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

If you have sold or transferred all your shares in Sino-Tech International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code:724)

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



ASIAN CAPITAL
(CORPORATE FINANCE) LIMITED
卓亞(企業融資)有限公司

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



Investec

A notice convening a special general meeting of Sino-Tech International Holdings Limited to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Friday, 9 January 2015 at 3:00 p.m. is set out on pages 34 to 35 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/sinotech).

Whether or not you are able to attend the special general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude the shareholders of the Company from attending and voting in person at the meeting if they so wish.

19 December 2014

* For identification purpose only

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DEFINITIONS

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

“Alteration of Terms”	the proposed alteration of certain terms and conditions of the outstanding Convertible Notes pursuant to terms of the Deed of Variation
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO, the financial adviser to the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CLI”	CITIC Logistics (International) Company Limited, a company incorporated in Hong Kong with limited liability
“Company”	Sino-Tech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	being HK\$0.035 per Share
“Conversion Share(s)”	8,640,000,000 new Shares to be allotted and issued following the exercise by the holder(s) of the outstanding Convertible Notes of his/her/their rights at the Conversion Price
“Convertible Notes”	the zero coupon convertible notes in the aggregate principal amount of HK\$950,400,000 issued by the Company on 16 November 2009 pursuant to the terms of the S&P Agreement

DEFINITIONS

“Deed of Variation”	the deed of variation dated 14 November 2014 entered into between the Company and the Noteholder in relation to the Alteration of Terms
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“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”	a Board committee comprising all independent non-executive Directors established to make recommendations to the Independent Shareholders in relation to the Deed of Variation and the transactions contemplated thereunder
“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, a corporation licensed under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
“Independent Shareholder(s)”	the Shareholders excluding Mr. Li and his associates
“Latest Practicable Date”	16 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Mr. Li Weimin, who is interested in approximately 14.57% of the issued share capital of the Company and the Noteholder as at the Latest Practicable Date
“Noteholder”	Mr. Li, the holder of the outstanding Convertible Notes
“Original Conversion Price”	being HK\$0.12 per Share

DEFINITIONS

“S&P Agreement”	the sale and purchase agreement dated 13 September 2009 entered into among the Company, Top Victory Industries Limited (which was a wholly-owned subsidiary of the Company and the purchaser) and Mr. Li (as the vendor) in relation to acquisition of the entire issued share capital of CLI
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Friday, 9 January 2015 at 3:00 p.m. and, if thought fit, approve, among others, the Deed of Variation and the transactions contemplated thereunder
“Share(s)”	existing ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code:724)

Executive Directors:

Mr. Lam Yat Keung (*President*)

Mr. Huang Hanshui

Mr. Wang Zhaofeng

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

Independent non-executive Directors:

Mr. Ho Chi Fai

Ms. Liu Yanfang

Professor Ma Hongwei

Principal place of business:

18th Floor

Times Media Centre

133 Wan Chai Road

Hong Kong

19 December 2014

To the Shareholder(s)

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

BACKGROUND

Reference is made to the circular issued by the Company dated 19 October 2009 in relation to, *inter alia*, the issue of the Convertible Notes. Pursuant to the S&P Agreement, on 16 November 2009, the Company issued the Convertible Notes in the total principal amount of HK\$950,400,000 for partial settlement of the consideration for the acquisition of CLI. Reference is also made to the announcement of the Company dated 14 November 2014 in relation to the entering into the Deed of Variation to amend certain terms and conditions of the Convertible Notes. As at the Latest Practicable Date, Convertible Notes in an aggregate principal amount of HK\$302,400,000, convertible into Shares at the Original Conversion Price of HK\$0.12 per Share, are outstanding and held by the Noteholder.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, details of the Deed of Variation and the proposed Alteration of Terms contemplated thereunder, the letters from the Independent Board Committee and the Independent Financial Adviser and the notice convening the SGM for the Independent Shareholders to consider and, if thought fit, to approve the resolution in relation to the Deed of Variation and the transactions contemplated thereunder.

DEED OF VARIATION

Date: 14 November 2014 (after trading hours)

Parties: the Company

the Noteholder

Alteration of Terms

Pursuant to the Deed of Variation, it is agreed that (i) the maturity date of the outstanding Convertible Notes will be extended from 15 November 2014 to 31 December 2016; and (ii) the Original Conversion Price of HK\$0.12 per Share will be adjusted to the Conversion Price of HK\$0.035 per Share.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

The Alteration of Terms was arrived at after arm's length negotiations between the Company and the Noteholder with reference to, among others, (i) existing financial condition and resources of the Group; (ii) the prevailing market price of the Shares; and (iii) the net assets value per Share as at 30 June 2014.

Conversion Shares

Assuming full conversion of the outstanding Convertible Notes in the principal amount of HK\$302,400,000 at the Conversion Price of HK\$0.035 per Share, 8,640,000,000 Conversion Shares will be allotted and issued by the Company, representing:

- (i) approximately 72.20% of issued share capital of the Company as at the Latest Practicable Date; and

LETTER FROM THE BOARD

- (ii) approximately 41.93% issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming none of the outstanding options of the Company is exercised.

Conversion Price

The Conversion Price of HK\$0.035 per Share represents:

- (i) a discount of approximately 25.53% to the closing price of the Shares of HK\$0.0470 per Share as quoted on the Stock Exchange on 14 November 2014, being the date of the Deed of Variation;
- (ii) a discount of approximately 24.57% to the average closing price of approximately HK\$0.0464 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Variation;
- (iii) a discount of approximately 10.26% to the closing price of HK\$0.0390 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 644.68% to the unaudited net assets value attributable to the equity Shareholders of approximately HK\$0.0047 per Share as at 30 June 2014 based on the unaudited net assets value attributable to the equity Shareholders of approximately HK\$55,979,000 as at 30 June 2014 and 11,966,698,582 Shares in issue as at the date of the Deed of Variation.

Conditions Precedent

The Alteration of Terms shall become effective upon the fulfillment of all the following conditions precedent:

- (a) the passing of ordinary resolution(s) by the Independent Shareholders at the SGM approving (i) the Deed of Variation and the transactions contemplated thereunder, (ii) upon the exercise of the conversion rights attaching to the outstanding Convertible Notes, the allotment and issue of the Conversion Shares in accordance with the conditions of the Convertible Notes as varied by the Deed of Variation;
- (b) the approval from Noteholder of more than 50% of the aggregate principal amount of the outstanding Convertible Notes approving the Alteration of Terms having been obtained by the Company;

LETTER FROM THE BOARD

- (c) the Listing Committee having granted or having agreed to grant the listing of, and permission to deal in, the Conversion Shares falling to be allotted and issued upon the exercise of the conversion rights attaching to the outstanding Convertible Notes in accordance with the conditions as varied by the Deed of Variation; and
- (d) the Company having obtained from the Stock Exchange all requisite approval or consent to the Alteration of Terms as set out in the Deed of Variation.

The Alteration of Terms shall take effect on the date on which the Company notifies the Noteholder in writing the fulfillment of the conditions precedent as set out above, which date shall not be more than five business days after the fulfillment of the condition precedent last in time to be fulfilled.

None of the conditions precedent can be waived. If any of the conditions precedent above has not been fulfilled on or before 31 March 2015 (or such other date as may be agreed by the parties to the Deed of Variation in writing), the Deed of Variation shall lapse and be of no further effect and none of the parties to this Deed of Variation will have any claim against or liability to the other parties in respect of the Deed of Variation save for any antecedent breaches thereof.

As at the Latest Practicable Date, conditions (b) and (d) above have been fulfilled.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DEED OF VARIATION

Under the original terms and conditions, the outstanding unsecured Convertibles Notes in an aggregate principal amount of HK\$302,400,000 with the Original Conversion Price of HK\$0.12 per Share bore no interest and matured on 15 November 2014.

As mentioned in the annual report of the Company for the year ended 31 December 2013, the Group incurred a loss of approximately HK\$24.7 million for the year ended 31 December 2013 and did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 15 November 2014). The Noteholder indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent. On this basis, the consolidated financial statements for the period under review had been prepared on a going concern basis.

LETTER FROM THE BOARD

The financial performance and the financial position of the Group did not record material change and for the six months ended 30 June 2014, the Group incurred a loss of approximately HK\$16.0 million and did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 15 November 2014). On the basis that (i) the Noteholder has indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent; (ii) the Company was also considering fund raising possibilities; and (iii) the Directors were hopeful that the issue relating to the outstanding Convertible Notes would be resolved amicably, the condensed consolidated financial statements for the six months ended 30 June 2014 had been prepared on a going concern basis.

In this respect, the Company had engaged Asian Capital, the financial adviser to the Company, to negotiate with the Noteholder, and at the same time, the Company had also considered fund raising possibilities.

In view of the recent financial performance and the financial position of the Group, the Company had not been able to secure any funds on terms acceptable to the Company to redeem the outstanding Convertible Notes. Although there are imputed interest expenses on the Convertible Notes charged against the Company's profit and loss accounts, there is no cash flow implication as the Convertible Notes are zero coupon and do not carry any interest charges.

As at 30 June 2014, the Group's total assets were approximately HK\$426.1 million and majority of which comprised inventories of approximately HK\$117.8 million and trade and bills receivables of approximately HK\$201.2 million. As at 30 June 2014, the Group had bank balances and cash of approximately HK\$55.8 million. The Board is of the view that these assets are operational in nature and should not be liquidated for the purpose of funding the redemption of the outstanding Convertible Notes.

In addition, as set out above, the Company has through its financial adviser negotiated with the Noteholder and understands that the Noteholder is not prepared to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes should the currently proposed restructuring plan fails. Failing a successful restructuring of the indebtedness arising from the now overdue Convertible Notes, the natural consequence for the Company is to accept insolvency as its fate. Therefore, the Directors believe that the change of conversion price of the Convertible Notes represents the only option currently available to the Company to avert liquidation.

LETTER FROM THE BOARD

Furthermore, although the Conversion Price is lower than the Original Conversion Price and the prevailing market price of the Shares, it represents a significant premium to the net assets value per Share. The Conversion Price will give incentive to the Noteholder to consider the option of converting part or all of the outstanding Convertible Notes, subject to compliance with the relevant rules and regulations, which in turn will significantly improve the financial position of the Group by capitalising liabilities.

Pursuant to the terms of the Deed of Variation, the outstanding Convertible Notes will mature on 31 December 2016, which will relieve the Company's pressure to seek urgent funding to redeem the outstanding Convertible Notes. On the one hand, as aforesaid, the Conversion Price will give incentive to the Noteholder to consider the option of converting part or all of the outstanding Convertible Notes. On the other hand, the Company will continue to seek fund raising possibilities in the debt or capital markets to redeem the outstanding Convertible Notes.

Having considered the above, the Directors (excluding the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) are of the view that the terms of the Deed of Variation are fair and reasonable and the entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole.

APPLICATION FOR LISTING

No application will be made by the Company for the listing of the outstanding Convertible Notes. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Variation.

MANDATE FOR THE ISSUE OF THE CONVERSION SHARES

The Company will seek the grant of a specific mandate from the Independent Shareholders at the SGM to cater for the allotment and issue of the Conversion Shares upon conversion of the outstanding Convertible Notes pursuant to the conditions of the Convertible Notes as amended by the Deed of Variation.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the outstanding Convertible Notes by the Noteholder at HK\$0.035 per Share, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the outstanding Convertible Notes at HK\$0.035 per Share are illustrated as follows:

Name	As at the		Immediately upon full	
	Latest Practicable Date		conversion of the outstanding	
	Convertible Notes at		Conversion Price (Note 1)	
	<i>No. of</i>	<i>Approximately</i>	<i>No. of</i>	<i>Approximately</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Li (or the Noteholder)	1,742,985,823	14.57	10,382,985,823	50.39
Smart Number Investments Limited (Note 2)	612,400,000	5.12	612,400,000	2.97
Public Shareholders	9,611,312,759	80.31	9,611,312,759	46.64
Total:	11,966,698,582	100.00	20,606,698,582	100.00

Notes:

1. It is for illustration purpose only as Mr. Li and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the S&P Agreement.
2. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 Shares owned by Smart Number Investments Limited which is a company incorporated in the BVI. The entire issued share capital of Smart Number Investments Limited is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Chun On (the son of Mr. Lam Yat Keung).

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and trading of electronic and electrical parts and components.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of the Terms has been submitted to the Stock Exchange by the Company. On 16 December 2014, the Stock Exchange confirmed its approval of the proposed Alternation of the Terms subject to approval by the Independent Shareholders at the SGM.

Mr. Li is interested in approximately 14.57% of the issued share capital of the Company and a substantial Shareholder as at the Latest Practicable Date. As Mr. Li is a connected person of the Company, the entering into of the Deed of Variation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Deed of Variation and transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been established to give recommendations to the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder has been set out on pages 13 to 14 of this circular.

Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and a letter from Investec to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Deed of Variation and the transactions contemplated thereunder has been set out on pages 15 to 29 of this circular.

LETTER FROM THE BOARD

SGM

Set out on pages 34 to 35 of this circular is a notice convening the SGM to be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on Friday, 9 January 2015 at 3:00 p.m. at which relevant resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder. Mr. Li together with his associates, held 1,742,985,823 issued Shares, representing approximately 14.57% of the issued share capital of the Company as at the Latest Practicable Date are required to abstain from voting in respect of the resolution approving the Deed of Variation and the transactions contemplated thereunder at the SGM. Saved as disclosed, no other Shareholders or Directors have material interest in the Deed of Variation and the transactions contemplated thereunder and are required to abstain from voting at the SGM.

Approval of the Independent Shareholders by way of poll is proposed to be sought at the SGM in respect of the Deed of Variation and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the meeting if they so wish.

RECOMMENDATION

With reference to the "Reasons for and Benefits of Entering into the Deed of Variation" as stated above, the Board (excluding the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" in this circular) considers that the terms of the Deed of Variation are fair and reasonable and the entering into of the Deed of Variation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed ordinary resolution in relation to the Deed of Variation and the transactions contemplated thereunder as set out in the notice of SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Sino-Tech International Holdings Limited
Lam Yat Keung
President

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code:724)

19 December 2014

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

We refer to the circular dated 19 December 2014 issued by the Company (the “**Circular**”) of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the members of the Independent Board Committee to consider the Deed of Variation and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Deed of Variation. Investec has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from Investec to the Independent Board Committee and the Independent Shareholders, as set out on pages 15 to 29 of the Circular, which contains its advices in respect of the Deed of Variation and transactions contemplated thereunder, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration in giving such advice. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Deed of Variation, the transactions contemplated thereunder and taking account of the independent advice of the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that (i) the terms of the Deed of Variation are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the proposed Alteration of Terms and the granting of the specific mandate are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Deed of Variation and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Ho Chi Fai
Independent non-executive
Director

Ms. Liu Yanfang
Independent non-executive
Director

Professor Ma Hongwei
Independent non-executive
Director

LETTER FROM INVESTEC

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the Deed of Variation prepared for the purpose of incorporation in this circular.



Investec Capital Asia Ltd
Room 3609-3613, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609-3613室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

19 December 2014

To: *The Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ALTERATION OF TERMS OF CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation, details of which are set out in the circular of the Company dated 19 December 2014 (the “**Circular**”), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Deed of Variation and the transactions contemplated thereunder. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 16 November 2009, the Company issued the Convertible Notes in the total principal amount of HK\$950,400,000 for partial settlement of the consideration for the acquisition of CLI. Reference is also made to the announcement of the Company dated 14 November 2014 in relation to the entering into the Deed of Variation to amend certain terms and conditions of the Convertible Notes. As at the Latest Practicable Date, Convertible Notes in an aggregate principal amount of HK\$302,400,000, convertible into Shares at the Original Conversion Price of HK\$0.12 per Share, are outstanding and held by the Noteholder.

LETTER FROM INVESTEC

On 14 November 2014, pursuant to the Deed of Variation, it is agreed that, subject to the fulfilment of conditions precedent, (i) the maturity date of the outstanding Convertible Notes in the aggregate principal amount of HK\$302,400,000 will be extended from 15 November 2014 to 31 December 2016; and (ii) the Original Conversion Price of HK\$0.12 per Share will be adjusted to the Conversion Price of HK\$0.035 per Share. Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. As such, an application for the approval of the Alteration of the Terms has been submitted to the Stock Exchange by the Company. On 16 December 2014, the Stock Exchange confirmed its approval of the Proposed Alteration of the Terms subject to approval by the Independent Shareholders at the SGM.

Mr. Li is interested in approximately 14.57% of the issued share capital of the Company and a substantial Shareholder as at the Latest Practicable Date. As Mr. Li is a connected person of the Company, the entering into of the Deed of Variation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the Deed of Variation and transactions contemplated thereunder are subject to reporting, announcement and the Independent Shareholders' approval requirements pursuant to the Listing Rules.

The SGM will be convened by the Company to consider and, if thought fit, approve the Deed of Variation and the transactions contemplated thereunder by way of poll. Mr. Li together with his associates, held 1,742,985,823 issued Shares, representing approximately 14.57% of the issued share capital of the Company as at the Latest Practicable Date are required to abstain from voting in respect of the resolution approving the Deed of Variation and the transactions contemplated thereunder at the SGM. Saved as disclosed, no other Shareholders or Directors have material interest in the Deed of Variation and the transactions contemplated thereunder and are required to abstain from voting at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ho Chi Fai, Ms. Liu Yanfang, and Professor Ma Hongwei, has been established to advise the Independent Shareholders on the Deed of Variation and the transactions contemplated thereunder. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms and conditions of the Deed of Variation are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) how the Independent Shareholders should vote for the resolution to be proposed at the SGM to in respect of the Deed of Variation and the transactions contemplated thereunder at the SGM.

LETTER FROM INVESTEC

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Deed of Variation and the transactions contemplated thereunder of the Company. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors and/or its senior management staff (the “**Management**”). We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or the Management and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Directors and/or the Management that no material facts have been omitted from the information provided and referred to in the Circular.

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

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PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Deed of Variation, we have taken into consideration the following principal factors:

1. Information on the Group

The Company and its subsidiaries are principally engaged in the manufacturing and trading of electronic and electrical parts and components.

Set out below is a summary of the Group's condensed consolidated operating results and financial position as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report") and the Company's interim report for the six months ended 30 June 2014 (the "2014 Interim Report"):

	For the year ended		For the six months ended	
	31 December		30 June	
	2012	2013	2013	2014
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Continuing operation				
Turnover	572.5	660.4	322.7	304.8
Gross profit	4.8	44.5	23.7	19.0
Loss for the year/period from continuing operation	(80.7)	(23.6)	(5.5)	(16.0)
Discontinued operations				
Loss for the year/period from discontinued operations	(270.3)	(1.1)	(1.1)	–
Loss for the year/period Attributable to owners of the Company	(351.0)	(24.7)	(6.6)	(16.0)
Attributable to non- controlling interests	(11.6)	–	–	–

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	As at 31 December		As at 30 June
	2012	2013	2014
	(Audited)	(Audited)	(Unaudited)
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Total assets	662.1	469.0	426.1
Total liabilities	565.5	397.1	370.1
Net assets	96.6	71.9	56.0

Year ended 31 December 2013

For the year ended 31 December 2013, the Group recorded a turnover from continuing operation of approximately HK\$660.4 million, representing an increase of approximately 15.4% from the turnover of approximately HK\$572.5 million for the year ended 31 December 2012. However, the Group recorded a loss of approximately HK\$270.3 million and HK\$1.1 million from discontinued operations for the years ended 31 December 2012 and 2013, respectively. As the result, the Group recorded a loss of approximately HK\$351.0 million and HK\$24.7 million for the years ended 31 December 2012 and 2013, respectively. As stated in the annual report of the Company for the year ended 31 December 2012, the discontinued operation included the winding-up of CLI. For the year ended 31 December 2013, the loss of the Group from continuing operation was mainly attributable to the imputed interest expenses on convertible notes.

Six months ended 30 June 2014

The Group recorded a turnover from continuing operation of approximately HK\$304.8 million for the six months ended 30 June 2014, representing a decrease of approximately 5.5% from the turnover of approximately HK\$322.7 million for the corresponding period in 2013. However, the Group also recorded a loss of approximately HK\$5.5 million and HK\$16.0 million for the six months ended 30 June 2013 and 30 June 2014, respectively. For the six months ended 30 June 2014, the loss of the Group from the continuing operation was mainly attributable to the imputed interest expenses on convertible notes, the decrease in the profit from the electronic products segment and the compensation for the loss of office by a former director and chief executive officer of the Company.

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As at 30 June 2014, the Group had total assets of approximately HK\$426.1 million, representing a decrease of approximately 9.1% from the total assets as at 31 December 2013 of approximately HK\$469.0 million. As at 30 June 2014, the Group had total liabilities of approximately HK\$370.1 million, representing a decrease of approximately 6.8% from the total liabilities as at 31 December 2013 of approximately HK\$397.1 million. As at 30 June 2014, the Group had net assets of approximately HK\$56.0 million, representing a decrease of approximately 22.1% from the net assets as at 31 December 2013 of approximately HK\$71.9 million. The decrease in net assets was mainly due to the Group's loss for the six months ended 30 June 2014. We further note that, as at 30 June 2014, the Group had Convertible Notes with outstanding aggregate principal amount of HK\$302.4 million, however, the Group had bank balances and cash of approximately HK\$55.8 million.

2. Reasons for and benefits of entering into the Deed of Variation

As stated in the Letter from the Board, under the original terms and conditions, the outstanding unsecured Convertibles Notes in an aggregate principal amount of HK\$302,400,000 with the Original Conversion Price of HK\$0.12 per Share bore no interest and matured on 15 November 2014.

As set out in the 2013 Annual Report and in the 2014 Interim Report, the Group did not forecast that it could fully redeem the outstanding Convertible Notes by the maturity date (i.e. 15 November 2014). The Noteholder indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent. On this basis, the consolidated financial statements for the year ended 31 December 2013 and the six months ended 30 June 2014 had been prepared on a going concern basis.

Notwithstanding the above, the Group recorded net loss attributable to owners of the Company for the past five financial years and more recently incurred a loss of approximately HK\$24.7 million for the year ended 31 December 2013 and further losses of approximately HK\$16.0 million for the six months ended 30 June 2014. As per the 2014 Interim Report, the Company engaged Asian Capital, the financial adviser to the Company, to negotiate with the Noteholder, and at the same time, the Company had also considered fund raising possibilities. The Directors were hopeful that the issue relating to the outstanding Convertible Notes would be resolved amicably, thus the condensed consolidated financial statements for the six months ended 30 June 2014 had been prepared on a going concern basis.

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As set out in the Letter from the Board, in view of the recent financial performance and the financial position of the Group, the Company had not been able to secure any funds on terms acceptable to the Company to redeem the outstanding Convertible Notes. Although there are imputed interest expenses on the Convertible Notes charged against the Company's profit and loss accounts, there is no cash flow implication as the Convertible Notes are zero coupon and do not carry any interest charges.

As at 30 June 2014, the Group's total assets were approximately HK\$426.1 million, which comprised primarily of inventories of approximately HK\$117.8 million and trade and bills receivables of approximately HK\$201.2 million. As at 30 June 2014, the Group had bank balances and cash of approximately HK\$55.8 million. The Board is of the view that these assets are operational in nature and should not be liquidated for the purpose of funding the redemption of the outstanding Convertible Notes. As set out in the Letter from the Board, pursuant to terms of the Deed of Variation, the outstanding Convertible Notes will mature on 31 December 2016, which will relieve the pressure on the Company to seek urgent funding to redeem the outstanding Convertible Notes. In addition, we also note that the Company will continue to seek fund raising possibilities in the debt or capital markets to redeem the outstanding Convertible Notes.

In addition, as set out above and in the Letter from the Board, the Company has through its financial adviser negotiated with the Noteholder and understands that the Noteholder is not prepared to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes should the currently proposed restructuring plan fails. Failing a successful restructuring of the indebtedness arising from the now overdue Convertible Notes, the natural consequence for the Company is to accept insolvency as its fate. Therefore, the Directors believe that the change of conversion price of the Convertible Notes represents the only option currently available to the Company to avert liquidation.

Notwithstanding that the Conversion Price is lower than the Original Conversion Price and the prevailing market price of the Shares, it represents a significant premium to the unaudited net assets value per Share as at 30 June 2014 of HK\$0.0047 per Share. The Conversion Price will provide incentive to the Noteholder to consider the option of converting part or all of the outstanding Convertible Notes, subject to compliance with the relevant rules and regulations, which in turn may improve the financial position of the Group by capitalising liabilities.

We note that the maturity date of the outstanding Convertible Notes is 15 November 2014 before the Alteration of Terms becomes effective. As mentioned in the 2013 Annual Report and the 2014 Interim Report, the Noteholder indicated that he would not request the Company to redeem the outstanding Convertible Notes prior to 31 December 2014 causing the Company to be insolvent. In order to safeguard the interests of the

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Shareholders and the Company from a possible liquidation as a result of the default of the outstanding Convertible Notes, we are of the view that it is necessary for the Company to take reasonable steps to improve its financial position as early as possible.

Save for entering into the Deed of Variation, we note that the Company has, through its financial adviser, discussed alternatives with the Noteholder to avoid the default of the outstanding Convertible Notes. However, as mentioned above, the Noteholder is not prepared to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes in the event that the currently proposed plan fails. In addition, the Company has also considered other financing methods to improve its current financial position, which will be discussed as below paragraph under headed “4. Other alternative methods of financing”.

3. Principal terms of the Deed of Variation

The principal terms of the Deed of Variation are summarised below.

i. Alteration of Terms

Pursuant to the Deed of Variation entered into between the Company and the Noteholder on 14 November 2014, it is agreed that (i) the maturity date of the outstanding Convertible Notes will be extended from 15 November 2014 to 31 December 2016; and (ii) the Original Conversion Price of HK\$0.12 per Share will be adjusted to the Conversion Price of HK\$0.035 per Share.

Save for the above proposed alteration, all other terms and conditions of the outstanding Convertible Notes shall remain unchanged.

The Alteration of Terms was arrived at after arm’s length negotiations between the Company and the Noteholder with reference to, among others, (i) existing financial condition and resources of the Group; (ii) the prevailing market price of the Shares; and (iii) the net assets value per Share as at 30 June 2014.

ii. Conversion Price

The Conversion Price of HK\$0.035 per Share represents:

- i) a discount of approximately 25.53% to the closing price of the Shares of HK\$0.0470 per Share as quoted on the Stock Exchange on 14 November 2014, being the date of the Deed of Variation;

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- ii) a discount of approximately 24.57% to the average closing price of approximately HK\$0.0464 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Deed of Variation;
- iii) a discount of approximately 10.26% to the closing price of HK\$0.0390 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- iv) a premium of approximately 644.68% to the unaudited net assets value attributable to the equity Shareholders of approximately HK\$0.0047 per Share as at 30 June 2014 based on the unaudited net assets value attributable to the equity Shareholders of approximately HK\$55,979,000 as at 30 June 2014 and 11,966,698,582 Shares in issue as at the date of the Deed of Variation.

iii. Comparable analysis

In order to assess the fairness and reasonableness of the terms and conditions of the Convertible Notes under the Deed of Variation, we have taken reasonable steps to identify 30 recent transactions involving issuance of convertible bonds/notes by the companies listed on the main board of the Stock Exchange as announced within three months prior to the date of the announcement (i.e. 14 November 2014) and up to the Latest Practicable Date (the “**Comparables**”) and to compare the terms of the Convertible Notes under the Deed of Variation. Independent Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparables, therefore, the Comparables are only used to provide a general reference for the common market practice in recent issuance of convertible bonds/notes by the companies listed on the main board of the Stock Exchange. Set out below is the summary of the Comparables.

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Date of announcement	Company name (stock code)	Maturity (years)	Interest per annum (approximately) (%)	Approximate premium/ (discount) of relevant conversion price over/to the closing price of the relevant shares as at the relevant last trading day prior to the release of the announcement (%)	Approximate premium/ (discount) of conversion price over/to the average closing price of the relevant shares for the relevant last five trading days prior to the release of the announcement (%)	Approximate premium/ (discount) of conversion price over/to the relevant net assets value per share of the issuer prior to the release of the announcement (Note 1) (%)
15/9/2014	Kingworld Medicine Group Limited (1110)	1.5	7.4	(19.8)	(16.0)	N/A
19/9/2014	Mongolia Energy Corporation Limited (276)	5.0	3.0	1.3	1.8	(57.2)
19/9/2014	Legend Strategy International Holdings Group Company Limited (1355)	1.0	8.0	3.9	6.4	47.6
28/9/2014	China Resources and Transportation Group Limited (269)	3.0	9.0	56.9	42.4	N/A
30/9/2014	Blue Sky Power Holdings Limited (6828)	3.0	8.0	1.6	3.4	N/A
3/10/2014	China Aluminium Cans Holdings Limited (6898)	5.0	0.0	1.9	1.7	43.6
7/10/2014	Madex International (Holdings) Limited (231)	1.5	5.0	(3.7)	(15.7)	N/A
7/10/2014	Blue Sky Power Holdings Limited (6828)	3.0	0.0	(7.8)	(5.0)	501.6
9/10/2014	China Renji Medical Group Ltd (648)	1.0	8.0	(13.5)	2.6	N/A
20/10/2014	Chun Wo Development Holdings Limited (711)	3.0	0.0	(11.0) (Note 2)	(6.7) (Note 2)	N/A
21/10/2014	Zhongtian International Limited (2379)	1.0	6.0	(10.8)	(8.6)	N/A
22/10/2014	Golden Meditech Holdings Limited (801)	3.0	5.0	12.0	15.7	(46.6)
24/10/2014	Haitong International Securities Group Limited (665)	5.0	1.3	30.2	33.6	N/A
28/10/2014	Shunfeng Photovoltaic International Limited (1165)	3.0	5.0	1.9	1.0	N/A
28/10/2014	National United Resources Holdings Limited (254)	1.0	6.0	0.9	(1.1)	N/A
31/10/2014	United Photovoltaics Group Limited (686)	3.0	7.5	0.0	10.0	N/A
2/11/2014	FDG Electric Vehicles Limited (729)	3.0	0.0	(9.1)	(2.7)	390.2
3/11/2014	Blue Sky Power Holdings Limited (6828)	3.0	0.0	0.7	(0.2)	547.6
5/11/2014	Sheng Yan Holdings Limited (851)	3.0	8.0	40.0	38.9	N/A

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Date of announcement	Company name (stock code)	Maturity (years)	Interest per annum (approximately) (%)	Approximate premium/ (discount) of relevant conversion price over/to the closing price of the relevant shares as at the relevant last trading day prior to the release of the announcement (%)	Approximate premium/ (discount) of conversion price over/to the average closing price of the relevant shares for the relevant last five trading days prior to the release of the announcement (%)	Approximate premium/ (discount) of conversion price over/to the relevant net assets value per share of the issuer prior to the release of the announcement (Note 1) (%)
20/11/2014	Greater China Holdings Limited (431)	5.0	0.0	(33.7)	(30.2)	207.7
20/11/2014	HC International Inc (2280)	5.0	5.0	20.0	17.0	N/A
20/11/2014	Louis XIII Holdings Limited (577)	10.0	0.0	(23.5)	(25.2)	(65.8)
21/11/2014	Green International Holdings Limited (2700)	3.0	1.3 (Note 3)	(32.0)	(24.4)	N/A
28/11/2014	China Resources and Transportation Group Limited (269)	1.0 – 3.0 (Note 4)	9.0	11.7	9.3	50.4
12/12/2014	Quali-Smart Holdings Limited (1348)	2.0	0.0	(18.0)	(14.5)	N/A
	Maximum	10.0	9.0	56.9	42.4	547.6
	Minimum	1.0	0.0	(33.7)	(30.2)	(65.8)
	Average	N/A	N/A	2.0	2.7	124.7
	Convertible Notes (Note 5)	7.1	0.0	(25.5)	(24.6)	644.7

Source: the announcement and circular of relevant companies published on the Stock Exchange's website

Notes:

1. "N/A" represents that the figures are not available in the announcements of relevant companies or not applicable.
2. According to the circular of the company dated 26 November 2014, the discounts of the conversion price are reference to the last trading day and the last five trading days prior to the release of the memorandum of understanding announcement.
3. The convertible bonds have three tranches, each with a term of three years. The interest rate for the first year, second year and third year of each tranche is 0%, 2% and 2%, respectively.
4. As the company issued six convertible bonds to a number of subscribers with a term varies from 1 year to 3 years, it was treated as six transactions for the purpose of the comparable analysis.
5. The maturity of the Convertible Notes is defined from date of the issuance until 31 December 2016.

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As stated in the above table, we note that the Conversion Price represents (i) a discount of approximately 25.5% to the closing price of the Shares of HK\$0.0470 per Share, which is lower than the average of the Comparables, being a premium of approximately 2.0%, but is within the range of the Comparables, being a premium of approximately 56.9% and a discount of approximately 33.7%; and (ii) a discount of approximately 24.6% to the average closing price for the last five trading days up to and including the date of the Deed of Variation of approximately HK\$0.0464 per Share, which is lower than the average of the Comparables, being a premium of approximately 2.7%, but is within the range of the Comparables, being a premium of approximately 42.4% and a discount of approximately 30.2%. In addition, we consider that the most meaningful comparison with the Conversion Price should be based on the Group's latest available financial position. As discussed above, the Conversion Price represents a significant premium of approximately 644.7% over the unaudited net assets value of the Company of approximately HK\$0.0047 per Share as at 30 June 2014, which is higher than the average of the Comparables, being a premium of approximately 124.7%, and exceeds the range of the Comparables and is notably greater than the highest premium noted from the Comparables of approximately 547.6%. Therefore, we are of the view that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Other alternative methods of financing

As advised by the Directors, the Company has considered alternatives for fund raising means over the past few months in view of the forthcoming capital requirements of the Group in particular the redemption of the outstanding Convertible Notes. However, in light of the deteriorating financial performance of and the financial position of the Group as evidenced in the 2013 Annual Report and the 2014 Interim Report, the Company considers that it is difficult to conduct equity fund raising exercises to redeem the outstanding Convertible Notes. Apart from equity financing, the Company has also considered other financing options such as debt financing to finance the capital requirements of the Group. Having considered the interest expenses which would impose additional cash flow burden to the Group and increased the gearing level of the Group, the Company is of the view that such financing means may not be appropriate to the Group given its current financial position.

Compared to other methods of equity fund raisings or debt financing, and taking into account that (i) the Company will not have sufficient internal financial resources to satisfy its financial obligations to repay the Noteholder of HK\$302.4 million in respect of the outstanding Convertible Notes; (ii) the Company has not been able to identify a financial institution to underwrite new Shares with terms acceptable to the Company given the disappointing business and financial performances of the Company; (iii) any debt financing will further strain the cash flow of the Company; and (iv) the Noteholder is not prepared

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to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes in the event that the currently proposed restructuring plan fails. As such, based on information provided by the Company, we concur with the Directors' view that entering into the Deed of Variation is the only option currently available to the Company to avert liquidation which, in turn, is in the interests of the Company and the Shareholders as a whole.

5. Dilution effect on the shareholding interests of the Shareholders

As stated in the Letter from the Board, assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the outstanding Convertible Notes by the Noteholder at HK\$0.035 per Share, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon full conversion of the outstanding Convertible Notes at HK\$0.035 per Share are illustrated as follows:

Name	As at the		Immediately upon full	
	Latest Practicable Date		conversion of the outstanding	
			Convertible Notes at Conversion	
	<i>No. of</i>	<i>Approximately</i>	<i>No. of</i>	<i>Approximately</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Li (or the Noteholder)	1,742,985,823	14.57	10,382,985,823	50.39
Smart Number Investments Limited (<i>Note 2</i>)	612,400,000	5.12	612,400,000	2.97
Public Shareholders	9,611,312,759	80.31	9,611,312,759	46.64
Total	<u>11,966,698,582</u>	<u>100.00</u>	<u>20,606,698,582</u>	<u>100.00</u>

Notes:

1. It is for illustration purpose only as Mr. Li and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the S&P Agreement.
2. Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 Shares owned by Smart Number Investments Limited which is a company incorporated in the BVI. The entire issued share capital of Smart Number Investments Limited is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Chun On (the son of Mr. Lam Yat Keung).

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Immediately upon Full Conversion, the Noteholder and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes would hold 10,382,985,823 Shares, representing approximately 50.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, compared to approximately 14.57% as at the Latest Practicable Date. However, it is noted from the Letter from the Board that this is for illustrated purpose only as Mr. Li and parties acting in concert with him or successors of the holder(s) of the outstanding Convertible Notes individually will not directly or indirectly control or be interested in Shares of 30% or more in the Company pursuant to the terms of the S&P Agreement. The shareholding interests of (i) Smart Number Investments Limited would be decreased by approximately 2.15 percentage points from approximately 5.12% to approximately 2.97%; and (ii) the public Shareholders would be decreased by approximately 33.67 percentage points from approximately 80.31% to approximately 46.64%.

In light of (i) the financial obligation to repay to the Noteholder of HK\$302.4 million after 31 December 2014 if such date cannot be extended; (ii) the Company will not have sufficient internal financial resources to satisfy its financial obligations to repay the Noteholder of HK\$302.4 million, in particular, given that the Noteholder is not prepared to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes when the currently proposed restructuring plan fails; and (iii) the Group is unable to obtain new fund on terms acceptable to the Company based on its current financial position, we are of the view that the magnitude of the dilution in the Shareholders' interest in the Company is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, in particular, the following:

- (i) the Group recorded net loss attributable to owners of the Company for the past five financial years and more recently recorded losses of approximately HK\$24.7 million and HK\$16.0 million for the year ended 31 December 2013 and the six months ended 30 June 2014, respectively;
- (ii) the Group had bank balances and cash of approximately HK\$55.8 million as at 30 June 2014, which could not fully redeem the outstanding Convertible Notes in the aggregate principal amount of HK\$302,400,000, in particular, given that the Company had not been able to secure alternative funds on terms acceptable to the Company to redeem the outstanding Convertible Notes as at Latest Practicable Date;

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- (iii) the Company has, through its financial adviser, negotiated with the Noteholder and understands that the Noteholder is not prepared to accept any other restructuring plans and will demand full repayment of the outstanding Convertible Notes in the event that the currently proposed restructuring plan fails. In the event that the Company is unable to obtain a successful restructuring of the indebtedness arising from the now overdue Convertible Notes, the likely consequence for the Company is insolvency as its fate;
- (iv) entering into the Deed of Variation is the only valid option available for the Company to avoid possible liquidation or insolvency of the Company as the result of default of the Convertible Notes;
- (v) Conversion Price, representing (i) a discount of approximately 25.5% to the closing price of the Shares of HK\$0.0470 per Share on the date of the Deed of Variation; and (ii) a discount of approximately 24.6% to the average closing price for the last five trading days up to and including the date of the Deed of Variation of approximately HK\$0.0464 per Share, is within the range of the Comparables; and
- (vi) Conversion Price represents a significant premium of approximately 644.7% over the unaudited net assets value attributable of the Company of approximately HK\$0.0047 per Share as at 30 June 2014 and such premium is notably greater than the highest premium noted from the Comparables,

we are of the opinion that the terms and conditions of the Deed of Variation are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Deed of Variation and the transactions contemplated thereunder at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Managing Director
Head of Corporate Finance

Mr. Alexander Tai of Investec is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, involved in and completed various corporate finance advisory transactions in Hong Kong.

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 Company. 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.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which he/she was 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity	Number of shares and underlying shares held	Percentage of shareholding
Mr. Lam Yat Keung (Note 1)	Interest of family	612,400,000	5.12%
Mr. Huang Hanshui (Note 2)	Beneficial owner	86,827,895	0.73%

Notes:

- Mr. Lam Yat Keung, an executive Director, is deemed interested in 612,400,000 Shares owned by Smart Number Investments Limited which is a company incorporated in the BVI. The entire issued share capital of Smart Number Investments Limited is beneficially owned as to 66.67% by Ms. Lam Pik Wah (the spouse of Mr. Lam Yat Keung) and as to 33.33% by Mr. Lam Chun On (the son of Mr. Lam Yat Keung).

2. Mr. Huang Hanshui, an executive Director, has a derivative interest in 86,827,895 Shares pursuant to share options granted to him on 6 December 2010.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or their associates had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (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 he/she was taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors are a director or employee of a company which has 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.

3. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, proposed Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

4. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which had been, since 31 December 2013 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualification of the expert who have given opinions or advices which are contained in this circular:

Name	Qualifications
Investec	a corporation licensed under the SFO for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

Investec has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Investec does not have any shareholding in any member of the Group or 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, Investec does not have any interest, direct or indirect, in any assets which have been, since 31 December 2013 (the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group was made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on business days at the principal place of business in Hong Kong of the Company at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the S&P Agreement;
- (b) the Deed of Variation; and
- (c) this circular.

9. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SPECIAL GENERAL MEETING



SINO-TECH INTERNATIONAL HOLDINGS LIMITED

泰豐國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code:724)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders (the “**Shareholders**”) of Sino-Tech International Holdings Limited (the “**Company**”) will be held at 18th Floor, Times Media Centre, 133 Wan Chai Road, Hong Kong on 9 January 2015 at 3:00 p.m., 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 deed of variation dated 14 November 2014 (the “**Deed of Variation**”) entered into between the Company and Mr. Li Weimin (the “**Noteholder**”), in relation to the proposed alteration of certain terms and conditions of the zero coupon convertible notes in the aggregate principal amount of HK\$950,400,000 due on 15 November 2014 (the “**Convertible Notes**”) (details relating to the Deed of Variation are set out in the circular of the Company dated 19 December 2014 and a copy of the Deed of Variation has been produced to the SGM and marked “A” and initialled by the chairman of the SGM for the purpose of identification) be and is hereby approved, confirmed and ratified;
- (b) subject to the Stock Exchange consenting to the alteration to the terms and conditions of the Convertible Notes and the Stock Exchange granting approval for the listing of, and permission to deal in, the shares of the Company that may be issued pursuant to the alteration to the terms and conditions of the Convertible Notes (the “**Conversion Shares**” and each a “**Conversion Share**”), the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and otherwise deal with the Conversion Shares which may be allotted and issued by the Company upon the exercise of the conversion right attaching to the outstanding Convertible Notes in the principal amount of HK\$302,400,000 at the conversion price of HK\$0.035 per Conversion Share in accordance with the terms and conditions of the Convertible Notes as varied by the Deed of Variation, provided that

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

the Specific Mandate shall be in addition to and shall not prejudice nor revoke the existing general mandate granted to the Directors by the Shareholders in the annual general meeting of the Company held on 9 June 2014, and to do all such things and acts and execute all such documents in connection with the issue and allotment of the Conversion Shares; and

- (c) any one Director be and is hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of such Director, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Deed of Variation and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company.”

By Order of the Board
Sino-Tech International Holdings Limited
Lam Yat Keung
President

Hong Kong, 19 December 2014

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. 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/her/it to attend and vote on his/her/its 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. In order to be valid, a form of proxy together with (if required by the board of directors of the Company) 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 branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the 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 SGM and, in such event, the form of proxy shall be deemed to be revoked.