued by the Company and the Offeror dated 24 March 2017 in relation to, among other things, the Sale and Purchase Agreement, the Offers and the Disposal Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	5 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the loan agreements dated 15 February 2017 and entered into between Pine Technology Macao as borrower and Mr. Chiu Hang Tai as lender in relation to the provision of unsecured term loan facilities in the aggregate principal amount of HK\$32 million
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Sage Global Holdings Limited, a company incorporated in BVI with limited liability, which is wholly owned by the Guarantor
“Offers”	collectively, the Share Offer and the Option Offer
“Option Offer”	the possible mandatory unconditional cash offer to be made by CCBI for and on behalf of the Offeror to cancel the outstanding Share Options on the terms and conditions set out in the Composite Document and in compliance with the Takeovers Code
“Pine Technology BVI”	Pine Technology (BVI) Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company prior to the Disposal Completion

DEFINITIONS

“Pine Technology BVI Group”	Pine Technology BVI and its subsidiaries
“Pine Technology Macao”	Pine Technology (Macao Commercial Offshore) Limited, which is a wholly-owned subsidiary of Pine Technology BVI
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 March 2017 and entered into amongst the Shares Vendors, the Offeror and the Guarantor in relation to the sale and purchase of the Sale Shares
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Sale and Purchase Completion Date”	the fifth Business Day after the day on which the last of the Sale and Purchase Conditions is fulfilled or waived (as the case may be) or such other date as the Offeror, the Guarantor and the Shares Vendors may agree in writing
“Sale and Purchase Conditions”	the conditions precedent to Sale and Purchase Completion which are summarized under the subsection headed “Sale and Purchase Conditions” under the section headed “1. Sale and Purchase Agreement” in the Joint Announcement
“Sale Shares”	a total of 539,964,042 Shares agreed to be acquired by the Offeror from the Shares Vendors pursuant to the terms of the Sale and Purchase Agreement, representing approximately 58.59% of the existing issued share capital of the Company as at the Latest Practicable Date
“Second Vendor”	Mr. Chiu Hang Tai, who directly held 19,902,465 Shares as at the date of the Sale and Purchase Agreement
“Second Vendor’s Loan”	the loan in the aggregate principal amount of HK\$32 million (equivalent to approximately US\$4.12 million) provided by the Second Vendor to Pine Technology BVI Group pursuant to the Loan Agreements as at the Latest Practicable Date

DEFINITIONS

“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened to seek the approval of the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Share Offer”	the possible mandatory unconditional cash offer to be made by CCBI for and on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in the Composite Document and in compliance with the Takeovers Code
“Share Option(s)”	the outstanding share option(s) granted by the Company under its share option scheme adopted on 16 April 2003 or the share option scheme adopted by the Company on 22 November 2013 (as the case may be)
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into at the Disposal Completion amongst the Company, Simply Perfect and Pine Technology BVI pursuant to the Disposal Agreement
“Shares Vendors”	collectively the First Vendor, the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor
“Simply Perfect”	Simply Perfect Group Limited, a company incorporated in BVI with limited liability which is owned as to 41% by the Second Vendor (an executive Director), 33% by the Third Vendor (an executive Director), 13% by the Fourth Vendor (a non-executive Director) and 13% by the Fifth Vendor

DEFINITIONS

“Simply Perfect’s Loan”	together, (i) an unsecured interest-free shareholder’s loan in the amount of US\$2,871,570 (equivalent to HK\$22,280,512) to be provided by Simply Perfect to Pine Technology BVI immediately after the Disposal Completion and (ii) the Second Vendor’s Loan to be assigned by the Second Vendor to Simply Perfect immediately after the Disposal Completion, having an aggregate amount of approximately US\$7.00 million (equivalent to approximately HK\$54.28 million)
“Sixth Vendor”	Ms. Wong Wai Ying, who directly held 14,675,958 Shares as at the date of the Sale and Purchase Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers in force from time to time
“Third Vendor”	Mr. Chiu Samson Hang Chin, who directly held 174,889,563 Shares as at the date of the Sale and Purchase Agreement
“U.S.”	the United States of America
“US\$”	US dollars, the lawful currency of the U.S.
“Veda Capital”	Veda Capital Limited, a licensed corporation permitted to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the financial adviser to the Company in respect of the Disposal and the Offers
“%”	per cent.

Unless otherwise specified, conversions of US\$ into HK\$ (or vice versa) in this circular are based on the exchange rate of US\$1.00 = HK\$7.759 for illustration purpose only. No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates or at all.



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

Executive Directors:

Mr. Chiu Hang Tai (Chairman)

Mr. Chiu Samson Hang Chin

Non-executive Directors:

Mr. Chiu Herbert Hang Tat

Mr. Li Chi Chung

Independent non-executive Directors:

Mr. So Stephen Hon Cheung

Dr. Huang Zhijian

Dr. Chung Wai Ming

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business:*

Unit 1201, 12/F.,

148 Electric Road,

North Point

Hong Kong

9 May 2017

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE
OF 15% EQUITY INTERESTS IN PINE TECHNOLOGY (BVI) LIMITED**

1. INTRODUCTION

Reference is made to the Joint Announcement dated 24 March 2017 in relation to, among other things, the Sale and Purchase Agreement, the Offers and the Disposal Agreement and the transactions contemplated thereunder.

The Sale and Purchase Agreement

The Company was informed by the Shares Vendors that on 22 March 2017 (after trading hours of the Stock Exchange), the Shares Vendors, the Offeror and the Guarantor had entered into the Sale and Purchase Agreement, pursuant to which the Shares Vendors

* For identification purposes only

LETTER FROM THE BOARD

have conditionally agreed to sell and the Offeror has conditionally agreed to purchase the 539,964,042 Sale Shares (representing approximately 58.59% of the entire issued share capital of the Company as at the Latest Practicable Date), free from all Encumbrances together with all rights attaching thereto as at the Sale and Purchase Completion Date, at an aggregate consideration of HK\$351,516,591 (equivalent to HK\$0.651) per Sale Share. The Sale and Purchase Completion is conditional upon the fulfilment or waiver (where applicable) of the conditions specified in the Sale and Purchase Agreement and as described under the subsection headed “Sale and Purchase Conditions” under the section headed “1. Sale and Purchase Agreement” of the Joint Announcement.

As at the Latest Practicable Date, none of the Sale and Purchase Conditions had been fulfilled.

The Disposal – Discloseable and connected transaction and special deal

On 22 March 2017 (after trading hours of the Stock Exchange), the Company and Simply Perfect entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell and Simply Perfect has conditionally agreed to purchase the Disposal Shares (representing 15% of the issued share capital of Pine Technology BVI), free from all Encumbrances together with all rights attaching thereto as at the Disposal Completion Date, at a consideration of US\$2,916,942 (equivalent to HK\$22,632,553). The Disposal Completion is conditional upon fulfillment or waiver of the conditions specified in the Disposal Agreement and as described under the subsection headed “Disposal Conditions” under the section headed “2. The Disposal Agreement” of this circular. The Disposal Agreement, upon the fulfillment or waiver of the Disposal Conditions, will be completed contemporaneously with completion of the Sale and Purchase Agreement. Pursuant to the terms and conditions of the Disposal Agreement, upon the Disposal Completion, the Company, Simply Perfect and Pine Technology BVI shall enter into the Shareholders’ Agreement relating to Pine Technology BVI.

Since the Disposal Agreement is not capable of being extended to all Shareholders, the Disposal constitutes a “special deal” under Note 4 to Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the Independent Financial Adviser publicly stating in its opinion that the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the SGM. An application has been made to the Executive for consent to proceed with the Disposal under Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive. As the obtaining of such consent is one of the Disposal Conditions which is not capable of being waived, the Disposal Completion will not take place if such consent is not obtained on or before 4:00 p.m. on 22 June 2017 or such other date as Simply Perfect and the Company may agree.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal

LETTER FROM THE BOARD

constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, by virtue of the interests of the Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor in Simply Perfect, Simply Perfect is a connected person of the Company and the Disposal also constitutes a connected transaction on the part of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, details of the Disposal Agreement, letters from the reporting accountant and the financial adviser of the Company on the profit forecast of Pine Technology BVI, the letter of advice from the Independent Financial Adviser in respect of the Disposal Agreement and the transactions contemplated thereunder, the recommendation of the Independent Board Committee, the notice of the SGM and other information required under the Listing Rules and the Takeovers Code.

2. THE DISPOSAL AGREEMENT

Date

22 March 2017

Parties

Vendor: The Company

Purchaser: Simply Perfect

Subject matter

Simply Perfect Group Limited is a company incorporated in BVI with limited liability, which is an investment holding company and has not conducted any business since its incorporation. Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell and Simply Perfect has conditionally agreed to purchase the Disposal Shares (representing 15% of the issued share capital of Pine Technology BVI), free from all Encumbrances together with all rights attaching thereto as at the Disposal Completion Date, at a consideration of US\$2,916,942 (equivalent to HK\$22,632,553).

Consideration for the Disposal

The consideration for the Disposal of US\$2,916,942 (equivalent to HK\$22,632,553) was agreed between the Company and Simply Perfect after arm's length negotiations, taking into account, among others, the unaudited consolidated net asset value attributable to 15% of the equity interest in the Pine Technology BVI Group as at 31 December 2016 in the amount of US\$2,916,942 (equivalent to HK\$22,632,553) (calculated based on the unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016 of US\$19,446,283 (equivalent to approximately HK\$150,883,710)).

LETTER FROM THE BOARD

For the purpose of assessing the fairness and reasonableness of the consideration for the Disposal, the Directors have considered the unsatisfactory financial performance of the Pine Technology BVI Group which incurred substantial losses for the years ended 30 June 2015 and 30 June 2016 and the continuous deterioration of the business environment faced by the Pine Technology BVI Group (i.e. the prolonged and continuously decreasing gross profit margin decreased from approximately 10.3% in 2013 to approximately 4.3% in 2016 for the manufacture and sales of video graphic cards and other computer components business) is expected to continue while the Group does not have any future expansion plans and business expansion. The Company has considered using a discounted cash-flow model, but such a model necessitates a long term projection of the Pine Technology BVI Group's cash-flow, which, in turn, will depend upon a host of assumptions. Given the continuously changing nature and challenging environment of the video graphic cards industry in general, adopting a discounted cash-flow model approach was considered unreliable. On this basis, the Directors considered that it is inappropriate to evaluate through the business, operation and prospect of the Pine Technology BVI Group.

Due to the uniqueness of the Pine Technology BVI Group's existing specialised business nature, the market transactions of comparable assets are not available that the data cannot be extrapolated from larger transactions, or such transactions are non-existent, so the market approach was not used. To the best of the Directors' knowledge and endeavor, the Company could not identify any similar disposal transactions in public domain.

On the other hand, the major assets of the Pine Technology BVI Group are comprised of current assets, including trade, bills and other receivables, inventories, bank balances and cash for the operation of the principal business. Given that (i) the Pine Technology BVI Group does not hold any real properties; (ii) the current assets of the Pine Technology BVI Group which include trade, bills and other receivables, have relatively high liquidity; and (iii) the net asset value of the Pine Technology BVI Group represents the total investment input of the Company in the Pine Technology BVI Group, the net asset value of the Pine Technology BVI Group is considered to be a reliable indication of the value of the Pine Technology BVI Group, therefore, no independent valuation is performed. Furthermore, the Company will retain majority shareholding in the Pine Technology BVI Group as well as maintaining the management and board control of the Pine Technology BVI Group after the Disposal Completion, the Company considers that it is justifiable to determine the consideration of the Disposal on a dollar-for-dollar basis with reference to the net asset value of the Pine Technology BVI Group as at 31 December 2016.

Given that (a) both the Company and Simply Perfect consider that using the net asset value of the Pine Technology BVI Group as at 31 December 2016 as the sole basis in determining the consideration of the Disposal is the most appropriate method to determine the consideration of the Disposal after having considered the nature and business of the Pine Technology BVI Group; and (b) the basis in determining the consideration of the Disposal was mutually agreed by the parties to the Disposal Agreement after their arm's

LETTER FROM THE BOARD

length negotiations, the Directors are of the view that the consideration of the Disposal, is fair and reasonable and in the interest of the Company and the Independent Shareholders as it represents the net asset value of the Pine Technology BVI Group.

The consideration for the Disposal shall be settled by Simply Perfect by way of delivery of cheque or cheques and/or a banker's draft or drafts at Disposal Completion.

Disposal Conditions

Disposal Completion is conditional upon the fulfilment or waiver of the following Disposal Conditions:

- (a) the passing by the Independent Shareholders at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a "special deal" under Rule 25 of the Takeovers Code having been obtained and not revoked prior to Disposal Completion;
- (c) the passing of the resolutions by the shareholders and the board of directors of Simply Perfect to approve the Disposal Agreement and the transactions contemplated thereunder;
- (d) the passing of the resolutions by the Board to approve the Disposal Agreement and the transactions contemplated thereunder;
- (e) the Sale and Purchase Agreement having become unconditional (save for the condition for the Disposal Agreement to become unconditional); and
- (f) the warranties given by the Company remaining true and accurate in all material respects.

The Disposal Agreement and the Sale and Purchase Agreement are inter-conditional and will take place contemporaneously mainly because, during the negotiations between the parties to the Sale and Purchase Agreement, the Second Vendor, Third Vendor, Fourth Vendor and Fifth Vendor expressed their intention to remain interested in the Pine Technology BVI Group. Given that immediately after the Sale and Purchase Completion, the Shares Vendors would cease to hold any Shares, and thus cease to have any interest in the Pine Technology BVI Group, the Disposal Agreement and the Sale and Purchase Agreement shall be inter-conditional so that at the Disposal Completion and the Sale and Purchase Completion, the Second Vendor, Third Vendor, Fourth Vendor and Fifth Vendor remain interested in Pine Technology BVI Group through Simply Perfect. The Company is of the view that such agreement can incentivise the Second Vendor, who is a founder of the Pine Technology BVI Group, to assist in the business operation of the Pine Technology

LETTER FROM THE BOARD

BVI Group even after he ceases to be interested in the Shares upon the Sale and Purchase Completion. The parties to the Sale and Purchase Agreement consider that the continued involvement of the Second Vendor in the business operation of the Pine Technology BVI Group would maintain stability in the general management and operation of the Pine Technology BVI Group and allay any concerns which the business partners and customers of the Pine Technology BVI Group may have arising from a complete change in the management of the Pine Technology BVI Group following the Sale and Purchase Completion. As such, the parties believe that this arrangement would be beneficial to the Group as a whole.

The Disposal Conditions set out above are not capable of being waived (save that the Disposal Condition (f) which may be waived by Simply Perfect). The Company shall use its best endeavours to procure the fulfillment of the Disposal Conditions (a), (b), (d) and (f) above and Simply Perfect shall use its best endeavours to procure the fulfillment of the Disposal Conditions (c) and (e) above.

If any of the Disposal Conditions set out above have not been satisfied (or, as appropriate, waived) on or before 4:00 p.m. on 22 June 2017 or such other date as Simply Perfect and the Company may agree, the Disposal Agreement shall cease and determine and thereafter neither party to the Disposal Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save as Disposal Conditions (c) and (d), none of the Disposal Conditions as set out above had been fulfilled.

The Disposal Completion

As at the Latest Practicable Date, the Pine Technology BVI Group was indebted to (i) the Company in the sum of approximately US\$39.64 million (equivalent to approximately HK\$307.59 million); and (ii) the Second Vendor in the sum of approximately HK\$32 million (equivalent to approximately US\$4.12 million) pursuant to the Loan Agreements. The Company's Loan and the Second Vendor's Loan represent approximately 90% and 10% to the total shareholders' loans respectively.

Immediately after the Disposal Completion, Simply Perfect shall (a) procure the entering into of supplemental agreements to the Loan Agreements between the Second Vendor and Pine Technology Macao such that the Second Vendor's Loan shall become interest-free with effect from the Sale and Purchase Completion Date; (b) execute and procure the execution of a deed of assignment pursuant to which the Second Vendor shall assign to Simply Perfect all his rights, titles, benefits and interests in the Second Vendor's Loan to Simply Perfect absolutely; and (c) provide an unsecured interest-free shareholder's loan in the amount of US\$2,871,570 (equivalent to HK\$22,280,512) to Pine Technology BVI and consequently the Company's Loan of approximately US\$39.64 million (equivalent to approximately HK\$307.59 million) and the Simply Perfect's Loan of approximately US\$7.00 million (equivalent to approximately HK\$54.28 million) will represent a

LETTER FROM THE BOARD

proportion of 85% and 15% to the total shareholders' loan of approximately US\$46.64 million (equivalent to approximately HK\$361.88 million) respectively.

Immediately after the provision of the Simply Perfect's Loan, (a) the Company shall provide an unsecured interest-free shareholder's loan in the amount equal to the consideration of the Disposal; and (b) Simply Perfect shall further provide an unsecured interest-free shareholder's loan in the amount of approximately US\$0.51 million (equivalent to approximately HK\$3.99 million) to Pine Technology BVI. As a result, Pine Technology BVI will be indebted to (i) the Company in the sum of approximately US\$42.56 million (equivalent to approximately HK\$330.22 million); and (ii) Simply Perfect in the sum of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million).

The total amount of the loans to be provided by the Company and Simply Perfect (immediately after the Disposal Completion) will be approximately US\$50.07 million and hence the shareholder's loans to be provided by the Company and Simply Perfect to Pine Technology BVI will also represent approximately 85% and 15% respectively of the total shareholders' loans, which is in proportion to their respective equity interests in Pine Technology BVI.

Subject to the fulfillment or waiver of all the Disposal Conditions under the Disposal Agreement, completion of the Disposal shall take place contemporaneously with the Sale and Purchase Completion.

Use of proceeds

The gross proceeds from the Disposal is US\$2,916,942 (equivalent to HK\$22,632,553) which is the same as the net proceeds from the Disposal (there is no deduction of relevant costs and expenses).

The Company intends to use the proceeds from the Disposal in the Pine Technology BVI Group (i) to continue its plan of manufacture and sales of video graphic cards and other computer components under the Group's brand name; and/or (ii) for financing other future potential investment opportunities.

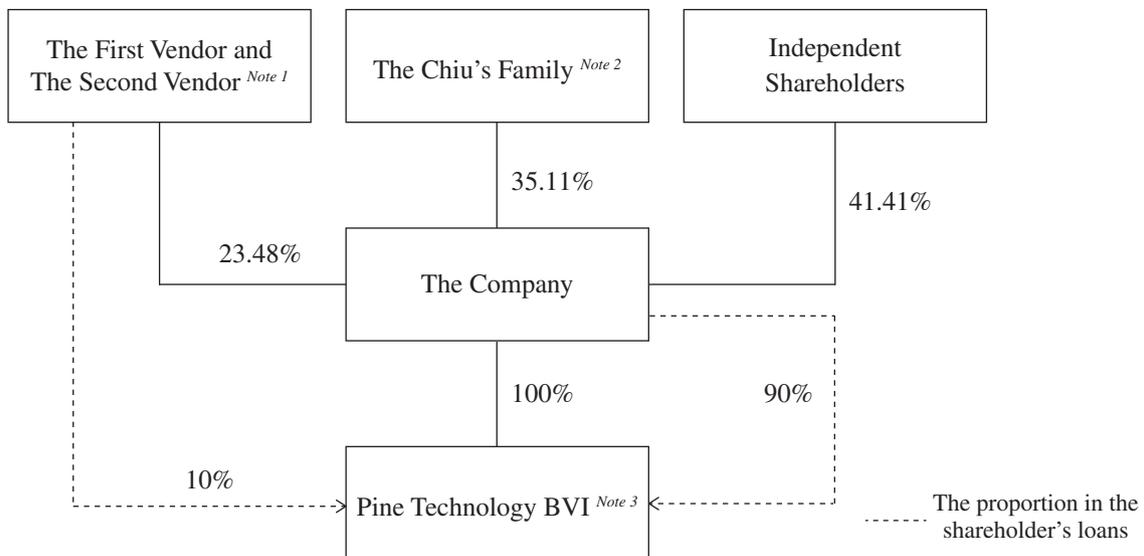
The Company intends to apply the total amount of the consideration from the Disposal of US\$2,916,942 (equivalent to HK\$22,632,553) on early partial repayment of certain trust receipt loans (the "**TR Loans**") in the first priority and/or early partial repayment of the trade payables due to the supplier(s) of the Group so as to continue its principal business of manufacture and sales of video graphic cards and other computer components since the Company has not identified any new investment opportunities or under negotiation with any parties, nor has entered into any agreement, arrangement, undertaking and/or understanding in respect of acquisition of any companies and/or business as at the Latest Practicable Date. However, if appropriate investment opportunities in the high-quality computer components of Virtual Reality (the "**VR**") market arise at any time prior to the Disposal Completion, the Company may apply the total amount of the consideration from

LETTER FROM THE BOARD

the Disposal of US\$2,916,942 (equivalent to HK\$22,632,553) to capture the investment opportunities with the development of the manufacture and sales of high-quality VR computer components and consumer electronic VR products. The TR Loans are short-term import loans granted by banks to provide the Group with finance to purchase raw materials from suppliers. After the repayment of the TR Loans, the Group would then be entitled to utilise such facility amount granted to the Group under the existing facility letters and obtain new TR Loan(s) for purchasing Graphics Processing Unit produced by Advanced Micro Devices, Inc. for the manufacture and sales of video graphic cards business.

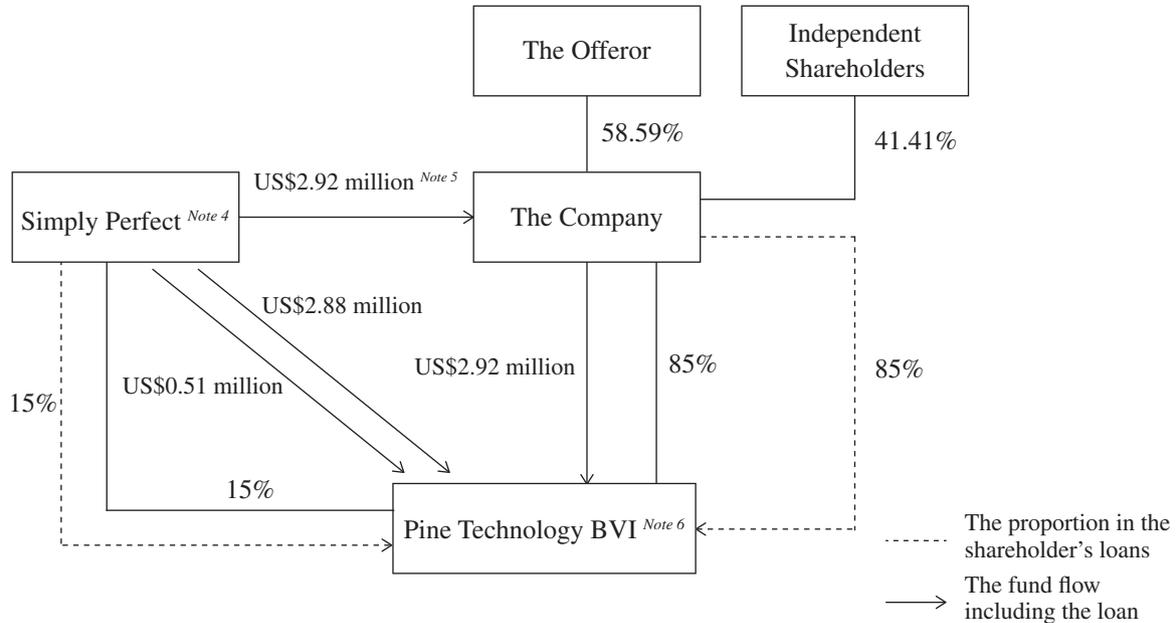
The following diagrams illustrate a simplified structure of the Group before and after the Disposal Completion and the Sale and Purchase Completion:

The shareholding structure of the Company and Pine Technology BVI as at the Latest Practicable Date:



LETTER FROM THE BOARD

The shareholding structure of the Company and Pine Technology BVI after the Disposal Completion and the Sale and Purchase Completion:



Notes:

- Alliance Express Group Limited, a company incorporated in BVI with limited liability, which is wholly and beneficially owned by the Second Vendor and directly held 196,500,000 Shares as at the Latest Practicable Date.
- The Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor are siblings and the Sixth Vendor is the mother of the Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor. In addition, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor, together, being the “**Chiu’s Family**”.
- As at the Latest Practicable Date, Pine Technology BVI was indebted to (i) the Company of approximately US\$39.64 million; and (ii) Second Vendor of approximately HK\$32 million (equivalent to approximately US\$4.12 million) pursuant to the Loan Agreements. Before the Disposal Completion, the total shareholders’ loans provided by the Company and Second Vendor is approximately US\$43.76 million and hence the shareholder loans provided by the Company and the Second Vendor to Pine Technology BVI represent approximately 90% and 10% respectively of the total shareholders’ loans provided by the Company and Second Vendor as shown above.
- Simply Perfect Group Limited, a company incorporated in BVI with limited liability, which is owned as to 41% by the Second Vendor (an executive Director), 33% by the Third Vendor (an executive Director), 13% by the Fourth Vendor (a non-executive Director) and 13% by the Fifth Vendor as at the Latest Practicable Date.
- The approximate amount of the consideration of the Disposal.
- Immediately after the Disposal Completion and the Sale and Purchase Completion, Pine Technology BVI will be indebted to (i) the Company of approximately US\$42.56 million; and (ii) Simply Perfect of approximately US\$7.51 million. After the Disposal Completion, the total amount of the shareholders’ loans provided by the Company and Simply Perfect to Pine Technology BVI will be approximately US\$50.07 million. The shareholder loans provided by the Company and Simply Perfect to Pine Technology BVI will represent a proportion of approximately 85% and 15% to the total shareholders’ loans respectively as shown above.

LETTER FROM THE BOARD

Shareholders' Agreement

Upon the Disposal Completion, the Company, Simply Perfect and Pine Technology BVI shall enter into the Shareholders' Agreement relating to Pine Technology BVI. The principal terms of the Shareholders' Agreement are summarised below:

(a) Board composition

The Shareholders' Agreement shall provide that the board of directors of Pine Technology BVI at any time shall comprise three directors, two of them shall be appointed by the Company and one of them shall be appointed by Simply Perfect.

The chairman of the board of directors of Pine Technology BVI shall be nominated by Simply Perfect and does not have a second or casting vote as chairman of the board meeting and general meeting.

(b) Finance

- (i) As at the date of the Shareholders' Agreement and immediately after Disposal Completion, Pine Technology BVI will be indebted to the Company in the amount of approximately US\$42.56 million (equivalent to approximately HK\$330.22 million). So long as the Company remains as a shareholder of Pine Technology BVI, the Company agrees and undertakes not to (i) demand for (a) repayment or capitalisation of; (b) creating any encumbrances on; and (c) amend, alter or change the terms (including in particular the security, interest and the term) of such shareholder's loan by the Company; and (ii) take or omit to take any action which would reasonably impair the ranking and/or priority of the shareholders' loans by the Company and Simply Perfect.
- (ii) As at the date of the Shareholders' Agreement and immediately after Disposal Completion, Pine Technology BVI will be indebted to Simply Perfect in the amount of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million). So long as Simply Perfect remains a shareholder of Pine Technology BVI, Simply Perfect agrees and undertakes not to (i) demand for (a) repayment or capitalisation of; (b) creating any encumbrances on; and (c) amend, alter or change the terms of such shareholder's loan by Simply Perfect; and (ii) take or omit to take any action which would impair the ranking and/or priority of the shareholders' loans by the Company and Simply Perfect.
- (iii) The working capital requirements of Pine Technology BVI of not exceeding US\$25,000,000 will be met, as the board of directors of Pine Technology BVI may from time to time resolve, by means of advances and credit from

LETTER FROM THE BOARD

banks, financial institutions and other third party sources on the most favourable terms reasonably obtainable as to interest, repayment and security.

- (iv) Save as disclosed in (i), (ii), and (iii) above, any advances and credit from banks, financial institutions and other third party sources shall be subject to the unanimous consent of the shareholders of Pine Technology BVI.
- (v) Save for the interest-free shareholder's loan in the amount of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million) provided by Simply Perfect to Pine Technology BVI as disclosed in (ii) above, any advances or facilities provided by Simply Perfect in future shall, unless otherwise unanimously agreed between the shareholders of Pine Technology BVI, be unsecured and carry interest at the rate of 1.5% per annum above the applicable Hong Kong Interbank Offered Rate

(c) Matters requiring unanimous consent

The matters requiring the unanimous consent of the shareholders of Pine Technology BVI are as follows:

- (i) the creation or issue of shares of any members of the Pine Technology BVI Group or the grant of any options over any such shares or uncalled capital of any members of the Pine Technology BVI Group or the issue of any option, warrant, debentures, securities or other obligations convertible into shares of any members of the Pine Technology BVI Group or enter into any agreement to do the same;
- (ii) the capitalization, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) of any amount standing to the credit of any reserve of any members of the Pine Technology BVI Group on the redemption or purchase of its shares or any other reorganization of share capital;
- (iii) participating in or agreeing to propose in any action of closure, termination or dissolution of any members of the Pine Technology BVI Group or taking part in any bankruptcy or insolvency proceedings of any members of the Pine Technology BVI Group, or due to its insolvency or inability to repay debts, entering into settlement and arrangements with its creditors;
- (iv) the alteration to the rights attached to the shares of any members of the Pine Technology BVI Group;

LETTER FROM THE BOARD

- (v) the alteration to the memorandum or articles of association of any members of the Pine Technology BVI Group and the passing of any resolutions, inconsistent with the provisions of the Shareholders' Agreement;
- (vi) the entering into of any transaction with the value or amount exceeds HK\$10,000,000 with any person by any members of the Pine Technology BVI Group other than in its usual and ordinary course of business or otherwise on an arm's length basis;
- (vii) the entering into of any transaction by any members of the Pine Technology BVI Group with the connected persons of any members of the Pine Technology BVI Group or their associates, save for any intra-group transaction of any members of the Pine Technology BVI Group;
- (viii) the acquisition or purchase or subscription of any shares, debentures, mortgages or securities (or interests therein) in any company, trust or other body or the participation in any partnership or joint venture by any members of the Pine Technology BVI Group;
- (ix) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes acceptance of deposits or normal trade credit on commonly acceptable terms), the granting of any credit (other than trade credit in the usual and ordinary course of business), the giving of any guarantee or indemnity to any person including the Company and Simply Perfect or their associates;
- (x) save as disclosed in items b(i), b(ii) and b(iii) above or in the usual or ordinary course of business, the borrowing of any moneys by any members of the Pine Technology BVI Group from banks, financial institutions or any other persons or the creation of any contract or obligation to pay money or money's worth;
- (xi) the consolidation, amalgamation or merger of any members of the Pine Technology BVI Group with any other company, entity or concern or the acquisition of any other business by any members of the Pine Technology BVI Group;
- (xii) save as the resignation of the director (s) or senior management of any members of the Pine Technology BVI Group, the alteration of the composition of the board of directors or senior management of any members of the Pine Technology BVI Group;
- (xiii) the change, appointment or removal of valuers or auditors of Pine Technology BVI;

LETTER FROM THE BOARD

- (xiv) the change of any dividend policy of any members of the Pine Technology BVI Group;
- (xv) save in the course of usual and ordinary course of business, the disposal of any undertaking, property, asset or investment of any members of the Pine Technology BVI Group or interest therein or the creation of any charge, mortgage or other encumbrances over such undertaking, property, asset or investment or interest therein with the value or amount exceeds HK\$10,000,000 or contracting so to do;
- (xvi) the alteration to the Shareholders' Agreement;
- (xvii) the material change in the nature or the scope of business of the Pine Technology BVI Group, or the Pine Technology BVI Group engages in any new business or ceases to engage in any existing business;
- (xviii) the alteration to the financial year end or accounting policies of any members of the Pine Technology BVI Group, save as required from time to time under any applicable laws or accounting standards; and
- (xix) the sale of trademarks, invention patents, design patents, utility model patents and other intellectual properties of the Pine Technology BVI Group, or the grant or termination or alteration of the terms of any licences, which are of material importance to the operation of the Pine Technology BVI Group.

Reasons and benefits of the Shareholders' Agreement

The Shareholders' Agreement to be entered into among the Company, Simply Perfect and Pine Technology BVI would be able to regulate the management and operation of Pine Technology BVI. The Shareholders' Agreement was determined after arm's length negotiations among the parties to the Shareholders' Agreement and taking into account of the principal terms of the Shareholders' Agreement which are normal commercial terms mainly serve for the purposes of recording the respective rights and obligations of the shareholders of Pine Technology BVI and the arrangements between them in respect to finance, management and operations of Pine Technology BVI, details of which are set out as follows:

- (a) (i) the board of directors of Pine Technology BVI at any time shall comprise three directors, two of them shall be appointed by the Company and one of them shall be appointed by Simply Perfect and that the business of Pine Technology BVI shall be managed and conducted by the board of Pine Technology BVI. The Company will hold a majority of the board seats and will still be able to consolidate the financial results and positions of the Pine Technology BVI Group into the Group's financial statements which is in favour of the Company; and (ii)

LETTER FROM THE BOARD

the Shareholders' Agreement would enable the Company to retain the Second Vendor in the Group, the Directors consider the terms of the Shareholders' Agreement to be fair and reasonable to the Group;

- (b) both the Company and Simply Perfect undertake not to (i) demand for (a) repayment or capitalisation of; (b) creating any encumbrances on; and (c) amend, alter or change the terms of such shareholder's loan provided by the Company and Simply Perfect; and (ii) take or omit to take any action which would impair the ranking and/or priority of the shareholders' loans by the Company and Simply Perfect which would not cause immediate financial pressure to the Group and any advances and credit from banks, financial institutions and other third party sources shall be subject to the unanimous consent of the shareholders of Pine Technology BVI which is managed and conducted by the board of Pine Technology BVI;
- (c) save for the interest-free shareholder's loan in the amount of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million) to be provided by Simply Perfect to Pine Technology BVI as disclosed above, any advances or facilities provided by Simply Perfect in future, unless otherwise unanimously agreed between the shareholders of Pine Technology BVI, shall be unsecured and carry interest at the rate of 1.5% per annum above the applicable Hong Kong Interbank Offered Rate (the "HIBOR") which is conducted on a better commercial term as compared to the terms of the loans provided by various banks to the Group, the effective interest rates (which are also equal to contracted interest rates) of which are in the range of either HIBOR plus 2.5% to 3% in HK dollars or London Interbank Offered Rate plus 1.75% to 2.5% in US dollars; and
- (d) certain matters regarded as important to the shareholders in terms of the share capital, management and operation of Pine Technology BVI Group are respectively set out as requiring unanimous consent of the shareholders to be carried out or effected.

Based on the above mentioned, the Directors are of the view that the Shareholders' Agreement is in the interests of the Company and the Independent Shareholders as a whole, and the terms of the Shareholders' Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. INFORMATION ON THE PINE TECHNOLOGY BVI GROUP

The Company is principally engaged in investment holding. The Group is principally engaged in the design, manufacturing and distribution of personal computer based products and distribution of a wide range of personal computer and non-personal computer products through its extensive distribution network.

LETTER FROM THE BOARD

Pine Technology BVI is a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company prior to the Disposal Completion. It is principally engaged in investment holding. Pine Technology BVI is the intermediate holding company of all other subsidiaries in the Group. The Pine Technology BVI Group is principally engaged in the design, manufacturing and distribution of personal computer based products and distribution of a wide range of personal computer and non-personal computer products, which is the principal business of the Group and accounts for the entire operating income of the Group.

Set out below is a summary of the key financial information of the Pine Technology BVI Group based on the unaudited consolidated financial information of the Pine Technology BVI Group for the years ended 30 June 2015 and 2016 and for the six months ended 31 December 2016:

	For the year ended		For the six
	30 June		months ended
	2015	2016	31 December
	unaudited	unaudited	unaudited
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Consolidated net (loss) profit before taxation	(5,766)	(6,975)	1,171
Consolidated net (loss) profit after taxation attributable to equity shareholder	(6,568)	(6,361)	1,008

The unaudited consolidated net asset value attributable to equity shareholder of the Pine Technology BVI Group as at 31 December 2016 was approximately US\$19,446,283 (equivalent to approximately HK\$150,883,710). Based on the unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016, the unaudited consolidated net asset value attributable to 15% of the equity interest in the Pine Technology BVI Group as at 31 December 2016 was approximately US\$2,916,942 (equivalent to approximately HK\$22,632,553).

4. FINANCIAL EFFECT OF THE DISPOSAL

Upon the Disposal Completion, the Company's equity interest in Pine Technology BVI will be reduced to 85%, while Simply Perfect's equity interest in Pine Technology BVI will be 15%. Pine Technology BVI will become a 85%-owned subsidiary of the Company. The financial results of the Pine Technology BVI Group will continue to be consolidated into the Company's consolidated financial statements. According to Hong Kong Financial Reporting Standards, no gain or loss will be recognised to the consolidated statement of profit or loss and other comprehensive income if a company has not lost control over a subsidiary after disposal of its partial interest in the subsidiary. The Company expects that there will be no gain or loss arising from the Disposal as the consideration of the Disposal is based on the consolidated net asset value of the Pine Technology BVI Group and Pine Technology BVI will remain as a subsidiary of the Company immediately upon Disposal Completion.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal will be beneficial to the Company for the following reasons:

- (1) since the overall PC industry is in the downtrend, there is a direct impact on the Pine Technology BVI Group's principal business of sales of graphics cards. The Pine Technology BVI Group has been recording a year-to-year reduction in the graphics card revenue since 2013. Moreover, the Pine Technology BVI Group has recorded low gross profit margins for the recent years as well as the net losses after tax attributable to equity shareholders. This situation has significantly weakened the bargaining power of and limited the options available to the Group and the Directors expect that the trend will continue to be uncertain. Given the circumstances, it is considered that the business reality does not remotely represent what the business or the assets is/are truly worth. The Directors are of the view that the Disposal would allow the Company to realise and receive certain amount of cash proceeds that will arise from the disposal of part of the Company's interest in the business of the Pine Technology BVI Group. Also, as Pine Technology BVI has a bank borrowing of approximately US\$31.0 million as at 31 December 2016 and immediately after the Disposal Completion, an amount equal to the amount of the consideration of the Disposal will be provided by the Company to Pine Technology BVI as an unsecured interest-free shareholder's loan which, in turn, would provide the Group additional general working capital and flexibility in its business operation;
- (2) the disposal of 15% interest in Pine Technology BVI to Simply Perfect is arrived at after arm's length negotiation between the parties and taking into account the Company's interest to retain a controlling stake on Pine Technology BVI and the need to incentivise the Second Vendor to continue to run the business of Pine Technology BVI. The Second Vendor who has over 28 years of experience in the field of manufacture and sales of video graphic cards and other computer components, is considered to be the key person in leading the Pine Technology BVI Group and is considered to be essential to its growth and development. The Pine Technology BVI Group has been developed with the assistance of his knowledge of the computer components business, his network of relationships and contacts with suppliers. After due consideration, the Disposal is considered an effective and practical means of maintaining the continuity and stability of the Pine Technology BVI Group by establishing a long term and strategic alliance with the Second Vendor. The Disposal can serve as an incentive and enticement to motivate the Second Vendor to create and focus on the shareholders' value of the Pine Technology BVI Group and retain him in the management level of the Pine Technology BVI Group. As set out in the Shareholders' Agreement, one of the directors in Pine Technology BVI shall be appointed by Simply Perfect. The Company is of the view that if Simply Perfect is a shareholder of Pine Technology BVI, Simply Perfect and its beneficial owners (including the Second Vendor) would be able to enjoy the potential benefits (including receiving payment of dividends and the potential appreciation of the value of the 15%

LETTER FROM THE BOARD

equity interest in Pine Technology BVI) if the financial performance of the Pine Technology BVI Group improves, which would provide a better incentive to the Second Vendor to maintain the stability and continuity of the business of Pine Technology BVI as compared to profit-sharing provisions in a performance-based service contract;

- (3) other alternatives to incentivise the management of Pine Technology BVI such as grant of share options and/or award of shares in Pine Technology BVI to Simply Perfect may have no proceeds to be received by the Company, which could be utilised in providing additional working capital to the Pine Technology BVI Group in its business operation and since Pine Technology BVI is a private company with the uniqueness of manufacture and sales of video graphic cards and other computer components business of the Pine Technology BVI Group with no open market for its shares being traded, the value of the options will provide less incentives to the options holders and therefore, the Directors considered that Simply Perfect and its beneficial owners (including the Second Vendor) would be able to enjoy the potential benefits (including receiving payment of dividends and the potential appreciation of the value of the 15% equity interest in Pine Technology BVI) if the financial performance of the Pine Technology BVI Group improves, which would provide a better incentive to the Second Vendor; and
- (4) for the avoidance of doubt, the Group does not intend to dispose of or scale down its manufacture and sales of video graphic cards and other computer components business as at the Latest Practicable Date. Subject to the Sale and Purchase Completion, the Second Vendor will no longer maintain the control of the Group. If the incentives offered by the Company to the Second Vendor, who the Board believes is the best candidate for the Pine Technology BVI Group in developing the principal business of the Group, are a minority stake in Pine Technology BVI, the Group is prepared to enter into such terms as described above which are fair and reasonable to the Company and the Independent Shareholders as a whole.

The biographies of the Second Vendor are set out as below:

Mr. Chiu Hang Tai, aged 57, is the chairman of the Company and a co-founder of the Group. He was also appointed as the chief executive officer of the Company in January 2003. He is the chairman of the Nomination Committee, a member of Remuneration Committee and a director of certain subsidiaries of the Company. He is responsible or overall strategic planning and formulation of corporate strategy of the Company. He holds a bachelor degree of science in economics from the Salem State College in the US and a master degree in business administration from Northeastern University in the US. He has over 28 years of experience in the computer industry and also served as director of two health food companies. Mr. Chiu was awarded the 1999 Young Industrialist Award of Hong Kong. He is a brother of Mr. Chiu Samson Hang Chin, an executive director and deputy chairman of the Company and Mr. Chiu Herbert Hang Tat, a non-executive director of the Company.

LETTER FROM THE BOARD

Immediately after the Disposal Completion, Simply Perfect shall (a) procure the entering into of supplemental agreements to the Loan Agreements between the Second Vendor and Pine Technology Macao such that the Second Vendor's Loan shall become interest-free with effect from the Sale and Purchase Completion Date; (b) execute and procure the execution of a deed of assignment pursuant to which the Second Vendor shall assign to Simply Perfect all his rights, titles, benefits and interests in the Second Vendor's Loan to Simply Perfect absolutely; and (c) provide the Simply Perfect's Loan and consequently the Company's Loan of approximately US\$39.64 million (equivalent to approximately HK\$307.59 million) and the Simply Perfect's Loan of approximately US\$7.00 million (equivalent to approximately HK\$54.25 million) will represent a proportion of 85% and 15% to the total shareholders' loan of approximately US\$46.64 million (equivalent to approximately HK\$361.46 million) respectively.

Taking into account of the requirement of general working capital for the ordinary and usual course of business of the Pine Technology BVI Group, immediately after the provision of the Simply Perfect's Loan by Simply Perfect, (a) the Company shall provide an unsecured interest free shareholder's loan in the amount equal to the consideration of the Disposal; and (b) Simply Perfect shall further provide an additional unsecured interest-free shareholder's loan in the amount of approximately US\$0.51 million (equivalent to approximately HK\$3.99 million) to Pine Technology BVI.

Having considered that (i) an amount equal to the amount of the consideration of the Disposal will be provided by the Company to Pine Technology BVI as an unsecured interest-free shareholder's loan which, in turn would provide the Group additional general working capital and flexibility in its business operation; (ii) the Company's interest to retain a controlling stake on Pine Technology BVI; and (iii) a grant of share options and/or award of shares in Pine Technology BVI to Simply Perfect may have no proceeds to be received by the Company immediately after such grant and/or award, the Directors (including the members of the Independent Board Committee whose view has been set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular after taking into account the advice of Red Sun Capital) consider that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and that the Disposal Agreement and the transactions respectively contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

6. IMPLICATIONS OF THE DISPOSAL AGREEMENT UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Since the Disposal Agreement is not capable of being extended to all Shareholders, the Disposal constitutes a "special deal" under Rule 25 of the Takeovers Code, which requires the consent of the Executive and such consent, if granted, will normally be conditional upon the Independent Financial Adviser publicly stating in its opinion that the terms of the Disposal Agreement are fair and reasonable and the approval of the Independent Shareholders having been obtained by way of a poll at the SGM. An application will be made to the Executive for consent to proceed with the Disposal under Rule 25 of the Takeovers Code. Shareholders should note that such consent may or may not be granted by the Executive. As the obtaining of such consent is a Sale and Purchase Condition which is not capable of being waived, the Disposal

LETTER FROM THE BOARD

Completion will not take place if such consent is not obtained at or before the 4:00 p.m. on 22 June 2017 or such other date as Simply Perfect and the Company may agree.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, by virtue of the interests of the Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor in Simply Perfect, Simply Perfect is a connected person of the Company and the Disposal also constitutes a connected transaction on the part of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) the Second Vendor, the Third Vendor and the Fourth Vendor have a material interest in the Disposal given their interest in Simply Perfect; and (ii) Mr. Li Chi Chung (being a non-executive Director) has an indirect interest in the Offers, they have abstained from voting on the resolutions passed by the Board approving the Disposal Agreement and the transactions contemplated thereunder.

At the SGM, (i) the Shares Vendors, Simply Perfect, their respective associates and parties acting in concert with any of them; (ii) the Offeror, the Guarantor, their respective associates and parties acting in concert with any of them; and (iii) any Shareholders who are involved in or interested in the Sale and Purchase Agreement, the Disposal Agreement and any transactions contemplated thereunder shall abstain from voting on all the Shareholders' resolutions approving the Disposal Agreement. As at the Latest Practicable Date, the Shares Vendors, who hold 539,964,042 Shares (representing approximately 58.59% of the total issued shares of the Company) and control or are entitled to exercise control over the voting rights in respect of their respective Shares, will abstain from voting on all the Shareholders' resolutions approving the Disposal Agreement.

Pursuant to Rule 10 of the Takeovers Code, (i) the unaudited net profit before taxation and the unaudited net profit after taxation attributable to equity shareholder of the Pine Technology BVI Group for the two years ended 30 June 2015 and 30 June 2016 and the six months ended 31 December 2016; and (ii) the unaudited consolidated net asset value attributable to equity shareholder of the Pine Technology BVI Group as at 31 December 2016 constitute profit forecasts and should be reported on by the Company's financial adviser and reporting accountants under Rule 10 of the Takeovers Code. The letters on the profit forecasts of the Pine Technology BVI Group from the reporting accountants and the financial adviser of the Company are set out in "Appendix I – Letters from the reporting accountants and the financial adviser of the Company on the profit forecasts of Pine Technology BVI Group" to this circular.

LETTER FROM THE BOARD

7. INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

In connection with the Disposal and in accordance with the Takeovers Code and the Listing Rules, the Company has formed the Independent Board Committee, comprising Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming, being all the independent non-executive Directors, to advise the Independent Shareholders on (a) whether the Disposal is in the interests of the Company and the Shareholders as a whole, (b) whether the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the ordinary and usual course of business of the Group, and (c) the voting action that should be taken. The non-executive Directors, namely, Mr. Chiu Herbert Hang Tat and Mr. Li Chi Chung, are not included in the Independent Board Committee as (i) Mr. Chiu Herbert Hang Tat, who is the Fourth Vendor and owned 13% of Simply Perfect as at the Latest Practicable Date, has direct interests in the Disposal; and (ii) Mr. Li Chi Chung was appointed by certain Directors and their associates as their legal adviser in relation to the Disposal and hence Mr. Li Chi Chung is considered as having an indirect interest in the Disposal.

Red Sun Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and transactions contemplated thereunder. The appointment of Red Sun Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

8. SGM

A notice convening the SGM to be held at 10:00 a.m. on Monday, 29 May 2017 at Unit 4608, 46/F., The Center, 99 Queen's Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

9. RECOMMENDATION

The Directors (including members of the Independent Board Committee whose view has been set out in the letter from the Independent Board Committee on pages 29 to 30 of this circular after taking into account the advice of Red Sun Capital) consider that the terms of the Disposal Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Mr. Chiu Hang Tai, Mr. Chiu Samson Hang Chin, Mr. Chiu Herbert Hang Tat and Mr. Li

LETTER FROM THE BOARD

Chi Chung had abstained from voting at the Board meeting approving the Disposal Agreements and the transactions contemplated thereunder. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 29 to 30 of this circular which contain their recommendation to the Independent Shareholders as to voting at the SGM and the letter from Red Sun Capital set out on pages 31 to 63 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder. Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
PINE Technology Holdings Limited
Chiu Hang Tai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder.



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

9 May 2017

To the Independent Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF 15% INTEREST IN PINE TECHNOLOGY (BVI) LIMITED

We refer to the circular of the Company dated 9 May 2017 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the terms of the Disposal Agreement, to advise you as to whether the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to recommend whether or not you should approve the Disposal Agreement and the transactions contemplated thereunder. Red Sun Capital has been appointed as the independent financial adviser to advise us and you in this regard.

We wish to draw your attention to the letter from the Board set out on pages 8 to 28 of the Circular and the letter from Red Sun Capital set out on pages 31 to 63 of the Circular which contains its independent advice to us and the Independent Shareholders in respect of the Disposal Agreement and the transactions contemplated thereunder; and the additional information set out in the appendices to the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Red Sun Capital, we considered that (i) the terms of the Disposal Agreement are on normal commercial terms; (ii) the terms of the Disposal Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) although the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. So Stephen Hon Cheung

Dr. Huang Zhijian

Dr. Chung Wai Ming

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



9 May 2017

To: The Independent Board Committee and the Independent Shareholders of Pine Technology Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF A 15% INTEREST IN PINE TECHNOLOGY (BVI) LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into the Disposal Agreement, the Shareholders' Agreement and the Special Deal, details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 9 May 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 24 March 2017, the Company and the Offeror jointly announced that:

- (i) On 22 March 2017 (after the trading hours of the Stock Exchange), the Shares Vendors, the Offeror and the Guarantor had entered into the Sale and Purchase Agreement, pursuant to which the Shares Vendors have conditionally agreed to sell and the Offeror has conditionally agreed to purchase the 539,964,042 Sale Shares (representing approximately 58.59% of the entire issued share capital of the Company as at the date of the Sale and Purchase Agreement), free from all Encumbrances together with all rights attaching thereto as at the Sale and Purchase Completion Date, at an aggregate consideration of HK\$351,516,591 (equivalent to HK\$0.651) per Sale Share);
- (ii) On 22 March 2017 (after the trading hours of the Stock Exchange), the Company and Simply Perfect entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell and Simply Perfect has conditionally agreed to purchase the Disposal Shares (representing 15% of the issued share capital of Pine

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technology BVI), free from all Encumbrances together with all rights attaching thereto as at the Disposal Completion Date, at a consideration of US\$2,916,942 (equivalent to approximately HK\$22,632,553); and

- (iii) Pursuant to the terms and conditions of the Disposal Agreement, the Company, Simply Perfect and Pine Technology BVI shall enter into the Shareholders' Agreement which shall set out the rights and obligations of the Company and Simply Perfect and the arrangements between them with respect to the finance, management and operations of the Pine Technology BVI Group after the Disposal Completion.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it will be interested in 539,964,042 Shares, representing approximately 58.59% of the entire issued share capital of the Company as at the Latest Practicable Date.

In accordance with Rules 13 and 26.1 of the Takeovers Code, on the Sale and Purchase Completion, the Offeror will be required to make mandatory unconditional offers in cash (i) for the Offer Shares, being all the Shares in issue during the Offer Period other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) to cancel all the Share Options. The Offers comprising the Share Offer and the Option Offer, if and when made, will be unconditional in all respects.

Since the Disposal Agreement and the Shareholders' Agreement are not capable of being extended to all Shareholders, the Disposal and the Shareholders' Agreement constitute special deals under Note 4 to Rule 25 of the Takeovers Code, which require the consent of the Executive and the approval of the Independent Shareholders having been obtained by way of a poll at the SGM.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, by virtue of the Second Vendor, the Third Vendor, the Fourth Vendor and the Fifth Vendor's interest in Simply Perfect, Simply Perfect is a connected person of the Company and the Disposal also constitutes a connected transaction on the part of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

ABSTAIN FROM VOTING

At the SGM, (i) the Shares Vendors, Simply Perfect, their respective associates and parties acting in concert with any of them; (ii) the Offeror, the Guarantor, their respective associates and parties acting in concert with any of them; and (iii) any Shareholders who are involved in or interested in the Sale and Purchase Agreement, the Disposal Agreement and the Shareholders'

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement and any transactions contemplated thereunder shall abstain from voting on all the Shareholders' resolutions approving the Disposal Agreement and any transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming), has been established to advise the Independent Shareholders on the Disposal Agreement, the Special Deal, the Shareholders' Agreement and the transactions contemplated respectively thereunder. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably regarded as a hindrance to our independence as defined under the Listing Rules and the Takeovers Code to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement, the Special Deal, the Shareholders' Agreement and the transactions contemplated respectively thereunder. Before our engagement as Independent Financial Adviser to the Company in respect of the Disposal Agreement, the Special Deal, the Shareholders' Agreement and the transactions contemplated respectively thereunder, we never acted in any financial advisory (including independent financial advisory) role to the Company.

BASIS OF OUR OPINION

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available to us by the Company, the Directors and representatives of the Company for which they are solely and wholly responsible, and to their information and knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be true, accurate and valid as at the Latest Practicable Date and can be relied upon. In case we note any material changes to the information presented in this letter from the Latest Practicable Date to the end of the offer period in respect of the Offers, we shall notify the Shareholders as soon as possible. We have assumed that all statements and information supplied, and the opinions and representations made or provided to us by the Directors and representatives of the Company and those contained in the Circular have been reasonably made after due and careful enquiry.

As stated in the Circular, the Circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and is not

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

misleading or deceptive and there are no other matters the omission of which would make any statement herein or the Circular misleading. Information and confirmation relating to the Offeror, its associates and parties acting in concert with them set out in the Circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed all available 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 opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and representatives of the Company or to believe that material information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business or affairs or future prospects of the Company, the Offeror, the Shares Vendors, Simply Perfect, the Guarantor or their respective substantial shareholders or associates.

We are not associated with the Company, the Offeror, the Shares Vendors, Simply Perfect, the Guarantor or their respective substantial shareholders or associates and accordingly, are considered eligible to give independent advice on the Disposal Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, the Shares Vendors, Simply Perfect, the Guarantor or their respective substantial shareholders or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Disposal Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information on the Group

The Group is one of the world's leading companies in the design, manufacturing and distribution of personal computer ("PC") based products. It has two core business divisions the XFX division, the one core focus of it is specializing in the design and manufacturing of Video Graphics products for the PC and PC upgrade market under the XFX brand. Leveraging on the strong Gamers' following of the XFX brand, XFX has extended its product family to the design and distribution of the Gaming Power Supply Unit ("PSU")

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

family to further enhance the gaming experience of the XFX enthusiasts. The distribution division distributes a wide range of name brand PC and non-PC products through its extensive distribution network. Given the aforesaid principal business of the Group, we consider the entering into of the Disposal Agreement and the Shareholders' Agreement is not in the ordinary and usual course of business of the Company.

1.1 Historical financial performance of the Group

Set out below are the highlights of the financial results of the Group for the three years ended 30 June 2014, 2015, and 2016 and the six months ended 31 December 2016, details of which are set out in the Company's annual reports for the respective years;

	For the year ended			Six months ended	
	30 June			31 December	
	2016	2015	2014	2016	2015
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	155,488	169,576	233,705	120,882	80,823
Cost of Sales	<u>(148,857)</u>	<u>(161,066)</u>	<u>(213,962)</u>	<u>(112,371)</u>	<u>(74,793)</u>
Gross Profit	6,631	8,510	19,743	8,511	6,030
Other income	339	279	264	51	73
Selling and distribution expenses	(3,418)	(4,138)	(5,154)	(1,892)	(1,873)
General and administrative expenses	(9,658)	(10,908)	(12,887)	(5,036)	(5,125)
Other gains and losses	(102)	1,365	18	21	113
Finance costs	(741)	(874)	(956)	(485)	(367)
Share of results of a joint venture	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) profit before tax	(6,975)	(5,766)	1,028	1,170	(1,149)
Income tax credit (expenses)	<u>613</u>	<u>(801)</u>	<u>(219)</u>	<u>(163)</u>	<u>(50)</u>
(Loss) profit for the year	<u><u>(6,362)</u></u>	<u><u>(6,567)</u></u>	<u><u>809</u></u>	<u><u>1,007</u></u>	<u><u>(1,199)</u></u>

Comparison between the two years ended 30 June 2016

The Group's revenue for the year ended 30 June 2016 ("FY16") amounted to approximately US\$155.5 million, representing a decrease of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

8.3% as compared to the year ended 30 June 2015 (“FY15”). The decrease was mainly due to loss on market share and the Group had to take a costly action to go very aggressive in price to reduce inventory and maintain market share.

For FY16, the overall cost of sales for the Group amounted to approximately US\$148.9 million, representing a decrease of approximately 7.6% as compared to FY15. The overall gross profit of the Group decreased by approximately 22.1% from approximately US\$8.51 million for FY15 to approximately US\$6.63 million for FY16. The gross profit margin for FY16 was approximately 4.3% as compared to approximately 5.0% for FY15. The decrease was similar to reason of decrease in revenue as stated above.

For both FY15 and FY16, the Group recorded losses of approximately US\$6.4 million for FY16 and approximately US\$6.6 million for FY15.

Comparison between the two years ended 30 June 2015

The Group’s revenue for the year ended 30 June 2015 amounted to approximately US\$169.6 million, representing a decrease of approximately 27.44% as compared to the revenue of approximately US\$233.7 million for the year ended 30 June 2014 (“FY14”). The decrease was mainly due to the demand of PC remained weak and the US Dollars was strong against almost every currency which had negative impact to the Group for FY15 and the delay of the AMD 3 series release made the competition even tougher.

For FY15, the overall cost of sales for the Group amounted to approximately US\$161.1 million, representing a decrease of approximately 24.7% as compared to FY14. The overall gross profit of the Group decreased by approximately 56.9% from approximately US\$19.7 million for FY14 to approximately HK\$8.5 million for FY15. The gross profit margin decreased from 8.5% for FY14 to 5.0% for FY15.

For FY15, the Group recorded loss of approximately US\$6.6 million whereas the Group recorded a net profit of approximately US\$0.8 million for FY14. The change from profit for FY14 to loss for FY15 was due to decrease in revenue which reasons are stated above.

Comparison between the two six months ended 31 December 2015 and 31 December 2016

The Group’s revenue for the six months ended 31 December 2016 amounted to approximately US\$120.9 million, representing an increase of approximately 49.6% as compared to the corresponding period in 2015. The increase is mainly due to the successful launch of the of AMD Polaris-based products in the Group’s own brand division which the market response has been very positive and the demand has been strong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The gross profit increased by approximately 41.1% to US\$8.5 million for the six months ended 31 December 2016 from approximately US\$6.0 million for the same period in 2015, mainly due to the increase in revenue. The gross profit margin maintained similar level from approximately 7.5% for the six months ended 31 December 2015 to approximately 7.0% for the six months ended 31 December 2016.

The Group turned from loss of approximately US\$1.2 million for the six months ended 31 December 2015 to net profit of approximately US\$1.0 million for the same period in 2016. The margin of net profit was approximately 0.8% for the six months ended 31 December 2016. The Group turned from loss for the six months ended 31 December 2015 to net profit for the same period in 2016 due to significant increase in gross profit as stated above. The sharp increase in loss for the period from January to June 2016 was due to clearance sale of old products in preparation for the launch of the 4 series Graphic Processing Unit (“GPU”) in June 2016. The sharp increase in profit for the period from July to December 2016 was due to the launch of the 4 series GPU, which was well received by the market.

As stated in the interim report of the Company for the six months ended 31 December 2016, the Directors consider that the Group maintains a cautious outlook for the remainder of the year and expect strong competition and a weak market due to seasonality.

Our View

Having considered that 15% of the equity interests in Pine Technology BVI will be disposed of to a company which is owned as to 41% by the Second Vendor, who has rich experience in managing the operations of the Pine Technology BVI Group with the analysis above, we are of the view that the Group has a strong need to retain the current management to overlook the operation of the Group in order to ensure continuing of smooth operation of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial position of the Group

Set out below is the summary of the consolidated assets and liabilities of the Group as at 31 December 2016, details of which are set out in the Company's interim report for the period:

	As at 31 December 2016 (unaudited) <i>US\$'000</i>
Non-current assets	
– Property, plant and equipment	291
– Development costs	217
– Trademarks	154
– Interest in a joint venture	–
– Deposit placed for a life insurance policy	453
– Rental deposits	60
	<hr/>
	1,175
	<hr/> <hr/>
Current assets	
– Inventories	38,733
– Trade, bills and other receivables	77,509
– Amount due from a joint venture	2,215
– Tax recoverable	76
– Pledged bank deposits	2,727
– Bank balances and cash	5,047
	<hr/>
	126,307
	<hr/> <hr/>
Current liabilities	
– Trade and other payables	35,562
– Amount due to a joint venture	1,224
– Tax payable	520
– Obligations under finance leases	6
– Bank borrowings	30,997
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	68,309
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Net current assets	57,998
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	59,173
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2016 (unaudited) <i>US\$'000</i>
Capital and reserves	
– Share capital	11,851
– Share premium and reserves	47,256
	<hr/>
	59,107
	<hr/> <hr/>
Non-current liability	
– Deferred tax liability	48
– Obligations under finance leases	18
	<hr/>
	66
	<hr/> <hr/>
	59,173
	<hr/> <hr/>

As at 31 December 2016, total assets amounted to approximately US\$127.5 million, total liabilities amounted to approximately US\$68.4 million and net assets amounted US\$59.1 million. Trade, bills and other receivables of approximately US\$77.5 million contributed to approximately 60.8% of total assets as at 31 December 2016. Trade and other payables of approximately US\$35.6 million contributed to approximately 52.0% of total liabilities as at 31 December 2016.

2. Information on the Offeror and the Offeror's intention regarding the Group

The Offeror is an investment holding company incorporated in the BVI with limited liability and is wholly owned by South Pearl Ventures Limited, which in turn is wholly owned by the Guarantor, who is also the sole director of the Offeror and South Pearl Ventures Limited. The Guarantor (i.e. Mr. Zhang), aged 51, is the chairman of the board, an executive director, chairman of the nomination committee and a member of the remuneration committee of North Asia Resources Holdings Limited, a company whose shares are listed on the Main Board (stock code: 61). Mr. Zhang obtained a bachelor's degree in accounting from 山西財經大學 (Shanxi University of Finance & Economics*) and a master's degree in business administration from 長江商學院 (Cheung Kong Graduate School of Business*). He has over 20 years of experience in corporate management in mining, investment, finance and other industries.

The Offeror, its ultimate beneficial owner and parties acting in concert with any of them are third parties independent of and not connected with the Company and its connected persons.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is the intention of the Offeror to continue with the Group's existing principal business. The Offeror reserves the right to make any changes it deems necessary or appropriate to the Group's business and operations to increase the value of the Group. As at the Latest Practicable Date, the Offeror has no intention to discontinue the employment of the employees (save for the proposed changes to the composition of the Board as detailed below) or to dispose of or re-deploy the assets of the Group.

The Board is currently made up of seven Directors, comprising (i) Mr. Chiu Hang Tai and Mr. Chiu Samson Hang Chin as executive Directors; (ii) Mr. Chiu Herbert Hang Tat and Mr. Li Chi Chung as non-executive Directors; and (iii) Mr. So Stephen Hon Cheung, Dr. Huang Zhijian and Dr. Chung Wai Ming as independent non-executive Directors.

Under the Sale and Purchase Agreement, the Shares Vendors have agreed to procure such persons as may be required by the Offeror to resign as Directors at the earliest time permitted under the Takeovers Code and such resignation will take effect from the later of (i) the date of Sale and Purchase Completion; and (ii) the date of the close of the Offer Period, subject to the requirements of the Takeovers Code. Furthermore, the Offeror intends to nominate new Directors to the Board after the Sale and Purchase Completion, with effect from a date which is no earlier than such date as permitted under Rule 26.4 of the Takeovers Code. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors or who will be required to resign as Directors. Any changes to the Board composition will be announced by the Company and made in compliance with the Takeovers Code and the Listing Rules.

As the sole director of the Offeror does not have any prior experience in the industry of the Group and Pine Technology BVI, we consider that it is essential for the Group and Pine Technology BVI to retain their current management personnel for the Group's operation. Given that the Second Vendor is familiar with and has rich experience in the business and operation of the Pine Technology BVI Group, the Disposal provides incentive to him to assist in ensuring the business and the management of the Pine Technology BVI Group to be operated normally and smoothly.

3. Background and reasons of the Disposal

3.1 The Disposal

On 22 March 2017 (after trading hours), the Company and Simply Perfect entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell and Simply Perfect has conditionally agreed to purchase the Disposal Shares (representing 15% of the issued share capital of Pine Technology BVI which was determined after arm's length negotiations between the Company and Simply Perfect with a view to allow Simply Perfect to acquire a non-controlling interest in Pine Technology BVI as an incentive to the Second Vendor, who is familiar with and has rich experience in the business and operation of the Pine Technology BVI Group, to continue to be part of the management of Pine Technology BVI), free

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

from all Encumbrances together with all rights attaching thereto as at the Disposal Completion Date, at a consideration of US\$2,916,942 (equivalent to approximately HK\$22,632,553).

The Board considers that the Disposal would allow the Company to realise and receive certain amount of cash proceeds that will arise from the disposal of part of the Company's interest in the business of the Pine Technology BVI Group while at the same time align the Second Vendor's interests with that of the Group. Further, as Pine Technology BVI has a bank borrowing of approximately US\$31.0 million as at 31 December 2016 and immediately after the Disposal Completion, an amount equal to the amount of the consideration of the Disposal will be provided by the Company to Pine Technology BVI as an unsecured interest-free shareholder's loan which, in turn, would provide the Group additional general working capital and flexibility in its business operation. The disposal of 15% interest in Pine Technology BVI to Simply Perfect is arrived at after arm's length negotiation between the parties and taking into account the Company's interest to retain a controlling stake on Pine Technology BVI and the need to incentivise the Second Vendor to continue to run the business of Pine Technology BVI. The Second Vendor is familiar with and has rich experience in the business and operation of the Pine Technology BVI Group. We have reviewed the biography of the Second Vendor in the annual reports of the Company and note that the Second Vendor is the chairman of the Company and a co-founder of the Group. He was also appointed as the chief executive officer of the Company in January 2003. He is the chairman of the Nomination Committee, a member of Remuneration Committee and a director of certain subsidiaries of the Company. He is responsible for overall strategic planning and formulation of corporate strategy of the Company. He holds a bachelor degree of science in economics from the Salem State College in the United States (the "US") and a master degree in business administration from Northeastern University in the US and he has over 28 years of experience in the computer industry. The Disposal provides incentive to him to assist in ensuring the business and the management of the Pine Technology BVI Group will be operated normally and smoothly after the Disposal Completion. We consider that the Disposal is a better way to provide incentive to the Second Vendor than other forms of incentive such as cash and share options as cash incentive creates a cash outflow rather than inflow for the Group and the issue of share options may affect the financial performance of the Group when the Share price increases. Further, while a grant of share options in Pine Technology BVI to Simply Perfect may have similar effect in providing incentive to the Second Vendor, no proceeds would be received by the Company until the exercise of the share options, which proceeds could be utilised in providing additional working capital to the Pine Technology BVI Group in its business operation and since Pine Technology BVI is a private company with the uniqueness of manufacture and sales of video graphic cards and other computer components business of the Pine Technology BVI Group with no open market for its shares being traded, the value of the options will provide less incentives to the options holders and therefore, the Directors considered that Simply Perfect and its beneficial owners (including the Second Vendor) would be able to enjoy the potential benefits including receiving payment of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

dividends and the potential appreciation of the value of the 15% equity interest in Pine Technology BVI) if the financial performance of the Pine Technology BVI Group improves, which would provide a better incentive to the Second Vendor.

Set out below is a comparison table comparing the different alternatives to incentivize the Second Vendor:

The Disposal	Cash	Share options
No cash outflow for the Group	Cash outflow for the Group	No cash outflow for the Group
Dividends to the Second Vendor	No Dividends to the Second Vendor	No Dividends to the Second Vendor before the exercise of share options
The Second Vendor can enjoy appreciation of value of the 15% equity interest in Pine Technology BVI	The Second Vendor cannot enjoy appreciation of value of the 15% equity interest in Pine Technology BVI	The Second Vendor can enjoy appreciation of value of the 15% equity interest in Pine Technology BVI
The Group would not incur on-going expenses.	The Group would not incur on-going expenses.	The Group would incur on-going administration expenses for the revaluation of the share options.

Having considered the above factors, we consider that the Disposal is a better way to incentivize the Second Vendor than cash or share options.

Pine Technology BVI Group is a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding. Pine Technology BVI is the intermediate holding company of all other subsidiaries in the Group. The Pine Technology BVI Group is principally engaged in the design, manufacturing and distribution of personal computer based products and distribution of a wide range of personal computer and non-personal computer products, which is the principal business of the Group and accounts for the entire operating income of the Group. It has two core business divisions, the XFX division, the one core focus of it is specializing in the design and manufacturing of Video Graphics products for the PC and PC upgrade market under the XFX brand. Leveraging on the strong Gamers' following of the XFX brand, XFX has extended its product family to the design and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

distribution of the Gaming PSU family to further enhance the gaming experience of the XFX enthusiasts. The Distribution division distributes a wide range of name brand PC and non-PC products through its extensive distribution network.

As the Disposal Shares represent only 15% of the equity interests in Pine Technology BVI, the Disposal will not result in any change in control by the Company over Pine Technology BVI and Pine Technology BVI will continue to be a subsidiary of the Company. The Company expects that there will be no gain or loss arising from the Disposal as the consideration of the Disposal is based on the consolidated net asset value of the Pine Technology BVI Group and Pine Technology BVI will remain as a subsidiary of the Company immediately upon Disposal Completion. The Pine Technology BVI Group has been loss making in recent years, the Pine Technology BVI Group's unaudited net loss after taxation attributable to equity shareholder amounted to approximately US\$6.6 million and US\$6.4 million for the two years ended 30 June 2015 and 2016, respectively. The result of the Pine Technology BVI Group will continue to be consolidated into the Company's consolidated financial statements after the Disposal Completion.

Given that (i) Pine Technology BVI will remain a subsidiary of the Company and hence the results of Pine Technology BVI will continue to be consolidated into the Company's consolidated financial statements after the Disposal Completion; (ii) it is intended by the Offeror that the existing business of Pine Technology BVI Group will remain unchanged and continue to be operated by the present management team; (iii) 15% of the equity interests in Pine Technology BVI will be disposed of to a company which is owned as to 41% by the Second Vendor, who has rich experience in managing the operations of the Pine Technology BVI Group; and (iv) the Disposal will allow the Group to realise part of its investment in the Pine Technology BVI Group, which in turn will generate additional working capital for the Group to finance its intended use of proceeds, we concur with the Directors' views that the Disposal is in the interests of the Company and the Independent Shareholders as a whole, and given the strategy of the Group and intentions of the Offeror, we consider that the Disposal will not adversely affect the principal business and the future prospects of the Pine Technology BVI Group.

The Company intends to use the proceeds from the Disposal in the Pine Technology BVI Group (i) to continue its plan of manufacture and sales of market video graphic cards and other computer components under the Group's brand name; and/or (ii) for financing other future potential investment opportunities. The Company intends to apply the total amount of the consideration from the Disposal of US\$2,916,942 (equivalent to HK\$22,632,553) on early partial repayment of certain trust receipt loans (the "**TR Loans**") in the first priority and/or early partial repayment of the trade payables due to the supplier(s) of the Group so as to continue its principal business of manufacture and sales of video graphic cards and other computer components since the Company has not identified any new investment opportunities or under negotiation with any parties, nor has entered into any agreement, arrangement,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

undertaking and/or understanding in respect of acquisition of any companies and/or business as at the Latest Practicable Date. However, if appropriate investment opportunities in the high-quality computer components of Virtual Reality (the “VR”) market arise at any time prior to the Disposal Completion, the Company may apply the total amount of the consideration from the Disposal of US\$2,916,942 (equivalent to HK\$22,632,553) to capture the investment opportunities with the development of the manufacture and sales of high-quality VR computer components and consumer electronic VR products. The TR Loans are short-term import loans granted by banks to provide the Group with finance to purchase raw materials from suppliers. After the repayment of the TR Loans, the Group would then be entitled to utilise such facility amount granted to the Group under the existing facility letters and obtain new TR Loan(s) for purchasing Graphics Processing Unit produced by Advanced Micro Devices, Inc. for the manufacture and sales of video graphic cards business. We have reviewed the 2015 and 2016 annual and interim reports of the Company and the management accounts of the Company and the Pine Technology BVI Group for the period ended 31 December 2016, we have also discussed with Company about their financial results. We noted that the bank balances and cash has been decreased and the bank borrowings has been increased in the latest interim report of the Company from 30 June 2016 to 31 December 2016 as shown and we have also discussed with the management of the Company due to the successful launch of the AMD 4 series in June 2016, the Company intends to apply more working capital to capture the business opportunity. Having considered the need of working capital would increase if the Company would like to further expand its business or capture the new business opportunity, we concur with the management of the Company that the Disposal allows the Group to efficiently raise the necessary funds to finance its intended use of proceeds and provides an incentive for the Second Vendor to remain with the Pine Technology BVI Group, while maintaining the consolidation of the results of the Pine Technology BVI Group going forward.

3.2 Financial information on the Pine Technology BVI Group

Pine Technology BVI is a direct wholly-owned subsidiary of the Company which holds all of the operating subsidiaries of the Group. The principal assets of Pine Technology BVI are current assets of trade, bills and other receivables, inventories, bank balances and cash for the operation of the principal business.

The major assets of Pine Technology BVI as at 31 December 2016 comprised (i) inventories of approximately US\$38.7 million; (ii) accounts receivable of approximately US\$77.5 million; and (iii) cash and bank balance of approximately US\$5.0 million. The major liabilities of Pine Technology BVI as at 31 December 2016 comprised (i) bank borrowings of approximately US\$31.0 million; (ii) accounts payable of approximately US\$35.6 million; and (iii) amount due to the parent company (i.e. the Company) of approximately US\$39.6 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the key financial information of the Pine Technology BVI Group based on the unaudited consolidated financial information of the Pine Technology BVI Group for the years ended 30 June 2015 and 2016 and for the six months ended 31 December 2016:

	For the year ended		For the six
	30 June		months ended
	2015	2016	31 December
	(unaudited)	(unaudited)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Consolidated net (loss)			
profit before taxation	(5,766)	(6,975)	1,171
Consolidated net (loss)			
profit after taxation			
attributable to equity			
shareholder	(6,568)	(6,361)	1,008

For the year ended 30 June 2016, the loss before taxation of Pine Technology BVI was approximately US\$7.0 million compared to the loss of approximately US\$5.8 million for the year ended 30 June 2015. The increase in loss before taxation was due to (i) the decrease in revenue of approximately 8.3% which was mainly due to the loss on market share and the Group had to take a costly action to go very aggressive in price to reduce inventory and maintain market share; and (ii) there was a gain on other gains and losses of approximately US\$1.4 million in 2015 compared to the loss of approximately US\$0.1 million in 2016. The turnaround from gain to loss was mainly due to the disposal of property, plant and equipment during 2015.

The level of net loss after taxation attributable to equity shareholder of the Pine Technology BVI Group for the years ended 30 June 2015 and 2016 is similar to the level of net loss after taxation attributable to equity shareholder of the Group as Pine Technology BVI is a direct wholly-owned subsidiary of the Company which holds most of the operating subsidiaries of the Group.

4. Key terms of the Disposal Agreement

4.1 The Disposal Agreement

Simply Perfect Group Limited is a company incorporated in BVI with limited liability, which is an investment holding company and has not conducted any business since its incorporation. Pursuant to the Disposal Agreement, the Company has conditionally agreed to sell and Simply Perfect has conditionally agreed to purchase the Disposal Shares (representing 15% of the issued share capital of Pine Technology BVI), free from all Encumbrances together with all rights attaching thereto as at the Disposal Completion Date, at a consideration of US\$2,916,942 (equivalent to approximately HK\$22,632,553).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Consideration for the Disposal

The consideration for the Disposal of approximately US\$2,916,942 (equivalent to approximately HK\$22,632,553) was agreed between the Company and Simply Perfect after arm's length negotiations, taking into account, among others, the unaudited consolidated net asset value attributable to 15% of the equity interest in the Pine Technology BVI Group as at 31 December 2016 in the amount of approximately US\$2,916,942 (equivalent to approximately HK\$22,632,553) (calculated based on the unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016 of approximately US\$19,446,283 (equivalent to approximately HK\$150,883,710)).

For the purpose of assessing the fairness and reasonableness of the consideration for the Disposal, the Directors and we have considered the unsatisfactory financial performance of the Pine Technology BVI Group which incurred substantial losses for the years ended 30 June 2015 and 30 June 2016 and the continuous deterioration of the business environment faced by the Pine Technology BVI Group (i.e. the prolonged and continuously decreasing gross profit margin from approximately 10.3% in 2013 to approximately 4.3% in 2016 for the manufacture and sales of video graphic cards and other computer components business) is expected to continue while the Group does not have any future expansion plans and business expansion. The Company has considered using a discounted cash-flow model, but such a model necessitates a long term projection of the Pine Technology BVI's Group cash-flow, which, in turn, will depend upon a host of assumptions. Given the continuously changing nature and challenging environment of the video graphic cards industry in general, adopting a discounted cash-flow model approach was considered unreliable. On this basis, the Directors considered and we concur that it is inappropriate to evaluate through the business, operation and prospect of the Pine Technology BVI Group.

On the other hand, the major assets of the Pine Technology BVI Group are comprised of current assets, including trade, bills and other receivables, inventories, bank balances and cash for the operation of the principal business. The major assets of Pine Technology BVI as at 31 December 2016 comprised (i) inventories of approximately US\$38.7 million; (ii) accounts receivable of approximately US\$77.5 million; and (iii) cash and bank balance of approximately US\$5.0 million. The major liabilities of Pine Technology BVI as at 31 December 2016 comprised (i) bank borrowings of approximately US\$31.0 million; (ii) accounts payable of approximately US\$35.6 million; and (iii) amount due to the parent company (i.e. the Company) of approximately US\$39.6 million. Given that (i) the Pine Technology BVI Group does not hold any real properties; (ii) the current assets of the Pine Technology BVI Group which include trade, bills and other receivables, are having relatively high liquidity; and (iii) the net asset value of the Pine Technology BVI Group represents the total investment input of the Company in the Pine Technology BVI Group, the net asset value of the Pine Technology BVI Group is considered to be a reliable indication of the value of the Pine Technology BVI Group, therefore, no independent valuation is performed. The Company will retain majority shareholding in the Pine Technology

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BVI Group as well as maintaining the management and board control of the Pine Technology BVI Group after the Disposal Completion. After discussion with the Company and review of the management account of Pine Technology BVI Group for the period ending 31 December 2016, we consider that it is justifiable to determine the consideration of the Disposal on a dollar-for-dollar basis with reference to the net asset value of the Pine Technology BVI Group as at 31 December 2016.

In considering the fairness of the consideration of the Disposal, we have performed a comparable analysis and selected peer companies for the purpose of assessing the fairness of the consideration of the Disposal.

When selecting peer companies for the purpose of comparison, we understand that (i) the principal activities of Pine Technology BVI Group include design, manufacturing and distribution of its PC based products, the XFX division and Video Graphics products which we consider that can be classified as part of electronic products; (ii) Pine Technology BVI is a direct wholly-owned subsidiary of the Company and the Company is a publicly listed company on the Main Board of the Stock Exchange, considering Pine Technology BVI holds all of the operating subsidiaries of the Group, the financial performance and operation is in line with the Group, hence the companies to be selected for comparison purpose should also be listed. We have identified companies which (i) all the shares are listed on the Main Board of the Stock Exchange; and (ii) engaged in the design, manufacturing and distribution of electronic products which derived over 50% of its revenue from this segment. Based on such criteria, we have identified 4 companies (the “**Comparables**”) on a best effort basis for comparison purpose which we consider an exhaustive list of relevant comparable based on the said criteria above. We consider that while the nature of electronic products that designed, manufactured and distributed by the Comparables may not be identical to those of Pine Technology BVI, however considering the supply and demand of the electronic products, the fundamentals of such companies engaged in similar business are in general affected by similar macroeconomic factors including, but not limited to, global economy and outlook, prices of raw materials, demand from end users. Based on the foregoing, we consider the Comparables as fair and representative comparables.

Despite Pine Technology BVI not being a publicly listed company, we still selected publicly listed Comparables for the purpose of assessing the fairness of the consideration for the Disposal as there is insufficient publicly available information for private companies which are engaged in similar lines of business as Pine Technology BVI. Since publicly listed companies should theoretically trade at a premium over private companies due to much better liquidity (for the avoidance of doubt, we are comparing companies operating in similar lines of business), we consider that the valuation range implied by the Comparables is useful to serve as a reference for us and the Independent Shareholders to assess the consideration of the Disposal: for example, if the valuation multiples implied by the consideration is within range of the Comparables, the consideration of the Disposal should be considered fair after taking into account an illiquidity discount given that Pine

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Technology BVI is a private company and its share are relatively illiquid compared to shares of publicly listed companies. We would like to highlight that inherent in most cases of comparable analyses, the Comparables selected below are not entirely identical to Pine Technology BVI in terms, among other things, risk profile, capital structure, company management and future prospects. Notwithstanding the above limitations, we still consider our comparables analysis below to be a useful reference and the most appropriate valuation method as comparables analysis allows us to give Independent Shareholders an approximate benchmark of the relative value companies operating in similar lines of business are trading at in the market.

Company Name	Stock code	Major Business	Market Cap HK\$ (Note 1)	Net Profit/ (Loss) HK\$ (Note 1)	Net assets HK\$ (Note 1)	P/B (Note 1)
PC Partner Group Limited	1263	Manufacturing and sale of Video graphics cards	888,844,893	(16,179,000)	814,443,000	1.09
Wong's International Holdings Ltd.	99	Development, manufacture, marketing and distribution of electronics products	1,368,463,651	598,233,000	2,799,031,000	0.49
CCT Land Holdings Ltd.	261	Design and development, manufacture and sale of telecom, electronic and infant and baby products, trading and sale of child products, and property development in Mainland China	1,477,068,934	(76,000,000)	1,573,000,000	0.94
Sim Technology Group Ltd.	2000	Manufacturing, design and development and sale of display modules, handsets and solutions, wireless communication modules, carrying out internet of things business and property development in the PRC	831,316,297	89,650,000	2,026,721,000	0.41
		Average				0.73
		Median				0.71
		Maximum				1.09
		Minimum				0.41
Pine Technology BVI				(49,369,120)	150,883,710 (Note 2)	1.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Source: The website of the Stock Exchange

Notes:

- 1) Data regarding the market capitalization, net profit/loss, net assets, price-to-earning ratios and price-to-book ratios of the Comparables are sourced from the website of the Stock Exchange as at 22 March 2017, being the date of the Sale and Purchase Agreement, and with reference to their respective latest annual/interim reports.
- 2) Represents 100% valuation of Pine Technology BVI, which is based on unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016 and based on the exchange rate of US\$1 to HK\$7.759.

Since Pine Technology BVI has been operating at a loss for the two years ended 30 June 2015 and 2016, we consider analyzing the implied price-earnings ratio in respect of the Disposal against the price-to-earnings ratios of the Comparables to be not applicable. However, we have analyzed the implied price-to-book ratio in respect of the Disposal (the “**Implied P/B Ratio**”) against the price-to-book ratios of the Comparables for us to assess the fairness of the consideration of the Disposal. Price-to-book ratio, similar to price-to-earnings ratio, is a commonly used multiple analysis to value a business operation. P/B Ratio analysis is a commonly used business valuation method for capital-intensive business or businesses with plenty of assets on the books. Pine Technology BVI is engaged in the design, manufacturing and distribution of personal computer (“**PC**”) based products, and it had plenty of current assets on the books as the book value of inventories accounted for approximately 30.39% of the total assets and 199.18% of the net asset value of Pine Technology BVI. The major assets of the Pine Technology BVI Group are comprised of current assets, including trade, bills and other receivables, inventories, bank balances and cash for the operation of the principal business. Given that (i) the Pine Technology BVI Group does not hold any real properties; (ii) the current assets of the Pine Technology BVI Group which include trade, bills and other receivables, are having relatively high liquidity; and (iii) the level of inventories is a major factor of Pine Technology BVI Group’s ability to generate revenue, we consider that the P/B Ratio analysis is an applicable valuation method for our analysis. For this purpose, we have compared the consideration of the Disposal by comparing the implied multiple of the consideration of the Disposal against the multiples of companies which are engaged in similar lines of business. The Implied P/B Ratio is within the range of the price-to-book ratios of the Comparables from approximately 0.41 times to 1.09 times and above the average of 0.73 times of the price-to-book ratios of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From our analysis above, we would like to assess whether the Implied P/B Ratio are comparable to (or higher than) the trading multiples of the Comparables. Since the Implied P/B Ratio of 1.0 is above the average of the price-to-book ratios of the Comparables, we consider that the consideration of the Disposal is fair and reasonable so far as the Independent Shareholders are concerned. We have also considered the P/B ratio of the Group as depicted below:

Company Name	Stock code	Market Cap HK\$ (Note 1)	Net assets HK\$ (Note 1)	P/B (Note 1)
Pine Technology Holdings Limited	1079	626,677,652	458,590,750 (Note 2)	1.37
Pine Technology BVI			150,883,710 (Note 3)	1.00

Notes:

- 1) Data regarding the market capitalization, net assets and price-to-book ratios of the Company are sourced from the website of the Stock Exchange as at 22 March 2017, being the date of the Sale and Purchase Agreement, and with reference to the Company's latest annual/interim reports.
- 2) Based on unaudited consolidated net asset value of the Company as at 31 December 2016 and based on the exchange rate of US\$1 to HK\$7.759.
- 3) Represents 100% valuation of Pine Technology BVI, which is based on unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016 and based on the exchange rate of US\$1 to HK\$7.76.

We have analyzed the implied price-to-book ratio in respect of the Disposal (“**Implied P/B ratio**”) against the price-to-book ratio of the Group, and find that the Implied P/B ratio of 1.0 is slightly less than the price-to-book ratio of the Group of 1.38. We consider the slight discount to be fair and reasonable because Pine Technology BVI is a non-listed company, therefore, there is no liquidity in the shares of Pine Technology BVI and hence there should be liquidity discount to the consideration of the Disposal. Furthermore, the Disposal is of a 15% minority stake in Pine Technology BVI, and therefore Simply Perfect will not have control over Pine Technology BVI, therefore, there should be a discount with regard to the lack of control for the Disposal.

Given that (a) both the Company and Simply Perfect consider that using the net asset value of the Pine Technology BVI Group as at 31 December 2016 as the sole basis in determining the consideration of the Disposal is the most appropriate method to determine the consideration of the Disposal after having considered the nature and business of the Pine Technology BVI Group; and (b) the basis in determining the consideration of the Disposal was mutually agreed by the parties to the Disposal Agreement after their arm's length negotiations; and (c) the Implied P/B Ratio is

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

within the range of the price-to-book ratios of the Comparables from approximately 0.41 times to 1.09 times and above the average of 0.73 times of the price-to-book ratios of the Comparables, we are of the view that the consideration of the Disposal, is fair and reasonable and in the interest of the Company and the Independent Shareholders as it represents the net asset value of the Pine Technology BVI Group.

4.3 Terms of payment

The consideration for the Disposal shall be settled by Simply Perfect by way of delivery of cheque or cheques and/or a banker's draft or drafts at Disposal Completion.

4.4 Conditions precedent to the Disposal Agreement

Please refer to the section headed "The Disposal Agreement" in the Letter from the Board for the conditions precedent to the Disposal Agreement.

The Disposal Agreement and the Sale and Purchase Agreement are inter-conditional and will take place contemporaneously mainly because, during the negotiations between the parties to the Sale and Purchase Agreement, the Second Vendor, Third Vendor, Fourth Vendor and Fifth Vendor expressed their intention to remain interested in the Pine Technology BVI Group. Given that (a) immediately after the Sale and Purchase Completion, the Share Vendors would cease to hold any Shares, and thus, cease to have any beneficial interest in the Pine Technology BVI Group, the Disposal Agreement and the Sale and Purchase Agreement shall be inter-conditional so that at the Disposal Completion and the Sale and Purchase Completion, the Second Vendor, Third Vendor, Fourth Vendor and Fifth Vendor remains interested in Pine Technology BVI Group through Simply Perfect. The Company is of the view that such agreement can incentivise the Second Vendor, who is a founder of the Pine Technology BVI Group, to assist in the business operation of the Pine Technology BVI Group even after he ceases to be interested in the Shares upon the Sale and Purchase Completion. The parties to the Sale and Purchase Agreement consider that the continued involvement of the Second Vendor in the business operation of the Pine Technology BVI Group would maintain stability in the general management and operation of the Pine Technology BVI Group and allay any concerns which the business parties and customers of the Pine Technology BVI Group may have arising from a complete change in the management of the Pine Technology BVI Group following the Sale and Purchase Completion. As such, the parties believe that this arrangement would be beneficial to the Group as a whole. We have reviewed precedent cases such as the Special Deal circular of Kee Holdings Company Limited (stock code: 2011) published on 21 December 2015 and the Special Deal circular of Wing Lee Holdings Limited (stock code: 876) published on 2 May 2014 and such inter-conditionality is also a condition precedent in those two similar special deal cases and since this inter-conditionality is in line with market practice of similar

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

special deals, we are of the view that this conditionality between completion of the Disposal and the Sales and Purchase Agreement is fair and reasonable.

4.5 The Disposal Completion

As at the Latest Practicable Date, the Pine Technology BVI Group is indebted to the Company in the sum of approximately US\$39.64 million (equivalent to HK\$307.59 million) (the “**Company’s Loan**”) and is indebted to the Second Vendor in the sum of approximately HK\$32 million (equivalent to approximately US\$4.12 million) (the “**Second Vendor’s Loan**”) pursuant to the Loan Agreements. The Company’s Loan and the Second Vendor’s Loan represent approximately 90% and 10% of the total shareholders’ loans respectively.

Immediately after the Disposal Completion, Simply Perfect shall (a) procure the entering into of supplemental agreements to the Loan Agreements between the Second Vendor and Pine Technology Macao such that the Second Vendor’s Loan shall become interest-free with effect from the Sale and Purchase Completion Date; (b) execute and procure the execution of a deed of assignment pursuant to which the Second Vendor shall assign to Simply Perfect all his rights, titles, benefits and interests in the Second Vendor’s Loan to Simply Perfect absolutely; and (c) provide an unsecured interest-free shareholder’s loan in the amount of US\$2,871,570 (equivalent to approximately HK\$22,280,512) to Pine Technology BVI (the “**Simply Perfect’s Loan**”) and consequently the Company’s Loan of approximately US\$39.64 million (equivalent to HK\$307.59 million) and the Simply Perfect’s Loan of approximately US\$7.00 million (equivalent to HK\$54.25 million) will represent a proportion of 85% and 15% to the total shareholders’ loan of approximately US\$46.64 million (equivalent to HK\$361.46 million) respectively.

Immediately after the provision of the Simply Perfect’s Loan, (a) the Company shall further provide an unsecured interest-free shareholder’s loan in the amount equal to the consideration of the Disposal; and (b) Simply Perfect shall further provide an unsecured interest-free shareholder’s loan in the amount of US\$514,755 (equivalent to HK\$3,993,984) to Pine Technology BVI. As a result, Pine Technology BVI will be indebted to (i) the Company in the sum of approximately US\$42.56 million (equivalent to approximately HK\$330.22 million); and (ii) Simply Perfect in the sum of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million).

The total amount of the loans provided by the Company and Simply Perfect (immediately after the Disposal Completion) will be approximately US\$50.07 million and hence the shareholder’s loans provided by the Company and Simply Perfect to Pine Technology BVI will also represent approximately 85% and 15% respectively of the total shareholders’ loans, which is in proportion to their respective equity interests in Pine Technology BVI.

5. The Shareholders' Agreement

5.1 Terms of the Shareholders' Agreement

Upon the Disposal Completion, the Company, Simply Perfect and Pine Technology BVI shall enter into the Shareholders' Agreement relating to Pine Technology BVI. The principal terms of the Shareholders' Agreement are summarised below:

(a) Board composition

The Shareholders' Agreement shall provide that the board of directors of Pine Technology BVI at any time shall comprise three directors, two of them shall be appointed by the Company and one of them shall be appointed by Simply Perfect.

The chairman of the board of directors of Pine Technology BVI shall be nominated by Simply Perfect and does not have a second or casting vote as chairman of the board meeting and general meeting.

(b) Finance

- (i) As at the date of the Shareholders' Agreement and immediately after Disposal Completion, Pine Technology BVI will be indebted to the Company in the amount of approximately US\$42.56 million (equivalent to approximately HK\$330.22 million). So long as the Company remains as a shareholder of Pine Technology BVI, the Company agrees and undertakes not to (i) demand for (a) repayment or capitalisation of; (b) creating any encumbrances on; and (c) amend, alter or change the terms (including in particular the security, interest and the term) of such shareholder's loan by the Company; and (ii) take or omit to take any action which would reasonably impair the ranking and/or priority of the shareholders' loans by the Company and Simply Perfect.
- (ii) As at the date of the Shareholders' Agreement and immediately after Disposal Completion, Pine Technology BVI will be indebted to Simply Perfect in the amount of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million). So long as Simply Perfect remains a shareholder of Pine Technology BVI, Simply Perfect agrees and undertakes not to (i) demand for (a) repayment or capitalisation of; (b) creating any encumbrances on; and (c) amend, alter or change the terms of such shareholder's loan by Simply Perfect; and (ii) take or omit to take any action which would impair the ranking and/or priority of the shareholders' loans by the Company and Simply Perfect.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) The working capital requirements of Pine Technology BVI of not exceeding US\$25,000,000 will be met, as the board of directors of Pine Technology BVI may from time to time resolve, by means of advances and credit from banks, financial institutions and other third party sources on the most favourable terms reasonably obtainable as to interest, repayment and security.
- (iv) Save as disclosed in (i), (ii), and (iii) above, any advances and credit from banks, financial institutions and other third party sources shall be subject to the unanimous consent of the shareholders of Pine Technology BVI.
- (v) Save for the interest-free shareholder's loan in the amount of approximately US\$7.51 million (equivalent to approximately HK\$58.27 million) provided by Simply Perfect to Pine Technology BVI as disclosed in (ii) above, any advances or facilities provided by Simply Perfect in future shall, unless otherwise unanimously agreed between the shareholders of Pine Technology BVI, be unsecured and carry interest at the rate of 1.5% per annum above the applicable Hong Kong Interbank Offered Rate.

(c) *Matters requiring unanimous consent*

The matters requiring the unanimous consent of the shareholders of Pine Technology BVI are as follows:

- (i) the creation or issue of shares of any members of the Pine Technology BVI Group or the grant of any options over any such shares or uncalled capital of any members of the Pine Technology BVI Group or the issue of any option, warrant, debentures, securities or other obligations convertible into shares of any members of the Pine Technology BVI Group or enter into any agreement to do the same;
- (ii) the capitalization, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) of any amount standing to the credit of any reserve of any members of the Pine Technology BVI Group on the redemption or purchase of its shares or any other reorganization of share capital;
- (iii) participating in or agreeing to propose in any action of closure, termination or dissolution of any members of the Pine Technology BVI Group or taking part in any bankruptcy or insolvency proceedings of any members of the Pine Technology BVI Group, or due to its insolvency or inability to repay debts, entering into settlement and arrangements with its creditors;
- (iv) the alteration to the rights attached to the shares of any members of the Pine Technology BVI Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) the alteration to the memorandum or articles of association of any members of the Pine Technology BVI Group and the passing of any resolutions, inconsistent with the provisions of the Shareholders' Agreement;
- (vi) the entering into of any transaction with the value or amount exceeds HK\$10,000,000 with any person by any members of the Pine Technology BVI Group other than in its usual and ordinary course of business or otherwise on an arm's length basis;
- (vii) the entering into of any transaction by any members of the Pine Technology BVI Group with the connected persons of any members of the Pine Technology BVI Group or their associates, save for any intra-group transaction of any members of the Pine Technology BVI Group;
- (viii) the acquisition or purchase or subscription of any shares, debentures, mortgages or securities (or interests therein) in any company, trust or other body or the participation in any partnership or joint venture by any members of the Pine Technology BVI Group;
- (ix) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes acceptance of deposits or normal trade credit on commonly acceptable terms), the granting of any credit (other than trade credit in the usual and ordinary course of business), the giving of any guarantee or indemnity to any person including the Company and Simply Perfect or their associates;
- (x) save as disclosed in items b (i), b (ii) and b (iii) above or in the usual or ordinary course of business, the borrowing of any moneys by any members of the Pine Technology BVI Group from banks, financial institutions or any other persons or the creation of any contract or obligation to pay money or money's worth;
- (xi) the consolidation, amalgamation or merger of any members of the Pine Technology BVI Group with any other company, entity or concern or the acquisition of any other business by any members of the Pine Technology BVI Group;
- (xii) save as the resignation of the director(s) or senior management of any members of the Pine Technology BVI Group, the alteration of the composition of the board of directors or senior management of any members of the Pine Technology BVI Group;
- (xiii) the change, appointment or removal of valuers or auditors of Pine Technology BVI;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (xiv) the change of any dividend policy of any members of the Pine Technology BVI Group;
- (xv) save in the course of usual and ordinary course of business, the disposal of any undertaking, property, asset or investment of any members of the Pine Technology BVI Group or interest therein or the creation of any charge, mortgage or other encumbrances over such undertaking, property, asset or investment or interest therein with the value or amount exceeds HK\$10,000,000 or contracting so to do;
- (xvi) the alteration to the Shareholders' Agreement;
- (xvii) the material change in the nature or the scope of business of the Pine Technology BVI Group, or the Pine Technology BVI Group engages in any new business or ceases to engage in any existing business;
- (xviii) the alteration to the financial year end or accounting policies of any members of the Pine Technology BVI Group, save as required from time to time under any applicable laws or accounting standards; and
- (xix) the sale of trademarks, invention patents, design patents, utility model patents and other intellectual properties of the Pine Technology BVI Group, or the grant or termination or alteration of the terms of any licences, which are of material importance to the operation of the Pine Technology BVI Group.

5.2 Conclusion

Based on our review of the Shareholders' Agreement and our discussion with the Company, we are of the view that the principal terms of the Shareholders' Agreement are on normal commercial terms, were determined after arm's length negotiations, and are fair and reasonable as they ensure the protection of the Company's shareholder rights on Pine Technology BVI, in particular the determination of board composition, matters requiring unanimous consent from all shareholders of Pine Technology BVI. We are of the view that the terms of the Shareholders' Agreement provide incentive to the Second Vendor, who is familiar with and has rich experience in the business and operation of Pine Technology BVI Group, to assist in ensuring business will be operated normally and smoothly after the Disposal Completion and the overall terms of the Shareholders' Agreement are to ensure smooth continuation of the operations of the Pine Technology BVI Group. We have made reference to the special deal circular of Kee Holdings Company Limited (stock code: 2011) published on 21 December 2015, where Kee Holdings Company Limited has disposed of 15% equity interests in a subsidiary and the special deal circular of Wing Lee Holdings Limited (stock code:876) published on 2 May 2014, where Wing Lee Holdings Limited has disposed of 22% of a subsidiary and the terms of the shareholders' agreements signed in association with both disposals (including matters requiring unanimous consent such as the issue of shares and the alteration to the memorandum or articles of association) were similar to this Shareholders' Agreement. Therefore, we are of the view that the terms of Shareholders' Agreement are on normal commercial terms and are fair and reasonable. Set out below are the comparison of the terms of the Shareholders' Agreement with the two precedent cases:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' Agreement	Shareholder's agreement of special deal of Kee Holdings Company Limited (stock code: 2011)	Shareholder's agreement of special deal of Wing Lee Holdings Limited (stock code:876)
Board Composition	Board Composition	Board Composition
The majority of the Board shall be appointed by the Company.	The majority of the Board shall be appointed by Kee Holdings Company Limited.	The majority of the Board shall be appointed by M S C Holdings (a direct wholly-owned subsidiary of Wing Lee Holdings Limited).
Matters requiring unanimous consent	Matters requiring unanimous consent	Matters requiring unanimous consent
(i) the creation or issue of shares of any members of the Pine Technology BVI Group or the grant of any options over any such shares or uncalled capital of any members of the Pine Technology BVI Group or the issue of any option, warrant, debentures, securities or other obligations convertible into shares of any members of the Pine Technology BVI Group or enter into any agreement to do the same;	(i) the creation or issue or award of any share(s) or the issue of any warrant, debentures, securities or other obligations convertible into shares or enter into any agreement to do any of the same;	(i) the creation or issue of any share or the grant of any options over any shares or the uncalled capital or the issue of any warrant, debentures, securities or other obligations convertible into shares or enter into any agreement to do any of the same;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' Agreement	Shareholder's agreement of special deal of Kee Holdings Company Limited (stock code: 2011)	Shareholder's agreement of special deal of Wing Lee Holdings Limited (stock code:876)
Matters requiring unanimous consent	Matters requiring unanimous consent	Matters requiring unanimous consent
<p>(ii) the capitalization, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) of any amount standing to the credit of any reserve of any members of the Pine Technology BVI Group on the redemption or purchase of its shares or any other reorganization of share capital;</p>	<p>(ii) the capitalisation, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) to buy back or purchase of any shares of the KEE BVI Group or any other reorganisation of share capital;</p>	<p>(ii) the capitalisation, repayment or other form of distribution (other than by way of dividends out of profits available for distribution) of any amount standing to the credit of any reserve on the redemption or purchase of any shares of Wing Lee (Connector) or any other reorganisation of share capital;</p>
<p>(iii) the alteration to the memorandum or articles of association of any members of the Pine Technology BVI Group and the passing of any resolutions, inconsistent with the provisions of the Shareholders' Agreement;</p>	<p>(iii) the alteration of the memorandum of association or articles of association and the passing of any resolutions inconsistent with the provisions of the Shareholders' Agreement;</p>	<p>(iii) the alteration of the memorandum of association or articles of association and the passing of any resolutions inconsistent with the provision of the Shareholders' Agreement;</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' Agreement	Shareholder's agreement of special deal of Kee Holdings Company Limited (stock code: 2011)	Shareholder's agreement of special deal of Wing Lee Holdings Limited (stock code:876)
Matters requiring unanimous consent	Matters requiring unanimous consent	Matters requiring unanimous consent
<p>(iv) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes acceptance of deposits or normal trade credit on commonly acceptable terms), the granting of any credit (other than trade credit in the usual and ordinary course of business), the giving of any guarantee or indemnity to any person including the Company and Simply Perfect or their associates;</p> <p>(v) the acquisition or purchase or subscription of any shares, debentures, mortgages or securities (or interests therein) in any company, trust or other body or the participation in any partnership or joint venture by any members of the Pine Technology BVI Group;</p>	<p>(iv) the lending of any moneys (otherwise than by way of deposit with a bank or other institution(s) the normal business of which includes the acceptance of deposits), the granting of any credit or the giving of any guarantee or indemnity for obligations to any third parties (other than the KEE BVI Group), or the creation of any encumbrances over any property or business of the KEE BVI Group, unless the sum involved is no more than HK\$5,000,000 or such activity is carried out in the ordinary course of business of the KEE BVI Group;</p> <p>(v) the acquisition or formation of any subsidiary or the acquisition of any share of any other company or the participation in any partnership or joint venture (save for the existing subsidiaries, partnerships or joint ventures or wholly-owned subsidiaries);</p>	<p>(iv) the lending of any moneys (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposit), the granting of any credit or the giving of any guarantee or indemnity for obligations any third party (other than the Wing Lee (Connector) Group);</p> <p>(v) the acquisition or formation of any subsidiary or the acquisition of any share of any other company or the participation in any partnership or joint venture (save for the existing subsidiaries, partnerships or joint ventures or wholly-owned subsidiaries);</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' Agreement	Shareholder's agreement of special deal of Kee Holdings Company Limited (stock code: 2011)	Shareholder's agreement of special deal of Wing Lee Holdings Limited (stock code:876)
Matters requiring unanimous consent	Matters requiring unanimous consent	Matters requiring unanimous consent
<p>(vi) the entering into of any transaction with the value or amount exceeds HK\$10,000,000 with any person by any members of the Pine Technology BVI Group other than in its usual and ordinary course of business or otherwise on an arm's length basis; the entering into of any transaction by any members of the Pine Technology BVI Group with the connected persons of any members of the Pine Technology BVI Group or their associates, save for any intra-group transaction of any members of the Pine Technology BVI Group;</p> <p>(vii) participating in or agreeing to propose in any action of closure, termination or dissolution of any members of the Pine Technology BVI Group or taking part in any bankruptcy or insolvency proceedings of any members of the Pine Technology BVI Group, or due to its insolvency or inability to repay debts, entering into settlement and arrangements with its creditors;</p>	<p>(vi) the entering into of any material contract unrelated to the Business Scope which exceeds the value of HK\$5,000,000;</p> <p>(vii) participating in or agreeing to propose in any action of closure, termination or dissolution of any members of the KEE BVI Group or taking part in any bankruptcy or insolvency proceedings, or due to its insolvency or inability to repay debts, entering into settlement and arrangements with its creditors;</p>	<p>(vi) the entering into of any material contract unrelated to the business of the Wing Lee (Connector) Group which exceeds the value of HK\$50,000,000;</p> <p>(vii) the winding-up or liquidation of Wing Lee (Connector) or its subsidiaries (other than for the purpose of an internal reorganization);</p>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders' Agreement	Shareholder's agreement of special deal of Kee Holdings Company Limited (stock code: 2011)	Shareholder's agreement of special deal of Wing Lee Holdings Limited (stock code:876)
Matters requiring unanimous consent	Matters requiring unanimous consent	Matters requiring unanimous consent
(viii) the alteration to the rights attached to the shares of any members of the Pine Technology BVI Group;	(viii) the alteration of the rights attaching to any of the shares of KEE BVI Group;	(viii) the alteration of the rights attaching to any of the shares of Wing Lee (Connector);
(ix) the consolidation, amalgamation or merger of any members of the Pine Technology BVI Group with any other company, entity or concern or the acquisition of any other business by any members of the Pine Technology BVI Group;	(ix) the acquisition, amalgamation or merger, holding or formation of any company or the participation in any partnership (except for the existing subsidiaries of the KEE BVI Group, partnerships or joint ventures or wholly-owned subsidiaries);	(ix) the amalgamation or merger with any other company (other than for the purpose of an internal reorganization);
(x) the alteration to the Shareholders' Agreement.	(x) the alteration of the Shareholders' Agreement.	(x) the alteration of the Shareholders' Agreement.

The Shareholders' Agreement to be entered into among the Company, Simply Perfect and Pine Technology BVI would be able to regulate the management and operation of Pine Technology BVI. The Shareholders' Agreement was determined after arm's length negotiations among the parties to the Shareholders' Agreement and taking into account the following factors: (i) the principal terms of the Shareholders' Agreement are normal commercial terms mainly serve for the purposes of recording the respective rights and obligations of the shareholders of Pine Technology BVI and the arrangements between them in respect to finance, management and operations of Pine Technology BVI; and (ii) the Shareholders' Agreement is part and parcel of the Disposal which the Board considers is in the interests of the Company and the Independent Shareholders, the Directors are of the view and we concur that the Shareholders' Agreement is in the interests of the Company and the Independent Shareholders as a whole, and the terms of the Shareholders' Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

In summary, in reaching our opinion and recommendation, we have considered the above principal factors and reasons, in particular:

- 1) since the overall PC industry is in the downtrend, there is a direct impact on the Pine Technology BVI Group's principal business of sales of graphics cards. The Pine Technology BVI Group has been recording a year-to-year reduction in the graphics card revenue since 2013. Moreover, the Pine Technology BVI Group has recorded low gross profit margins for the recent years as well as the net losses after tax attributable to the owners of the Company. This situation has significantly weakened the bargaining power of and limited the options available to the Group and the Directors expect that the trend will continue to be uncertain. Given the circumstances, it is considered that the business reality does not remotely represent what the business or the assets is/are truly worth. The Disposal would allow the Company to realise and receive certain amount of cash proceeds;
- 2) the Second Vendor who has over 28 years of experience in the field of manufacture and sales of video graphic cards and other computer components, is considered to be the key person in leading the Pine Technology BVI Group and is considered to be essential to its growth and development. The Pine Technology BVI Group has been developed with the assistance of his knowledge of the computer components business, his network of relationships and contacts with suppliers. The Disposal is considered an effective and practical means of maintaining the continuity and stability of the Pine Technology BVI Group by establishing a long term and strategic alliance with the Second Vendor. The Disposal can serve as an incentive and enticement to motivate the Second Vendor to create and focus on the shareholders' value of the Pine Technology BVI Group and retain him in the management level of the Pine Technology BVI Group. The Disposal provides incentive to him to assist in ensuring the business and the management of the Pine Technology BVI Group will be operated normally and smoothly after the Disposal Completion;
- 3) the consideration of the Disposal is at par with the unaudited consolidated net asset value of the Pine Technology BVI Group as at 31 December 2016 of approximately US\$19,446,283 (equivalent to approximately HK\$150,883,710) and the Implied P/B Ratio of 1.0 is of a slight discount to the P/B ratio of the Group of 1.38 and is fair and reasonable taking into account of the liquidity and control discount and is within the range and above the average of the P/B ratios of the Comparable Companies;
- 4) the shareholder's loans provided by the Company and Simply Perfect to Pine Technology BVI will represent approximately 85% and 15% respectively of the total shareholders' loans, which is in proportion to their respective equity interests in Pine Technology BVI;
- 5) an amount equal to the amount of the consideration of the Disposal will be provided by the Company to Pine Technology BVI as an unsecured interest-free shareholder's

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

loan which, in turn would provide the Group additional general working capital and flexibility in its business operation;

- 6) the Company's interest to retain a controlling stake on Pine Technology BVI; and
- 7) the principal terms of the Shareholders' Agreement are on normal commercial terms, were determined after arm's length negotiations, and are fair and reasonable as they ensure the protection of the Company's shareholder rights on Pine Technology BVI, in particular the determination of board composition, matters requiring unanimous consent from all shareholders of Pine Technology BVI.

Having taken into account the principal factors and reasons set out in our letter, we consider that the terms of the Disposal Agreement and the Shareholders' Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend, and advise the Independent Board Committee to recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal and the Shareholders' Agreement.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Note: Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 18 years of experience in corporate finance industry.

A. LETTERS FROM DELOITTE

The following is the text of a report received from reporting accountant of the Company, Deloitte Touch Tohmatsu, addressed to the Directors and for the sole purpose of inclusion in this circular.



Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Tel: +852 2852 1600
Fax: +852 2541 1911
Email: enquiry@deloitte.com.hk
www.deloitte.com/cn

 Making another century of impact
德勤百年慶 開創新紀元

9 May 2017

The Board of Directors
PINE Technology Holdings Limited
Unit 1201, 12/F
148 Electric Road
North Point
Hong Kong

Dear Sirs,

PINE Technology Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”)

Unaudited consolidated net loss/profit before taxation and unaudited consolidated net loss/profit after taxation attributable to equity shareholder of Pine Technology (BVI) Limited and its subsidiaries (collectively referred to as the “Pine BVI Group”) for the years ended 30 June 2015 and 30 June 2016 and for the six months ended 31 December 2016, and unaudited consolidated net asset value attributable to equity shareholder of Pine BVI Group as at 31 December 2016 (collectively, the “Financial Information of Pine BVI Group”)

We refer to the Financial Information of Pine BVI Group set forth in the section headed “Information on the Pine Technology BVI Group” in the circular of the Company in connection with the disposal of 15% equity interest in Pine Technology (BVI) Limited by the Company to a connected party (the “**Circular**”).

The Financial Information of Pine BVI Group is regarded as a “profit estimate” under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Future Commission.

Directors' Responsibilities

The Financial Information of Pine BVI Group has been prepared by the directors of the Company based on the unaudited consolidated management accounts of Pine BVI Group for the years ended 30 June 2015 and 30 June 2016 and for the six months ended 31 December 2016.

The Company's directors are solely responsible for the Financial Information of Pine BVI Group.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Financial Information of Pine BVI Group based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Financial Information of Pine BVI Group in accordance with the bases adopted by the directors and as to whether the Financial Information of Pine BVI Group are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Financial Information of Pine BVI Group has been properly compiled in accordance with the bases adopted by the directors of the Company and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2016.

Yours faithfully,

Deloitte Touch Tohmatsu
Certified Public Accountants
Hong Kong

B. LETTERS FROM VEDA CAPITAL

The following is the text of a letter received from the financial adviser of the Company, Veda Capital, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Room 1106, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

9 May 2017

The Directors

PINE Technology Holdings Limited
Unit 1201, 12/F
148 Electric Road
North Point
Hong Kong

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND SPECIAL DEAL IN RELATION TO THE SALE AND PURCHASE OF
15% EQUITY INTERESTS IN PINE TECHNOLOGY (BVI) LIMITED**

We refer to the circular of PINE Technology Holdings Limited dated 9 May 2017 (the “**Circular**”), of which this letter forms part, regarding, inter alia, the Disposal by the Group. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

Set out below is certain financial information set out in the letter from the Board included in the Circular which constitutes a profit forecast under Rule 10 of the Takeovers Code (“**Rule 10 Forecast Information**”) and requires to be reported on pursuant to Rule 10.3(b) of the Takeovers Code:

- (i) the unaudited net loss before taxation of the Pine Technology BVI Group for each of the two years ended 30 June 2015 and 30 June 2016 of approximately US\$5,766,000 and US\$6,975,000 respectively and the unaudited net profit before taxation of the Pine Technology BVI Group for the six months ended 31 December 2016 of approximately US\$1,171,000 set out on page 22 of the Circular, which have been prepared based on the unaudited consolidated management accounts of the Pine Technology BVI Group;

- (ii) the unaudited net loss after taxation attributable to equity shareholders of the Pine Technology BVI Group for each of the two years ended 30 June 2015 and 30 June 2016 of approximately US\$6,568,000 and US\$6,361,000 respectively and the unaudited net profit after taxation attributable to equity shareholder of the Pine Technology BVI Group for the six months ended 31 December 2016 of approximately US\$1,008,000 set out on page 22 of the Circular, which have been prepared based on the unaudited consolidated management accounts of the Pine Technology BVI Group; and
- (iii) the unaudited consolidated net asset value attributable to equity shareholder of Pine Technology BVI Group as at 31 December 2016 of approximately US\$19,446,283 set out on page 22 of the Circular, which has been prepared based on the unaudited consolidated management accounts of Pine Technology BVI Group.

We have discussed with the Directors the bases upon which the Rule 10 Forecast Information was prepared. We have also considered the letters from Deloitte dated 9 May 2017, the text of each of such letters is set out in the section headed “A. Letters from Deloitte” in Appendix I to the Circular, whereby Deloitte has opined that so far as the accounting policies and calculations are concerned:

- (a) the Rule 10 Forecast Information referred to in (i) and (ii) above has been properly compiled based on the unaudited consolidated management accounts of Pine Technology BVI Group for each the two years ended 30 June 2015 and 30 June 2016;
- (b) the Rule 10 Forecast Information referred to in (iii) above has been properly complied based on the unaudited consolidated management accounts of the Pine Technology BVI Group for the six months ended 31 December 2016; and
- (c) all of the Rule 10 Forecast Information is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the unaudited condensed consolidated financial statements of the Group for the years ended 30 June 2015 and 30 June 2016 and for the six months ended 31 December 2016.

Based on the above, we are satisfied that the Rule 10 Forecast Information, for which the Directors are solely responsible, has been prepared by the Directors with due care and consideration.

We hereby give and have not withdrawn our consent to the issue of the Circular with the inclusion therein of this letter.

Yours faithfully,
for and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") contained in the Rules Governing the Listing Rules were as follows:

Long positions:

Name of Director/ chief executive	Capacity/ Nature of Interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Chiu Hang Tai	Controlled corporation/ Beneficial owner ^(Note 1)	216,402,465	23.48%
Mr. Chiu Samson Hang Chin ^(Note 2)	Beneficial owner	174,889,563	18.98%
Mr. Chiu Herbert Hang Tat ^(Note 2)	Beneficial owner	66,051,465	7.17%
Dr. Chung Wai Ming	Beneficial owner	70,000	0.01%

Notes:

1. Of the 216,402,465 Shares, 19,902,465 Shares are registered in the personal name of Mr. Chiu Hang Tai, and the remaining 196,500,000 Shares are beneficially owned by and registered in the name of Alliance Express, which is incorporated in the BVI and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai, an executive director of the Company.
2. Mr. Chiu Samson Hang Chin and Mr. Chiu Herbert Hang Tat are the brothers of Mr. Chiu Hang Tai.

In addition to the above, Mr. Chiu Hang Tai and Madam Leung Sin Mei, the wife of Mr. Chiu Hang Tai, both beneficially owned 600,000 non-voting deferred shares in Pineview Industries Limited, a subsidiary of the Company as at Latest Practicable Date. The non-voting deferred shares practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the subsidiary only after the distribution of HK\$1,000 million, as specified in the articles of association of the subsidiary, to holders of the ordinary shares.

Save as disclosed above and other than certain nominee shares in subsidiaries held by Directors in trust for the Company's subsidiaries, as at the Latest Practicable Date, none of the Directors or the Company's chief executive or their respective associates, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of Substantial Shareholder	Capacity	Number of issued Shares held (long positions)	Approximate percentage of the issued share capital of the Company
Alliance Express ^(Note 1)	Beneficial owner	196,500,000	21.32%
Ms. Leung Sin Mei ^(Note 2)	Interest of spouse	216,402,465	23.48%
Ms. Zhang Guo Qing ^(Note 3)	Interest of spouse	174,889,563	18.98%
Ms. Louie Fidelia W. ^(Note 4)	Interest of spouse	66,051,465	7.17%
Ms. Chiu Man Wah	Beneficial owner	67,944,591	7.37%
Mr. Tang Chung Pui ^(Note 5)	Interest of spouse	67,944,591	7.37%
The Offeror	Beneficial owner	539,964,042	58.59%
Mr. Zhang Sanhuo ^(Note 6)	Interest in controlled corporation	539,964,042	58.59%
South Pearl Ventures Limited ^(Note 6)	Interest in controlled corporation	539,964,042	58.59%

Notes:

- (1) As at the Latest Practicable Date, these Shares are beneficially owned by and registered in the name of Alliance Express, which is a company incorporated in the BVI and its entire issued share capital is beneficially owned by Mr. Chiu Hang Tai, an executive Director, the chairman and chief executive officer of the Company.
- (2) Ms. Leung Sin Mei is the spouse of Mr. Chiu Hang Tai.
- (3) Ms. Zhang Guo Qing is the spouse of Mr. Chiu Samson Hang Chin.
- (4) Ms. Louie Fidelia W. is the spouse of Mr. Chiu Herbert Hang Tat.
- (5) Mr. Tang Chung Pui is the spouse of Ms. Chiu Man Wah.
- (6) Pursuant to the Sale and Purchase Agreement, subject to fulfilment of certain conditions, the Offeror agreed to acquire 539,964,042 Shares. As at the Latest Practicable Date, the Sale and Purchase Agreement has not been completed. Mr. Zhang Sanhuo is the sole shareholder of South Pearl Ventures Limited which wholly owns Sage Global Holdings Limited and the sole director of Sage Global Holdings Limited and is therefore deemed to be interested in the Shares held by Sage Global Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

3. DIRECTORS' INTERESTS

(i) Interests in contract or arrangement

Save for the Disposal Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

(ii) Interests in assets

Save for the Disposal Shares to be acquired by Simply Perfect under the Disposal Agreement, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 30 June 2016, being the date to which the latest published audited financial statements of the Company were made up.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had an interest in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business.

5. LITIGATION

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

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016 (being the date to which the latest published audited consolidated accounts of the Company were made up).

8. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Veda Capital Limited (“Veda”)	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Red Sun Capital	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu (“Deloitte”)	Certified Public Accountants

Each of Veda, Red Sun Capital, and Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of Veda, Red Sun Capital, and Deloitte was not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Veda, Red Sun Capital, and Deloitte did not have any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 30 June 2016 (the date to which the latest published audited financial statements of the Company were made up).

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (i) the Disposal Agreement; and
- (ii) the Loan Agreements.

10. MISCELLANEOUS

- (i) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company is at Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The company secretary of the Company is Mr. Leung Yiu Ming (“**Mr. Leung**”). Mr. Leung was appointed as the company secretary of the Company on 9 June 2000. He is a member of the Member of the Institute of Chartered Secretaries and Administrator and Member of Hong Kong Institute of Company Secretaries.
- (v) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1201, 12/F., 148 Electric Road, North Point, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and the bye-laws of the Company;
- (ii) the annual reports of the Company for each of the two financial years ended 30 June 2015 and 2016;
- (iii) the interim report of the Company for the six months period ended 31 December 2016;
- (iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;
- (v) the letter of advice from Red Sun Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 63 of this circular;
- (vi) the letters from the reporting accountant and the financial adviser of the Company on the profit forecasts of the Pine Technology BVI Group as set out in Appendix I to this circular;

- (vii) the written consents referred to in the paragraph headed “Experts and Consents” of this appendix;
- (viii) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (ix) this circular.

NOTICE OF SGM



PINE TECHNOLOGY HOLDINGS LIMITED

松景科技控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1079)

NOTICE IS HEREBY GIVEN that the special general meeting (the “SGM”) of PINE Technology Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Monday, 29 May 2017 at Unit 4608, 46/F., The Center, 99 Queen’s Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the disposal agreement (the “**Disposal Agreement**”) dated 22 March 2017 and entered into between the Company and Simply Perfect Group Limited (“**Simply Perfect**”) (a copy of which signed by the Chairman of the meeting for the purpose of identification, has been produced to the meeting marked “A”), pursuant to which the Company agreed to sell and Simply Perfect agreed to purchase 15% of the issued share capital of Pine Technology (BVI) Limited (“**Pine Technology BVI**”) and the transactions contemplated thereunder (including but not limited to the entering into of the shareholders’ agreement amongst the Company, Simply Perfect and Pine Technology BVI (the “**Shareholders’ Agreement**”) (the “**Disposal**”), including as a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers, be and are hereby approved, confirmed and ratified; and
- (b) the board of directors of the Company (the “**Board**”) be and is hereby authorised to do all such acts and things and sign all such documents and to take such steps as it considers necessary or expedient or desirable in connection with or to give effect to the Disposal Agreement and the transactions contemplated thereunder (including but not limited to entering into of the Shareholders’ Agreement) and to agree to such variation, amendment or waiver as are, in the opinion of the Board, in the interests of the Company.”

On behalf of the Board of
PINE Technology Holdings Limited
Chiu Hang Tai
Chairman

Hong Kong, 9 May 2017

* *For identification purposes only*

NOTICE OF SGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A Member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (3) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (4) Resolution (a) above is in respect of both the Disposal Agreement and Shareholders' Agreement. The entering into of the Shareholders' Agreement is bundled with the approval of the Disposal Agreement as the Company and Simply Perfect agree that they shall enter into the Shareholders' Agreement, in an agreed form as appended to the Disposal Agreement, in respect of their investment in Pine Technology BVI, upon completion of the Disposal Agreement. As such, our Directors believe that they are interdependent and linked with each other forming one significant proposal.