
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in ICube Technology Holdings Limited (the "Company"), you should at once hand this circular and the accompanying 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 the transferee.

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

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ICube Technology Holdings Limited

中國微電子科技集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 139)

PROPOSED RIGHTS ISSUE AT A SUBSCRIPTION PRICE OF HK\$0.10 ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE AND NOTICE OF SPECIAL GENERAL MEETING

Underwriter of the Rights Issue



FREEMAN SECURITIES LIMITED

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



Halcyon Capital Limited

It should be noted that the Shares will be dealt on an ex-rights basis from 19 August 2013. Dealings in the Rights Shares in the nil-paid form will take place from 30 August 2013 to 6 September 2013 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any Shareholders or other persons contemplating selling or purchasing Rights Shares in the nil-paid form during the period from 30 August 2013 to 6 September 2013 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 30 August 2013 to 6 September 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. **Any Shareholders or other persons contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult their own professional advisers.**

A letter of advice from Halcyon Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 47 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 24 of this circular.

A notice convening the SGM (as defined in this circular) of the Company to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 15 August 2013 at 9:30 a.m. is set out on pages 65 to 66 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return 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, being Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to 4:00 p.m. on the Latest Termination Date to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 13 to 14 of this circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional on all conditions set out on pages 11 to 12 of this circular being fulfilled. If such conditions have not been satisfied in accordance with the Underwriting Agreement on or before the time and dates specified therein, all obligations and liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other. In such event, the Rights Issue will not proceed.

* For identification purpose only

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EXPECTED TIMETABLE

The expected timetable of the proposed Rights Issue is set out below:

2013 (Hong Kong Time)

Latest time for lodging proxy form of SGM (not less than 48 hours prior to time of SGM)	9:30 a.m. on Tuesday, 13 August
Expected date and time of SGM	9:30 a.m. on Thursday, 15 August
Announcement of results of SGM	Thursday, 15 August
Last day of dealings in the Shares on cum-rights basis	Friday, 16 August
Ex-date (the first day of dealings in the Shares on ex-rights basis)	Monday, 19 August
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 20 August
Register of members closes (both days inclusive)	Wednesday, 21 August to Tuesday, 27 August
Record Date	Tuesday, 27 August
Register of members to be re-opened	Wednesday, 28 August
Prospectus Documents to be posted	Wednesday, 28 August
First day of dealings in nil-paid Rights Shares	Friday, 30 August
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 3 September
Last day of dealings in nil-paid Rights Shares	Friday, 6 September
Latest time for acceptance of and payment for Rights Shares and application for excess Rights Shares	4:00 p.m. on Wednesday, 11 September
Latest time for the termination of the Underwriting Agreement	4:00 p.m. on Monday, 16 September
Announcement of allotment results	Wednesday, 18 September
Despatch of certificates for fully-paid Rights Shares and refund cheques	Thursday, 19 September
Expected first date of dealing in fully-paid Rights Shares	Monday, 23 September

EXPECTED TIMETABLE

All times specified in this circular refer to Hong Kong times. Dates stated in this circular for events mentioned in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as appropriate in accordance with the Listing Rules.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“Acceptance Date”	11 September 2013 or such other date as the Underwriter may agree in writing with the Company, as the latest date for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares
“Allied Way”	Allied Way International Limited, a company incorporated in Hong Kong and the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays and public holidays) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	ICube Technology Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Convertible Bond(s)”	the convertible bond(s) in an aggregate outstanding amount of HK\$200 million issued by the Company on 1 December 2010 (as varied by the Deed of Variations dated 8 February 2013)
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares, being in such usual form as maybe agreed between the Company and the Underwriter

DEFINITIONS

“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with the Shares up to a maximum of 20% of the aggregate amount of the share capital of the Company on 17 August 2012
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong currency
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	comprising all independent non-executive Directors established to advise the Independent Shareholders in respect of the proposed Rights Issue
“Independent Financial Adviser”	Halcyon Capital Limited, a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue
“Independent Shareholders”	any Shareholder other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholder other than Directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates
“Independent Third Party (Parties)”	third party (parties) independent of the Company and its connected persons
“Last Trading Day”	25 June 2013, being the date of the Underwriting Agreement
“Latest Practicable Date”	23 July 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Termination Date”	the third Business Day following the Acceptance Date or such other date as the Underwriter may agree in writing with the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on opinions provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Options”	the outstanding share options as at the Latest Practicable Date granted pursuant to the share option scheme adopted by the Company on 27 August 2003 which are exercisable to subscribe for an aggregate of 29,800,000 new Shares with exercise period commencing on or before the Record Date
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue, being in such usual form as may be agreed between the Company and the Underwriter
“Posting Date”	28 August 2013 or such other date as the Underwriter may agree in writing with the Company, as the expected date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders for information only (as the case may be)
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders
“Record Date”	27 August 2013 or such other date as the Underwriter may agree in writing with the Company, as the date by reference to which entitlements to the Rights Issue are expected to be determined

DEFINITIONS

“Rights Issue”	the proposed issue by way of rights on the basis of two Rights Shares for every Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Shares”	Shares to be issued and allotted under the Rights Issue, being 1,355,825,218 Shares based on the Company’s issued share capital as at the Latest Practicable Date, or if the Options are exercised in full, all the convertible portion of the Convertible Bonds is converted into Shares, and the General Mandate is fully utilized on or prior to the Record Date, an aggregate of 2,292,650,866 Shares
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 15 August 2013 for the purpose of approving, inter alia, the Rights Issue
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	with the meaning ascribed thereto in the Listing Rules
“Subscription Price”	HK\$0.10 per Rights Share
“Underwriter”	Freeman Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) regulated activity under the SFO, being the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 25 June 2013 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“%”	per cent.

LETTER FROM THE BOARD

ICube Technology Holdings Limited

中國微電子科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

Executive Directors:

Mr Wong Howard

(Chairman and Chief Executive Officer)

Mr Wong Yat Fai

Independent Non-executive Directors:

Mr Tung Tat Chiu, Michael

Mr Li Chi Ming

Mr Wan Ngar Yin, David

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

Room 1603-05

Harcourt House

39 Gloucester Road

Wanchai, Hong Kong

29 July 2013

To the Shareholders

Dear Sir/Madam

**PROPOSED RIGHTS ISSUE
AT A SUBSCRIPTION PRICE OF HK\$0.10
ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY SHARE
HELD ON THE RECORD DATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

On 25 June 2013, the Company announced that the Company proposed to raise approximately HK\$135.58 million before expenses (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) to approximately HK\$229.27 million before expenses (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized on or before the Record Date) by issuing not less than 1,355,825,218 new Shares and not more than 2,292,650,866 new Shares to the Qualifying Shareholders by way of the Rights Issue at a subscription price of HK\$0.10 per Rights Share on the basis of two Rights Shares for every Share held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) notice convening the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue. Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

PROPOSED RIGHTS ISSUE

Details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	two Rights Shares for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	677,912,609
Number of Rights Shares	:	not less than 1,355,825,218 new Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,292,650,866 new Shares (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized on or before the Record Date)
Subscription Price	:	HK\$0.10 per Rights Share
Number of Rights Shares underwritten by the Underwriter	:	All the Rights Shares except the 280,519,600 Rights Shares that Allied Way and Mr. Wong Howard have irrevocably undertaken to accept or procure acceptance therefor, being not less than 1,075,305,618 new Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,012,131,266 new Shares (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized on or before the Record Date)

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are outstanding Convertible Bonds with the conversion rights attached to the convertible portion (i.e. HK\$100,000,000) at the conversion price of HK\$0.33 (subject to adjustment) which are convertible into an aggregate of 303,030,303 Shares upon full conversion of such conversion rights, and 29,800,000 Options which are exercisable to subscribe for an aggregate of 29,800,000 new Shares with exercise period commencing on or before the Record Date.

Save as disclosed above, as at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares. Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,355,825,218 nil-paid Rights Shares proposed to be provisionally allotted represent 200% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the 1,355,825,218 Rights Shares. The aggregate nominal value of the 1,355,825,218 Rights Shares will be HK\$13,558,252.18.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration by no later than 4:30 p.m. on Tuesday, 20 August 2013.

Holders of the Options who wish to participate in the Rights Issue should exercise the subscription rights attaching to their Options in accordance with the terms of the Share Option Scheme on or before 4:30 p.m. on Tuesday, 20 August 2013 so as to enable them to be registered as members of the Company on or before the Record Date.

Closure of register of members

The register of members of the Company will be closed from 21 August 2013 to 27 August 2013, both days inclusive. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 2 Overseas Shareholders in the United Kingdom and Macau, respectively. The Company is making enquiries regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies of extending the Rights Issue to such Overseas Shareholders.

If, based on legal opinions, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders as soon as practicable. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send PAL and EAF to them.

The Company will continue to ascertain whether there are any other Overseas Shareholders on or before the Record Date and will, if necessary, make further enquiries with its legal advisers in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 20.63% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 27.95% to the average closing price of approximately HK\$0.1388 per Share as quoted on the Stock Exchange for the five consecutive trading days ended on the Last Trading Day;

LETTER FROM THE BOARD

- (c) a discount of approximately 8.00% to the theoretical ex-rights price of approximately HK\$0.1087 per Share based on the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (d) a discount of approximately 9.09% to the theoretical ex-rights price of approximately HK\$0.11 per Share based on the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price which has been set as a discount as described above with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The net price per Rights Share (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) will be approximately HK\$0.0956.

Basis of provisional allotment

The basis of the provisional allotment shall be two Rights Shares for every Share in issue and held at the close of business on the Record Date, being not less than 1,355,825,218 Rights Shares and not more than 2,292,650,866 Rights Shares at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents. Application for all or any part of a provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Fractions of Rights Shares

On the basis of provisional allotment of two Rights Shares for every Share held by the Qualifying Shareholders at the close of business on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the completion of the Rights Issue.

Application for excess Rights Shares

Qualifying Shareholders or transferees of nil-paid Rights Shares may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate

LETTER FROM THE BOARD

remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated based on a sliding scale with reference to the number of the excess Rights Shares applied for (i.e. applications for a smaller number of Rights Shares are allocated with a higher percentage of successful application; whereas applications for a larger number of Rights Shares are allocated with a smaller percentage of successful application), with flexibility to round up or down to whole board lots at the discretion of the Directors. Reference will only be made to the number of excess Rights Shares being applied for but no reference will be made to Rights Shares comprised in applications by PAL or the number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the full number of such excess Rights Shares applied for. No preference will be given to topping up odd lots to whole board lots.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company at the close of business on the Record Date, must lodge all necessary documents with the share registrar of the Company, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for completion of the relevant registration by 4:30 p.m. on Tuesday, 20 August 2013.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 19 September 2013. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 19 September 2013 by ordinary post to the applicants at their own risk.

LETTER FROM THE BOARD

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Both nil-paid Rights Shares and fully-paid Rights Shares will be traded in board lots of 10,000 Shares.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled:

1. the passing of the necessary resolution(s) by the Independent Shareholders at the SGM to approve the Rights Issue and the transactions contemplated under the Underwriting Agreement;
2. the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares, in both nil-paid and fully-paid forms, by no later than the Posting Date;
3. the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by a resolution of the Directors (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies Ordinance;
4. the posting of the Prospectus Documents to the Qualifying Shareholders; and

LETTER FROM THE BOARD

5. the Underwriter having not terminated the Underwriting Agreement in accordance with the terms set out in the Underwriting Agreement.

In the event that the above conditions have not been satisfied on or before 31 December 2013 (or such later date as the Underwriter and the Company may agree in writing), all obligations and liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other parties save for any antecedent breach of the Underwriting Agreement and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENTS

The Underwriting Agreement

The principal terms and conditions of the Underwriting Agreement are summarized as below:

Date	:	25 June 2013
Underwriter	:	Freeman Securities Limited. As at the Latest Practicable Date, an associate of the Underwriter holds 21,050,000 Shares, representing approximately 3.11% of the issued share capital of the Company. The Underwriter and its ultimate beneficial owners are Independent Third Parties
Underwriting commitment of the Underwriter	:	Not less than 1,075,305,618 new Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,012,131,266 new Shares (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized on or before the Record Date)
Commission	:	2.5% of the Subscription Price multiplied by 2,012,131,266 Rights Shares, being the maximum number of the Rights Shares except the 280,519,600 Rights Shares that Allied Way and Mr. Wong Howard have irrevocably undertaken to accept

LETTER FROM THE BOARD

Undertaking by the Company : The Company has given undertakings to the Underwriter that from the date of the Underwriting Agreement until the Record Date it will not issue Shares and not grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares (other than the issue of Shares upon exercise of the Options or the convertible portion of the Convertible Bonds or the issue of Shares pursuant to the General Mandate) without the approval of the Underwriter

The Board considers the terms of the Underwriting Agreement including the commission rate in accordance with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the prevailing market rate. The Directors (including independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Latest Termination Date if:

- (a) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the representations or warranties contained in this Agreement is untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (b)
 - (i) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong, Bermuda or elsewhere;
 - (ii) any change in local, national or international financial, political, industrial or economic conditions;
 - (iii) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;

LETTER FROM THE BOARD

- (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
- (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong, Bermuda or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:-

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, that Underwriter may, in addition to and without prejudice to any other remedies to which the Underwriter may be entitled, by notice in writing to the Company terminate the Underwriting Agreement.

Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine (save for any antecedent breaches thereof) and no party to the Underwriting Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 19 August 2013. Dealings in the Rights Shares in the nil-paid form will take place from 30 August 2013 to 6 September 2013 (both dates inclusive). If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Rights Shares in their nil-paid form during the period from 30 August 2013 to 6 September 2013 (both dates inclusive) who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from 30 August 2013 to 6 September 2013 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

LETTER FROM THE BOARD

IRREVOCABLE UNDERTAKINGS BY ALLIED WAY AND MR. WONG HOWARD

In connection with the proposed Rights Issue, Allied Way and Mr. Wong Howard irrevocably and unconditionally covenant and undertake to the Company that (i) they shall remain the respective beneficial owners of the Shares held on the date of the undertakings and shall not, either directly or indirectly, sell, transfer or otherwise dispose of such Shares or any part thereof to any other party from the date of the undertaking up to (and inclusive of) the Record Date; and (ii) they shall fully take up and pay for, or procure the taking-up and payment of, all of the Rights Shares to be allotted to them under the Rights Issue in respect of such Shares respectively in accordance with the terms and conditions of the Rights Issue.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company after taking into account (amongst others) the effect of the Rights Issue.

Scenario 1:

After taking into account the irrevocable undertakings given by Allied Way and Mr. Wong Howard and assuming no further issue of new Shares and no repurchase of Shares on or before the Record Date:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares (except Allied Way and Mr. Wong Howard take up their Rights Shares pursuant to the irrevocable undertakings given by them) and the Underwriter, Sub-Underwriters and subscribers procured by them take up the Rights Shares to the maximum extent	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Allied Way (Note 1)	136,000,000	20.06	408,000,000	20.06	408,000,000	20.06
Mr. Wong Howard (Note 2)	4,259,800	0.63	12,779,400	0.63	12,779,400	0.63
Mr. Wong Yat Fai (Note 3)	4,259,800	0.63	12,779,400	0.63	4,259,800	0.21
the Underwriter, Sub-Underwriters and subscribers procured by them	-	-	-	-	1,075,305,618	52.87
other public Shareholders	533,393,009	78.68	1,600,179,027	78.68	533,393,009	26.23
Total	677,912,609	100.00	2,033,737,827	100.00	2,033,737,827	100.00

LETTER FROM THE BOARD

Scenario 2:

After taking into account the irrevocable undertakings given by Allied Way and Mr. Wong Howard and assuming further issue of new Shares upon exercising the Options in full, all the convertible portion of the Convertible Bonds fully converted into Shares; fully utilizing the General Mandate, and no repurchase of Shares on or before the Record Date:

Name of Shareholder	Assuming further issue of new Shares upon fully exercising the Options, all the convertible portion of the Convertible Bonds fully converted into Shares; fully utilizing the General Mandate and no repurchase of Shares on or before the Record Date		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholder takes up any of the Rights Shares (except Allied Way and Mr. Wong Howard take up their Rights Shares pursuant to the irrevocable undertakings given by them) and the Underwriter, Sub-Underwriters and subscribers procured by them take up the Rights Shares to the maximum extent	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Allied Way (Note 1)	136,000,000	11.86	408,000,000	11.86	408,000,000	11.86
Mr. Wong Howard (Note 2)	8,459,800	0.74	25,379,400	0.74	16,979,400	0.49
Mr. Wong Yat Fai (Note 3)	6,159,800	0.54	18,479,400	0.54	6,159,800	0.18
the Underwriter and Sub-Underwriters and subscribers procured by them (Note 4)	-	-	-	-	2,012,131,266	58.51
other public Shareholders	995,705,833	86.86	2,987,117,499	86.86	995,705,833	28.96
Total	1,146,325,433	100.00	3,438,976,299	100.00	3,438,976,299	100.00

Notes:

- Allied Way is a company incorporated in Hong Kong and the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca.
- Mr. Wong Howard is the chairman of the Company and an executive Director.
- Mr. Wong Yat Fai is an executive Director.
- On 25 June 2013, the Underwriter entered into separate sub-underwriting letters (the “**Sub-Underwriting Letters**”) with twenty sub-underwriters (collectively the “**Sub-Underwriters**”), namely, YEUNG, Ming Kwong, CHOI, Ka Wing, IP, Cheuk Ho, TSUI, Hung Wai Alfred, WONG, Ying Seung Asiong, SHUM, Ming Choy, CHEUNG, Wing Ping, CHOW, Kam Wah, LAM, Suk Ping, LAM, Wai Ming, PAK, William Eui Won, FU, Ka Cheung, TO, Yuet Sing, AU YEUNG, Kai Chor, HUEN, Chit, KITCHELL, Osman Bin, KWONG, Kai Sing Benny, SHIMAZAKI, Koji, IP, Po Ki, and YU, Man Fung Alice, in respect of the Rights Issue. Each of the Sub-Underwriters (i) is an

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Independent Third Party; and (ii) is not a party acting in concert with the Underwriter and its ultimate beneficial owners. The underwriting commitment of each of the Sub-Underwriters pursuant to the terms of the Sub-Underwriting Letters is approximately 2.93% of the Company's issued share capital as enlarged by the Rights Issue assuming further issue of new Shares upon exercising the Options in full, all the convertible portion of the Convertible Bonds fully converted into Shares, fully utilizing the General Mandate and no repurchase of Shares on or before the Record Date.

The scenarios are for illustrative purpose only. Pursuant to the Underwriting Agreement, the Underwriter declares that it has no intention of becoming, whether by itself or together with the parties acting in concert with it (if any), the controlling shareholder (as defined under the Listing Rules) of the Company as a result of performance of its obligations under the Underwriting Agreement.

As stipulated in the Underwriting Agreement, in the event that the Underwriter or any of the Sub-Underwriters is required to take up the Rights Shares pursuant to their underwriting/sub-underwriting obligations, the Underwriter shall and shall cause the Sub-Underwriters to procure the subscribers to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

REVIEW OF OPERATIONS AND PROSPECTS

For the year ended 31 March 2013, the Group recorded revenue of HK\$15 million. The Group's net loss for the year ended 31 March 2013 was primarily attributable to unrealized loss on the listed securities of HK\$16.2 million in the treasury investments segment.

Performance of the Group's major businesses for the year ended 31 March 2013 and prospects is summarized as below:

a) **Electronics Products**

Crippled by debt crisis in Europe and slow economic recovery in the United States, the Group continued to operate its electronic products trading business in a difficult market environment. Amid the adverse economic conditions and poor customer sentiments in end markets in Europe and United States, the sales demand for electronics products in export market remained very sluggish. Due to the keen price competition, the local sales orders for the electronic accessories was also slow down. For the year ended 31 March 2013, the sales revenue from the electronics products segment decreased by HK\$7.2 million or 31.1% to HK\$15.9 million. The operating loss for this segment for the year ended 31 March 2013 increased by HK\$0.9 million or 24.8% to HK\$4.4 million. In the future, the Group intends to allocate more resources in the trading of new products (such as tablets, net books and mobile internet devices), enhance the product range and strengthen the sales and marketing division. In addition, the Group is also exploring the possibility of carrying out its trading via an internet platform. To complement with the Group's MVP System-on-Chip, the Group will, in particular, put more efforts and resources on trading of high margin computing devices including tablets, net books and mobile internet devices.

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b) Treasury Products

The Group continued to utilize its available funds in treasury investments. For the year ended 31 March 2013, the European debt crisis remained a major risk factor posing a volatile fluctuation of local stock market. With the implementation of quantitative easing monetary policies and fiscal measures taken by US Federal Reserve and European Central Bank, the local stock market rallied and became stable. The treasury investments segment recorded a realized gain on equity investments and available-for-sale investments of HK\$5.6 million, an unrealized loss on equity investments of HK\$16.2 million and a realized loss on disposal of note receivables of HK\$5.4 million for the year ended 31 March 2013. As the global economies will remain weak and the local stock market will become volatile, the Group will continue to diversify its securities portfolio cautiously and adopt more prudent approach in treasury management.

c) Integrated Circuit Technology

According to the report published by the Technology Institute of PwC in February 2013, Mainland China's semiconductor consumption market grew by 14.6% in 2011 to reach US\$151.2 billion, representing 47.0% of the global semiconductor consumption. Much of the growth was the result of Mainland China's dominant position in the production of smartphones and media tablets. Since 2011, Mainland China semiconductor consumption has grown at approximately 24.4% compounded annual growth rate (CAGR) while the total worldwide consumption has grown at a 7.9% CAGR. Mainland China semiconductor consumption continued to outpace all other regions.

As a result of two driving factors, the continuing transfer of worldwide electronic equipment production to Mainland China and the above-average semiconductor content of that equipment, the growth in Mainland China's semiconductor continues to outpace the rest of the world. In 2011, Mainland China's electronic equipment production has also continued to grow, increased by 10.7% and its shares increased to 33.2%, whilst the world production increased by only 6.0% during the same year. The market trend of mobile internet and open-sourced development have continued to have a great impact in guiding the future direction of the market.

The group has continued to place strong research and development efforts on its System-on-Chip (SoC) technology. The core architecture in development is a Multi-Threaded Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is new core architecture for high computation performance based on multi-processing and parallel computing. MVP is an independently developed "China Core" featuring the versatility of a unified processor, combining the capabilities of a central processing unit (CPU) and graphics processing unit (GPU) in one solution for Mainland China's vast consumer electronics market. The Group's development of this new processor architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independent

LETTER FROM THE BOARD

Instruction-Set-Architecture with optimized compiler, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

For the year ended 31 March 2013, the Group intensified its efforts on the escalation and modifications of MVP based SoC products and speed up the introduction of its Unified Processor Unit (UPU) technology into a wide range of end application in the market. In addition to utilizing its UPU technology to provide strategic partners and customers with technical development services, the Group started to kick off the cooperation with manufactures in the development of educational pads and tablets. As a testament to our continued efforts in research and development of MVP based SoC products, the Group continued receiving funding from the reputable government organization to launch its UPU technology on its self-developed SoC.

In 2012, Mainland China claimed about 75% of the worldwide production of mobile phones, at 1.21 billion sets, an increase of 9.2% over 2011. It is expected that Mainland China's mobile phone output will reach 1.28 billion sets in 2013, an increase of 5.8% over 2012. Worldwide smartphone shipments were 787 million sets in 2012 and will increase to 950 million sets in 2013. The global market for tablet computers surged 78.4% year over year, with 128 million of devices shipped in 2012. Worldwide tablet market is expected to reach 190 million units in 2013 and increase to 352.3 million units in 2017. Recognizing this trend, the Group looks forward to contributing to and growing with the market opportunities that are supported by Mainland China's vast semiconductor consumption market with products based on the Harmony Unified Processor Technology.

Looking ahead, the lingering European debt crisis and the slow pace of economic growth in the United States remain the key factor dragging on the global economic recovery. The global economies will remain weak and the broad macroeconomic challenge persists. The Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new business.

REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of the Group consisted of the trading and distribution of electronic products and other merchandise, securities investment and trading, and the research and development of integrated circuit technology.

The gross proceeds from the Rights Issue will be not less than approximately HK\$135.58 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than approximately HK\$229.27 million (assuming (i) no repurchase of Shares; (ii) the Options are exercised in full; (iii) all the convertible portion of the Convertible Bonds is converted into Shares and (iv) the General Mandate is fully utilized on or before the Record Date). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$129.65 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than

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approximately HK\$223.33 million (assuming (i) no repurchase of Shares; (ii) the Options are exercised in full; (iii) all the convertible portion of the Convertible Bonds is converted into Shares and (iv) the General Mandate is fully utilized on or before the Record Date).

The Company intends to apply 50% of the net proceeds from the Rights Issue for further funding the research and development on the Group's Multi-threaded Virtual Pipeline (MVP) based System-on-Chip products and the remaining 50% for the general working capital of the Group.

For 50% of the net proceeds from the Rights Issue intended to be applied on the research and development of the Group's MVP based System-on-Chip products, the intended allocations on research and development expenditure (including engineers' salaries (hardware and software), intellectual property non-recurring engineering (IP NRE), backend consultant and contractor fees), capital expenditure (including fixed assets investments, multi-project wafer (MPW) and full mask production), sales and marketing expenditure (including sales, marketing, commercial expenditure for new product promotions, technology marts and trade shows) and general and administration expenditure are estimated to be approximately 59%, 21%, 12% and 8% respectively.

For the remaining 50% of the net proceeds from the Rights Issue intended to be applied for general working capital, they will be allocated to other business segments of the Group. The Group intends to allocate approximately 5%, 2.5% and 2.5% of the estimated net proceeds from the Rights Issue for expanding its range of electronic products for trading, strengthening its sales and marketing efforts and exploring the possibility of carrying out its trading of electronic products via an internet platform respectively with reference to estimated product design, sampling, testing and inventory costs, product promotion campaigns, marketing and exhibition costs and sales and marketing overhead, and the registration fee and administrative expenses for setting up internet trading platforms and related internet trading arrangements. The remaining estimated net proceeds of the Rights Issue will be utilized for funding the Group's general corporate overheads. If there is any residual cash designated for general working capital unutilized, the Board may choose to utilize it to fund suitable investment opportunities to be identified by the Group.

The Company may utilize the General Mandate subject to market conditions at an appropriate timing (i.e. if a placing agent is procured by the Company in respect of the placing of new Shares under the General Mandate) prior to the lapse of the General Mandate. As of the Latest Practicable Date, there is no discussion, negotiation or arrangement in respect of any fund raising activity under the General Mandate.

The Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity. The Board also believes that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any other fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

POSSIBLE ADJUSTMENTS TO THE CONVERTIBLE BONDS AND THE SHARE OPTIONS

As a result of the Rights Issue, the conversion price and the number of Shares to be issued under the Convertible Bonds and the exercise price and the number of Shares to be issued pursuant to the share option scheme adopted by the Company on 27 August 2003 may be adjusted in accordance with the respective terms and conditions of the Convertible Bonds and the said share option scheme and the Listing Rules or guidelines issued by the Stock Exchange, upon the completion of the Rights Issue and from time to time. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms, as regards the Non-Qualifying Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasized that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

THE SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the proposed Rights Issue.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, an associate of the Underwriter holds 21,050,000 Shares, representing approximately 3.11% of the issued share capital of the Company. As the Underwriter is a party to the Underwriting Agreement, it has a material interest in the Rights Issue. Therefore, the associate of the Underwriter is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue at the SGM.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional upon the approval of the Independent Shareholders by way of poll at the SGM. The Company does not have any controlling Shareholder. As at the Latest Practicable Date, Mr. Wong Howard, an executive Director, holds 4,259,800 Shares, representing approximately 0.63% of the entire issued share capital of the Company. Mr. Wong Yat Fai, an executive Director, holds 4,259,800 Shares, representing approximately 0.63% of the entire issued share capital of the Company. Allied Way, a company which is controlled as to 50% by Mr.

LETTER FROM THE BOARD

Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca, holds 136,000,000 Shares, representing approximately 20.06% of the entire issued share capital of the Company. Accordingly, Mr. Wong Howard, Mr. Wong Yat Fai and Allied Way, together with their respective associates, are required to abstain from voting in favour of the proposed resolutions approving the Rights Issue at the SGM.

Save as disclosed above, none of the Directors nor the chief executive of the Company and their respective associates, hold any Shares and none of the Shareholders are required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM pursuant to the Listing Rules and/or the articles of association of the Company.

Upon approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

A notice convening the SGM is set out on pages 65 to 66 of this circular. The SGM will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 15 August 2013 at 9:30 a.m..

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete 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, being Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM. 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 proxy shall be deemed to be revoked.

RECOMMENDATION

In relation to the Rights Issue, you are advised to read carefully the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on page 24 and pages 25 to 47 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution(s) approving the Rights Issue at the SGM.

Accordingly, the Directors believe that the Rights Issue is in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Independent Shareholders to vote in favour of the aforesaid resolution(s) to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

By order of the Board
ICube Technology Holdings Limited
Wong Howard
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:

ICube Technology Holdings Limited

中國微電子科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

29 July 2013

To the Independent Shareholders

Dear Sirs or Madam,

PROPOSED RIGHTS ISSUE AT A SUBSCRIPTION PRICE OF HK\$0.10 ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 29 July 2013 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice to you and us on pages 25 to 47 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Tung Tat Chiu, Michael
Mr. Li Chi Ming
Mr. Wan Ngar Yin, David
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full letter of a letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, which has been prepared for the purpose of incorporation into this circular.



Halcyon Capital Limited
11/F, 8 Wyndham Street,
Central, Hong Kong

29 July 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO RIGHTS SHARES FOR EVERY SHARE
HELD ON THE RECORD DATE
AT A SUBSCRIPTION PRICE OF HK\$0.10 PER RIGHTS SHARE**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 29 July 2013 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 June 2013, the Board announced that the Company proposed to raise approximately HK\$135.58 million before expenses (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) to approximately HK\$229.27 million before expenses (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date) by issuing not less than 1,355,825,218 new Shares and not more than 2,292,650,866 new Shares to the Qualifying Shareholders by way of the Rights Issue at a subscription price of HK\$0.10 per Rights Share on the basis of two Rights Shares for every Share held on the Record Date and the Rights Issue would not be available to the Non-Qualifying Shareholders.

The Rights Issue is conditional upon, among other things, approval from the Independent Shareholders by way of poll at the SGM on the Rights Issue and the transactions contemplated under the Underwriting Agreement. In accordance with Rule 7.19(6) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As at Latest Practicable Date, there was no controlling Shareholder. Accordingly, (i) Mr. Wong Howard, an executive Director holding 4,259,800 Shares (representing approximately 0.63% of the

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entire issued share capital of the Company); (ii) Mr. Wong Yat Fai, an executive Director holding 4,259,800 Shares (representing approximately 0.63% of the entire issued share capital of the Company); and (iii) Allied Way, a company controlled as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca, holding 136,000,000 Shares (representing approximately 20.06% of the entire issued share capital of the Company), together with their respective associates, are required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM. Furthermore, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, an associate of the Underwriter held 21,050,000 Shares (representing approximately 3.11% of the issued share capital of the Company). As the Underwriter is a party to the Underwriting Agreement, it has a material interest in the Rights Issue. Therefore, the associate of the Underwriter is required to abstain from voting in favour of the proposed resolution to approve the Rights Issue at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Wan Ngar Yin, David, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, whether they are in the interests of the Company and the Shareholders as a whole and whether or not to vote in favour of the Rights Issue. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group, and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, in all material aspects, were true, accurate and complete as at the time they were made and as at the Latest Practicable Date, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the announcements, annual and interim reports of the Company and the Circular.

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We have also discussed with the Directors and/or the management of the Group with respect to the terms of and the reasons for the Rights Issue, and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the management of the Group nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Rights Issue to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background information of the Group

(a) Principal business and historical financial information of the Group

The Group is principally engaged in trading and distribution of electronic products and other merchandise, securities investment and trading, and the research and development of integrated circuit technology.

Set out below is a summary of the consolidated income statement of the Company for the two years ended 31 March 2013 as extracted from the annual report of the Company for the year ended 31 March 2013 (the “**Annual Report**”):

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	For the year ended	
	31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenue		
– Electronic products	15,906	23,097
– Treasury investments	<u>(876)</u>	<u>(33,248)</u>
	15,030	(10,151)
Cost of electronic products sold	(16,044)	(23,108)
Brokerage and commission expenses	<u>(151)</u>	<u>(113)</u>
	(16,195)	(23,221)
	(1,165)	(33,372)
Loss before taxation	(17,723)	(167,486)
Loss for the year	(17,802)	(167,486)
Loss attributable to owners of the Company	(6,199)	(156,601)

As disclosed in the Annual Report, the revenue of the Group for the year ended 31 March 2013 (“**FY2013**”) was approximately HK\$15.0 million, as compared to the negative revenue for the year ended 31 March 2012 (“**FY2012**”) of approximately HK\$10.2 million. The increase in revenue for FY2013 was resulted from the combining effects of: (i) a realised gain on disposal of listed securities investment of approximately HK\$4.0 million for FY2013 as compared to a realised loss on disposal of equity investments of approximately HK\$44.1 million for FY2012; (ii) a decrease in sales of the electronic products from approximately HK\$23.1 million for FY2012 to approximately HK\$15.9 million for FY2013; (iii) interest income from note receivables and convertible notes of approximately HK\$9.0 million for FY2012 while no such income for FY2013; (iv) losses on disposal of note receivables of approximately HK\$5.4 million for FY2013; and (v) a decrease in dividend income from listed equity investments from approximately HK\$1.8 million for FY2012 to approximately HK\$0.5 million for FY2013.

As set out in the Annual Report and as advised by the management of the Group, crippled by debt crisis in Europe and slow economic recovery in the United States, the Group continued to operate its electronic products trading business in a difficult market environment. Amid the adverse economic conditions and poor consumer sentiments in end markets in Europe and United States, the sales demand for electronic products in export market remained very sluggish. The sales orders for the electronic accessories were also slow down in China and

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Hong Kong due to the keen price competition. For the treasury investments segment, as set out in the Annual Report, the European debt crisis remained a major risk factor posing a volatile fluctuation of local stock market and with the implementation of quantitative easing monetary policies and fiscal measures taken by U.S. Federal Reserve and European Central Bank, the local stock market rallied and became stable for FY2013.

The loss attributable to the owners of the Company for FY2013 decreased by approximately 96.0% to approximately HK\$6.2 million, as compared to loss attributable to the owners of the Company of approximately HK\$156.6 million for FY2012. As advised by the management of the Group, such decrease in loss for FY2013 was mainly due to (i) the overall improvement in the Group's operating performance as mentioned above; (ii) the decrease in unrealised loss on the equity investments of approximately HK\$82.1 million in the treasury investments segment; and (iii) the recording of a gain of approximately HK\$49.7 million arising from modification of certain terms and conditions of the Convertible Bonds (the details of the variations of the terms and conditions of the Convertible Bonds are more particularly described in paragraph 1(b) below).

Set out below is a summary of the consolidated statement of financial position of the Company for the two years ended 31 March 2013 as extracted from the Annual Report:

	As at 31 March	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Total non-current assets	14,203	17,357
Total current assets	132,316	180,246
Total current liabilities	13,374	29,109
Total non-current liabilities	136,476	162,248
Net (liabilities)/assets of the Group	(3,331)	6,246
Total equity attributable to owners of the Company	23,420	23,336

The Group had total assets of approximately HK\$146.5 million as at 31 March 2013 comprising mainly equity investments (including both non-current and current portions) of approximately HK\$104.6 million (accounting for approximately 71.4% of the total assets of the Group) and cash and bank balances (excluding restricted bank balances) of approximately HK\$30.7 million (accounting for approximately 21.0% of the total assets of the Group). Total liabilities of the Group as at 31 March 2013 amounted to approximately HK\$149.9 million, comprising mainly the non-convertible portion of the

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Convertible Bonds of approximately HK\$70.5 million (accounting for approximately 47.1% of the total liabilities of the Group) and the convertible portion of the Convertible Bonds of approximately HK\$65.4 million (accounting for approximately 43.6% of the total liabilities of the Group).

It is noted that, an emphasis of matter, without qualifying its opinion, has been included in the independent auditors' opinion as contained in the Annual Report. The Company's independent auditors have drawn attention to note 2.1 to the Company's consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK\$17,802,000 for FY2013, and, as of 31 March 2013, the Group's total liabilities exceeded its total assets by HK\$3,331,000. These conditions, along with other matters as set out in note 2.1 to the Company's consolidated financial statements for FY2013, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. As referred to in note 2.1 to the Company's consolidated financial statements for FY2013, the Directors considered that the deterioration in the Group's net liability position is principally due to its accumulated losses over the years. In view of these circumstances, the Directors have given consideration to the Group's liquidity and the Company's capital base. On 8 February 2013, the Company and the bondholders of the Convertible Bonds entered into a deed of variations (the "**Deed of Variations**"). This resulted in, among other things, the extension of the maturity date of the Convertible Bonds from 30 November 2013 to 30 November 2016 and an option exercisable by the Company to request the bondholders to fully convert a portion of the Convertible Bonds with a principal amount of HK\$100 million into the Shares on the maturity date. Further details on the variations of the terms and conditions of the Convertible Bonds are set out in paragraph 1(b) below. Taking into account the aforesaid and other factors as set out under note 2.1 to the Company's consolidated financial statements for FY2013, the Directors considered that the Company's consolidated financial statements for FY2013 have been appropriately prepared on a going concern basis.

(b) Variations of the terms and conditions of the Convertible Bonds in March 2013

As disclosed in the Company's announcement dated 8 February 2013 and circular dated 1 March 2013, the Company entered into the Deed of Variations with the bondholders of the Convertible Bonds on 8 February 2013 to vary certain terms and conditions of the Convertible Bonds including: (i) extending the maturity date of the Convertible Bonds from 30 November 2013 to 30 November 2016; (ii) making half portion of the Convertible Bonds (i.e. principal amount of HK\$100 million) interest bearing at 2.5% per annum and removing the conversion rights attached thereto; (iii) lowering the conversion price of the convertible portion of the Convertible Bonds (i.e. principal amount of HK\$100 million) to HK\$0.33 per Share; and (iv) giving the Company a right to require mandatory conversion upon maturity of the Convertible Bonds. The Directors considered that such variations have improved the Group's working capital position which enabled it to be in a better position to raise additional funds or capitalize on

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growth opportunities as and when they arise. The Deed of Variations and the proposed amendments contemplated thereunder were duly passed by the Shareholders at the special general meeting of the Company held on 25 March 2013 by way of poll. Accordingly, the Company's audited consolidated financial statements for FY2013 have been prepared on such basis and the relevant variation of the terms and conditions of the Convertible Bonds have been reflected therein.

(c) Business development of the Group

As referred to in paragraph 1(a) above, trading and distribution of electronic products and other merchandise is one of the principal businesses of the Group. Products traded and distributed by the Group primarily included card readers, optical mouse, headsets with microphone and memory cards. For FY2013, the Group recorded a segment revenue of trading of electronic products of approximately HK\$15.9 million, representing a decrease of approximately 31.1% from approximately HK\$23.1 million for FY 2012. The operating loss for this segment for FY2013 increased by approximately HK\$0.9 million or approximately 24.8% to approximately HK\$4.4 million. As advised by management of the Group, in the future the Group intends to allocate more resources to expand its range of electronic products for trading by sourcing computing devices with expected higher margin (including tablets, net books and mobile internet devices), strengthen its sales and marketing efforts and explore the possibility of carrying out its trading of electronic products via an internet platform.

In addition to trading of electronic products, as part of the Group's principal business of research and development of integrated circuit technology, the Group has continued to develop the System-on-Chip ("SoC") technology and the Multi-threaded Virtual Pipeline ("MVP") architecture on a scalable and programmable stream processor core (which is considered to be a new core architecture for high computation performance based on multi-processing and parallel computing). As advised by the management of the Group, there has been continuous innovation in the area of microprocessor design, the key research and development themes of which nowadays are principally focused on high performance under low power, parallel computing on multiple threads, multimedia support and ease of program creation. The management of the Group therefore believes that the fusion of central processing unit ("CPU") and graphics processing unit ("GPU") into one unified processor is an important architecture for satisfying the market demands. In this respect, the Group has identified and, during the past three years, has been developing the MVP parallel computing core which is an unified processor unit ("UPU") that combines traditional CPU and GPU functions by integrating them into one processor pipeline. As advised by the management of the Group, as compared to the common practice of merging separate CPU and GPU modules via on-chip buses, the UPU approach exhibits advantages in hardware resource utilisation, power savings and reduced manufacturing cost without sacrificing performance.

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The Group has intensified its efforts on the escalation and modifications of MVP based SoC products and speeded up the introduction of its UPU technology into a wide range of end application in the market for FY2013. In addition to utilising the Group's UPU technology to provide strategic partners and customers with technical development services, the Group started to explore the cooperation with manufacturers in the development of educational pads and tablets. During the past three years, the Group has been closely reviewed and monitored the progress of the MVP technology project from time to time. As advised by the management of the Group, the Group has incurred research costs and related personnel expenses for the development of the Group's MVP based SoC products of approximately HK\$12.1 million and approximately HK\$20.2 million for FY2012 and FY2013 respectively. The Directors have further advised that the Group will continue to explore opportunities for introducing its MVP based SoC products into the consumer electronics market with a view to broadening the income stream of the Group.

For the treasury investments segment, as set out in the Annual Report and the Letter from the Board, the lingering European debt crisis and the slow pace of economic growth in the United States remain the key factor dragging on the global economic recovery. Given the global economies will remain weak and the broad macroeconomic challenge persists, the Group will continue to be on the alert to diversify its securities portfolio cautiously and to pursue a prudent investment strategy in treasury management.

2. Reasons for the Rights Issue and use of proceeds

The gross proceeds from the Rights Issue will be not less than approximately HK\$135.58 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than approximately HK\$229.27 million (assuming (i) no repurchase of Shares; (ii) the Options are exercised in full; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date). The estimated net proceeds from the Rights Issue will be not less than approximately HK\$129.65 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than approximately HK\$223.33 million (assuming (i) no repurchase of Shares; (ii) the Options are exercised in full; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date).

As described in paragraph 1(a) above, the Group has incurred consecutive losses to the owners of the Company for FY2012 (being approximately HK\$156.6 million) and FY2013 (being approximately HK\$6.2 million). Although the amount of losses has significantly narrowed in FY2013 and the terms and conditions of the Convertible Bonds have been amended and varied in March 2013 by which the Group's financial position has been improved, it is noted that the Group recorded a net liability position of approximately HK\$3.3 million and a total equity attributable to the owners of the Company of approximately HK\$23.4 million as at 31 March 2013. With the net proceeds arising from the Rights Issue, the Directors believe that the Rights Issue

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would strengthen the financial and working capital position of the Group. As set out in the Letter from the Board, the Company intends to apply 50% of the net proceeds from the Rights Issue for further funding the research and development on the Group's MVP based SoC products (the intended allocations on research and development expenditure (including hardware and software engineers' salaries, intellectual property non-recurring engineering costs, backend consultant and contractor fees), capital expenditure (including fixed asset investments, multi-project wafer and full mask production), sales and marketing expenditure (including sales, marketing and commercial expenditures for new product promotions, technology marts and trade shows) and general and administration expenditure are estimated to be approximately 59%, 21%, 12% and 8% respectively), and the remaining 50% for the general working capital of the Group (to be allocated to the Group's other business segments (including the general corporate overheads) and if there is any residual cash unutilized, the Board may choose to utilize it to fund suitable investment opportunities to be identified by the Group).

As described in paragraph 1(c) above, the Group's MVP based SoC products (with new integrated circuit design and technology) integrate two different processor types, CPU and GPU, into one unified core. We have reviewed a report (the "**PwC Report**") published in February 2013 by Technology Institute of PwC, a global research network that studies the business of technology. According to the PwC Report, China's semiconductor consumption market grew by approximately 14.6% in 2011 to reach approximately 47% of the global market. Much of the growth was the result of China's dominant position in the production of smartphones and media tablets. At the same time, China's semiconductor industry grew by approximately 14.4% to reach approximately US\$43.5 billion in 2011. A significant portion of the growth was attributed to China's integrated circuit design or fabless sector, which grew by more than approximately 36% in 2011. Since 2003, the value of semiconductors consumed in China that are used in components of finished products assembled and sold in China has grown from approximately US\$10 billion in 2003 to approximately US\$56 billion in 2011, representing a compounded annual growth rate ("**CAGR**") of approximately 24%. Integrated circuit design is the only segment of China's semiconductor industry that achieved positive year-on-year revenue growth for every year since 2000. China's integrated circuit design sector has grown from less than US\$200 million in 2001 to more than US\$7 billion in 2011, representing a CAGR of approximately 45%. China's fabless semiconductor industry benefited from the booming demand for semiconductors used in cell phones as shipments of mobile handsets designed in China surged by nearly 60% in 2011. According to the PwC Report, for the period of 12th Five-Year Plan (2011-2015), China has launched certain policy initiatives to develop large domestic markets for specific next-generation technologies including, among other things, mobile internet, information-based household appliances, 3C (computing, communications and consumer applications) convergence and cloud computing. The government is also increasingly emphasizing indigenous innovation in government procurement programs in order to reduce dependence on foreign technology.

In addition, as referred to in the Letter from the Board, China claimed about 75% of the worldwide production of mobile phones in 2012, at around 1.21 billion sets, representing an increase of approximately 9.2% over 2011. It is expected that China's

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mobile phone output will reach approximately 1.28 billion sets in 2013, representing an increase of approximately 5.8% over 2012. Worldwide smartphone shipments were approximately 787 million sets in 2012 and will increase to approximately 950 million sets in 2013. The worldwide shipments for tablets were approximately 128 million sets in 2012, representing a year-on-year growth of approximately 78.4%. Worldwide tablet market is expected to reach approximately 190 million shipment units in 2013 and increase to approximately 352.3 million shipment units in 2017. The Group extracted the above information from ResearchInChina, an independent provider of China business intelligence, and a press release published on 26 March 2013 by the International Data Corporation, a global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. Recognising this trend, the Group looks forward to contributing to and growing with the market opportunities that are supported by Mainland China's vast semiconductor consumption market with products based on the UPU Technology.

As further advised by management of the Group, given the business performance of the trading and distribution of electronic products and other merchandise for FY2013 was not satisfactory, the Group intends to allocate more resources to expand its range of electronic products for trading, strengthen its sales and marketing efforts and explore the possibility of carrying out its trading of electronic products via an internet platform with a view to broadening the income stream and the Directors expect that additional working capital is required in this regard. The Directors intend to allocate approximately 5%, 2.5% and 2.5% of the estimated net proceeds of the Rights Issue respectively for the above proposed uses, which were determined with reference to the estimated budgets for these proposals (which include product design, sampling, testing and inventory costs, product promotion campaigns, marketing and exhibition costs and sales and marketing overhead, and the registration fee and administrative expenses for setting up internet trading platforms and related internet trading arrangements), and the remaining estimated net proceeds of the Rights Issue for funding the Group's general corporate overheads. If there is any residual cash designated for general working capital unutilized, the Board may choose to utilize it to fund suitable investment opportunities to be identified by the Group.

Based on our discussion with the management of the Company and the information as set out above, we consider that the Group's intended use of the estimated net proceeds from the Rights Issue is in line with its principal activities and business development strategy.

Moreover, as set out in the Letter from the Board, the Board considers that it is prudent to finance the Group's long-term growth by long-term financing, preferably in the form of equity. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

We understand from the Directors that they have considered other fund raising methods such as placing of new Shares or other convertible securities of the Company and bank borrowings. Given the substantial amount of Shares to be issued, fund raising

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through placing of new Shares would deprive the rights of existing Shareholders to maintain their proportional shareholdings in the Company and cause material dilution to the shareholding of the existing Shareholders. In regard to placing of other convertible securities of the Company, this will increase the Group's gearing position and may create interest payment obligations on the Group which would incur further interest burden to the Group. In addition, the holders of convertible securities may exercise the rights attached to the convertible securities leading to massive dilution to the shareholding interest of the existing Shareholders. Regarding bank borrowings, besides the additional interest burden to be borne by the Group, given the global economic condition and the Group's financial position, operating losses and already high gearing ratio, the Directors are of the view that it is difficult or time consuming for the Group to obtain and even if possible, the interest rate and terms and conditions of the borrowings may not be desirable and affordable by the Group.

Having taken into consideration the aforesaid view of the Directors and in particular the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group, we concur with the Directors that the Rights Issue is an appropriate and feasible financing method currently available to the Company and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Set out below are the principal terms of the Rights Issue as extracted from the Letter from the Board. Further details of the Rights Issue are set out in the Letter from the Board.

(a) *Issue statistics*

Basis of the Rights Issue	:	Two Rights Share for every Share held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	677,912,609 Shares
Number of Rights Shares	:	not less than 1,355,825,218 new Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,292,650,866 new Shares (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date)
Subscription Price	:	HK\$0.10 per Rights Share

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As at the Latest Practicable Date, there were outstanding Convertible Bonds with the conversion rights attached to the convertible portion (i.e. HK\$100,000,000) at the conversion price of HK\$0.33 (subject to adjustment) which are convertible into an aggregate of 303,030,303 Shares upon full conversion of such conversion rights, and 29,800,000 Options which are exercisable to subscribe for an aggregate of 29,800,000 new Shares with exercise period commencing on or before the Record Date. Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming no further issue of new Shares or repurchase of Shares on or before the Record Date, the 1,355,825,218 nil-paid Rights Shares proposed to be provisionally allotted represent 200% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the 1,355,825,218 Rights Shares.

Assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date, the 2,292,650,866 nil-paid Rights Shares proposed to be provisionally allotted represent approximately 338.2% of the Company's issued share capital as at the Latest Practicable Date and approximately 66.67% of the Company's issued share capital as enlarged by the issue of the 2,292,650,866 Rights Shares.

(b) Subscription Price

The Subscription Price of HK\$0.10 per Rights Share represents:

- (a) a discount of approximately 20.63% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 27.95% to the average closing price of approximately HK\$0.1388 per Share as quoted on the Stock Exchange for the five consecutive trading days ended on the Last Trading Day;
- (c) a discount of approximately 8.00% to the theoretical ex-rights price of approximately HK\$0.1087 per Share based on the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (d) a discount of approximately 23.08% to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. The Board considers that the

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terms of the Rights Issue, including the Subscription Price which has been set as a discount as described above with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In analysing the fairness and reasonableness of the Subscription Price, we have undertaken the following analysis:

(i) *Historical price performance and trading liquidity of the Shares*

We have reviewed the highest, lowest and the average daily closing prices of the Shares as quoted on the Stock Exchange in each month from 1 June 2012 up to and including the Latest Practicable Date (the “**Review Period**”):

Month/Period	Highest closing price HK\$	Lowest closing price HK\$	Approximate average daily closing price HK\$
2012			
June	0.420	0.390	0.395
July	0.390	0.360	0.379
August	0.370	0.340	0.358
September	0.375	0.325	0.356
October	0.360	0.335	0.352
November	0.365	0.320	0.349
December	0.335	0.275	0.317
2013			
January	0.340	0.290	0.312
February	0.315	0.225	0.271
March	0.250	0.200	0.222
April	0.216	0.175	0.194
May	0.205	0.155	0.175
June	0.155	0.109	0.143
July (up to and including the Latest Practicable Date)	0.130	0.110	0.117

Source: Bloomberg

Note: The Company completed a capital reorganisation on 26 March 2013 (the “**Capital Reorganisation**”), pursuant to which five shares of the Company then in issue were consolidated into one Share. The details of the Capital Reorganisation were set out in the circular of the Company dated 1 March 2013. Prices of the Share as set out above from 1 June 2012 to 25 March 2013 were adjusted.

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The average daily closing price of the Shares in each month during the Review Period ranged from approximately HK\$0.117 to HK\$0.395 per Share in each month with the highest closing price of HK\$0.420 per Share on 18 June 2012 and 19 June 2012 and the lowest closing price of HK\$0.109 on 26 June 2013. We note that the Company announced its annual results for the year ended 31 March 2012 on 22 June 2012 and the closing price of the Shares was in a general downward trend during the Review Period.

The following table sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

Month/ Period	Total trading volume of the Shares for the month/period <i>(Shares)</i> <i>(Note 1)</i>	Approximate average daily trading volume of the Shares for the month/ period (the “Average Trading Volume”) <i>(Shares)</i> <i>(Note 2)</i>	Approximate % of the Average Trading Volume to total number of Shares in issue as at the Latest Practicable Date <i>(%)</i> <i>(Note 3)</i>	Approximate % of the Average Trading Volume to total number of Shares held by public Shareholders as at the Latest Practicable Date <i>(%)</i> <i>(Note 4)</i>
2012				
June	1,919,240	91,392	0.01%	0.02%
July	3,218,600	153,267	0.02%	0.03%
August	2,715,943	118,084	0.02%	0.02%
September	12,178,048	608,902	0.09%	0.11%
October	20,964,416	1,048,221	0.15%	0.20%
November	4,875,600	221,618	0.03%	0.04%
December	1,416,880	74,573	0.01%	0.01%
2013				
January	760,573	34,572	0.01%	0.01%
February	4,352,200	256,012	0.04%	0.05%
March	6,097,488	304,874	0.04%	0.06%
April	1,090,400	54,520	0.01%	0.01%
May	3,754,648	178,793	0.03%	0.03%
June	2,367,920	124,627	0.02%	0.02%
July (up to and including the Latest Practicable Date)	2,935,100	183,444	0.03%	0.03%

Source: Bloomberg

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Notes:

1. Number of the Shares from 1 June 2012 to 25 March 2013 had been adjusted according to the Capital Reorganisation.
2. The Average Trading Volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended.
3. Based on 677,912,609 Shares in issue as at the Latest Practicable Date.
4. Based on 533,393,009 Shares held by the public Shareholders as at the Latest Practicable Date.

The Average Trading Volume in each month/period during the Review Period ranged from approximately 34,572 Shares to approximately 1,048,221 Shares, representing approximately 0.01% and approximately 0.15% respectively of the total number of the Shares in issue as at the Latest Practicable Date and approximately 0.01% and 0.20% respectively of the total number of Shares held by public Shareholders as at the Latest Practicable Date. As illustrated in the data set out in the table above, the overall trading liquidity of the Shares during the Review Period was generally low.

We note that it is common market practice that, in order to enhance the attractiveness of a rights issue and to encourage the existing shareholders to participate in the rights issue, the subscription price of a rights issue normally represents a discount to the then prevailing market prices of the relevant shares (as illustrated in the section below). Also, in light of the financial performance and financial position of the Group as described in paragraph 1 above and in view that the historical closing price of the Shares showed a decreasing trend and the low trading liquidity of the Shares during the Review Period, it is expected that it would not be attractive for the existing Shareholders to subscribe for the Rights Shares if the Subscription Price was higher than the then prevailing market price of Shares. Taking into account the aforesaid and the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter, we concur with the Directors that the Subscription Price being set at a discount to the then prevailing market prices of the Shares is in line with the general practice and is acceptable.

(ii) Comparison with other rights issue transactions

To further evaluate the fairness and reasonableness of the Subscription Price, we have reviewed all rights issue transactions announced by companies listed on the Stock Exchange (both the Growth Enterprise Market and the Main Board) in the three months preceding the date of the Underwriting Agreement and identified 14 rights issue transactions (the "**Comparables**"). We are of the opinion that the Comparables are fair, sufficient and representative samples to illustrate the recent trend and terms

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of the rights issue transactions under common market practice, even though the Shareholders should note that the businesses, operations and prospects of the Company are not the same as those of the Comparables and we have not conducted any in-depth investigation into the businesses, operations and prospects of the Comparables. The Comparables are hence only used to provide a general reference for the common market practice in rights issue transactions of companies listed on the Stock Exchange. Details of our findings are summarised in the table below:

Company (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price of rights share to the closing price of the share on the last trading day (%) (Note)	Premium/ (discount) of subscription price of rights share to the theoretical ex-rights price (%)	Underwriting commission (%)
Vision Values Holdings Limited (862)	13-Jun-13	1 for 2	(36.31)	(27.54)	2.50
Merdeka Resources Holdings Limited (8163)	11-Jun-13	2 for 5	11.11	7.70	3.50
First Pacific Company Limited (142)	27-May-13	1 for 8	(29.57)	(27.17)	2.30
PICC Property and Casualty Company Limited (2328)	20-May-13	1.1 for 10	(47.25)	(44.66)	Information not available
Qin Jia Yuan Media Services Company Limited (2366)	16-May-13	5 for 1 (after consolidation of every ten existing shares to one new share)	(76.00)	(34.55)	2.50
King Fook Holdings Limited (280)	25-Apr-13	1 for 2	(38.89)	(29.78)	3.00
Celestial Asia Securities Holdings Limited (1049)	23-Apr-13	1 for 2	(50.82)	(40.79)	2.50

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Company (stock code)	Date of announcement	Basis of entitlement	Premium/ (discount) of subscription price of rights share to the closing price of the share on the last trading day (%) (Note)	Premium/ (discount) of subscription price of rights share to the theoretical ex-rights price (%)	Underwriting commission (%)
CITIC Telecom International Holdings Limited (1883)	22-Apr-13	3 for 8	(26.81)	(21.04)	2.00
Heritage International Holdings Limited (412)	11-Apr-13	1 for 2	(41.89)	(32.45)	2.50
Tungtex (Holdings) Company Limited (518)	9-Apr-13	1 for 5	(3.61)	(3.03)	2.50
New Smart Energy Group Limited (91)	8-Apr-13	1 for 10 (after consolidation of every two existing shares to one new share)	(5.80)	(5.32)	3.50
Easyknit Enterprises Holdings Limited (616)	5-Apr-13	3 for 1	(46.52)	(17.90)	1.00
Shui On Land Limited (272)	28-Mar-13	1 for 3	(44.91)	(37.94)	2.75
Fufeng Group Limited (546)	26-Mar-13	1 for 5	(39.80)	(35.52)	2.50
Average			(34.08)	(25.00)	2.54
Maximum			11.11	7.70	3.50
Minimum			(76.00)	(44.66)	1.00
The Company	25-Jun-13	2 for 1	(20.63)	(8.00)	2.50

Source: The Stock Exchange's website (www.hkex.com.hk)

Note: The last trading day of the Comparables means the last full trading day on or immediately before the release of the announcement of the Comparables.

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Based on the above table, we noted that (i) the subscription prices to the closing prices on the respective last trading day of the Comparables ranged from a premium of approximately 11.11% to a discount of approximately 76.00%, with an average at a discount of approximately 34.08%. The discount of the Subscription Price to the closing price of the Shares on the Last Trading Day is approximately 20.63%, which represents a lower discount than the average and falls within the range of the Comparables; and (ii) the subscription prices to the theoretical ex-rights prices of the Comparables (calculated based on their respective closing prices on the last trading day on or immediately before the release of their respective announcements) ranged from a premium of approximately 7.70% to a discount of approximately 44.66%, with an average at a discount of approximately 25.00%. The discount of the Subscription Price to the theoretical ex-rights price of the Share of approximately 8.00%, based on the closing price of the Shares on the Last Trading Day, represents a lower discount than the average but falls within the range of the Comparables.

As set out in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the then prevailing market conditions. In addition, we note that it is common market practice to price a rights issue at a discount to the prevailing market prices of the relevant shares so as to enhance the attractiveness of a rights issue and to encourage subscription by the existing shareholders.

By taking up their provisional allotments of the Rights Shares under the Rights Issue, the Qualifying Shareholders will be able to maintain their respective shareholding interests in the Company and participate in the future development of the Group. As for all rights issues, the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price so long as they are offered an equal opportunity to participate in the exercise.

Having considered (i) the downward trend of the closing price of the Shares and the low trading liquidity of the Shares during the Review Period, which a lower Subscription Price may likely attract the Qualifying Shareholders to participate in the Rights Issue and accordingly to maintain their respective shareholding interests in the Company; ii) it is a normal market practice that the subscription price of a rights issue represents a discount to the prevailing market prices of the relevant shares; and iii) all the Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares, we consider that the respective discounts as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day and to the theoretical ex-rights price of the Shares are justifiable. On this basis, we concur with the Directors that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

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4. The Underwriting Agreement

The Underwriter is Freeman Securities Limited. As set out in the Letter from the Board, Freeman Securities Limited and its ultimate beneficial owners are Independent Third Parties and as at the Latest Practicable Date, an associate of the Underwriter held 21,050,000 Shares, representing approximately 3.11% of the issued share capital of the Company.

The Underwriter has conditionally agreed pursuant to the Underwriting Agreement to underwrite all the Rights Shares except the 280,519,600 Rights Shares that Allied Way and Mr. Wong Howard have irrevocably undertaken to accept or procure acceptance therefor, being not less than 1,075,305,618 new Shares (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 2,012,131,266 new Shares (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilised on or before the Record Date).

As set out in the Letter from the Board, the underwriting commission, being 2.5% of the Subscription Price multiplied by 2,012,131,266 Rights Shares (the maximum number of the Rights Shares except the 280,519,600 Rights Shares that Allied Way and Mr. Wong Howard have irrevocably undertaken to accept or procure acceptance therefor), was determined after arm's length negotiations between the Company and the Underwriter by reference to the prevailing market rate.

As illustrated in the table set out in paragraph 3(b)(ii) headed "Comparison with other rights issue transactions" of this letter, the underwriting commission of the Comparables ranged from 1.0% to 3.5%. Based on the respective rights issue announcements issued by the Comparables, we noted that, the underwriting commission for some of the Comparables were calculated based on the number of the underwritten rights shares as determined on the record date and some were calculated based on the maximum number of the underwritten rights shares underwritten by the respective underwriters. Given the above, we are of the opinion that the underwriting arrangements for the Rights Issue (including the underwriting commission) are in line with the common market practice. Accordingly, we concur with the Directors' view that the terms of the Underwriting Agreement (including the underwriting commission) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Application for excess Rights Issue

As set out in the Letter from the Board, Qualifying Shareholders or transferees of nil-paid Rights Shares may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for.

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The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and
- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated based on a sliding scale with reference to the number of the excess Rights Shares applied for (i.e. applications for a smaller number of Rights Shares are allocated with a higher percentage of successful application; whereas applications for a larger number of Rights Shares are allocated with a smaller percentage of successful application), with flexibility to round up or down to whole board lots at the discretion of the Directors. Reference will only be made to the number of excess Rights Shares being applied for but no reference will be made to the Rights Shares comprised in applications by PAL or the number of Shares held by the Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under the PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the full number of such excess Rights Shares applied for. No preference will be given to topping up odd lots to whole board lots.

We have reviewed the respective rights issue announcements issued by the Comparables and note that three of the Comparables adopted exactly the same allocation principles as that of the Company and nine of the Comparables gave preference to applications for rounding up odd-lot holdings to whole-lot holdings with no intention to abuse such mechanism. Accordingly, we are of the view that the allocation principles adopted by the Company are in line with common market practice and such arrangement is fair and reasonable to the Company and Shareholders as a whole.

6. Potential dilution of the shareholding interests of the Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their proportional shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not take up their provisional allotments under the Rights Issue in full can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares to subscribe for the Rights Shares in the market. In such case, the shareholding interests of such Qualifying Shareholders in the Company will be diluted. Details of such dilution effect are presented in the tables in the section headed "Shareholding structure of the Company" in the Letter from the Board.

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Meanwhile, those Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid Rights Shares in the market; and (ii) apply for the excess Rights Shares by way of excess application of the Rights Shares.

We are aware of the aforementioned potential dilution to the shareholding interests of the Independent Shareholders in the Company. Nonetheless, having considered (i) the Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the SGM; (ii) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not; (iii) the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares in the market; (iv) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for the Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a discounted price as compared to the historical and prevailing market price of the Shares, which is a fair financing method to allow the Qualifying Shareholders to reinvest in the Company, if they so wish to, in priority to other potential investor; and (v) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue, we are of the view that the potential dilution effect on the shareholding interests of the Independent Shareholders in the Company, which may only happen when the Qualifying Shareholders do not take up their provisional allotments under the Rights Issue in full, to be acceptable.

7. Financial effects of the Rights Issue on the Group

(a) *Net tangible assets*

Based on the information set out in the “Pro forma statement of adjusted consolidated net tangible assets of the Group” contained in Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2013 was approximately HK\$23.42 million and the pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (“**Pro Forma NTA**”) after the completion of the Rights Issue, based on 1,355,825,218 Rights Shares to be issued (assuming no issue of new Shares or repurchase of Shares on or before the Record Date) at a subscription price of HK\$0.10 per Rights Share as a result of the estimated proceeds less related expenses generated from the Rights Issue of approximately HK\$129.65 million, would be approximately HK\$153.07 million.

In light of the fact that the Rights Issue would enlarge the capital base of the Company and improve the financial position of the Group, we consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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(b) Gearing position

As at 31 March 2013, the Group's gearing ratio, being the payables of the non-convertible portion and convertible portion of the Convertible Bonds to net worth and the payables of the non-convertible portion and convertible portion of the Convertible Bonds, was approximately 102.5%. Given that the net proceeds from the Rights Issue will increase the cash reserves and therefore the net worth of the Group upon completion of the Rights Issue while the Group's total payables of the non-convertible portion and convertible portion of the Convertible Bonds will remain unchanged, the Group's gearing ratio would be decreased and improved upon completion of the Rights Issue.

(c) Working capital

As noted from the Annual Report, the cash and cash equivalents of the Group (excluding restricted bank balances) were approximately HK\$30.7 million as at 31 March 2013. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$129.65 million and not more than approximately HK\$223.33 million. As 50% of the net proceeds from the Rights Issue will be intended to be applied as general working capital of the Group, the Group's liquidity position would be improved upon completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having considered the principal factors discussed above, including:

- (i) the business and financial performance of the Group;
- (ii) the Group's intended use of the estimated net proceeds from the Rights Issue is in line with its principal activities and business development strategy and all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue to take up their provisional allotments in full to maintain their respective shareholdings in the Company;
- (iii) the Subscription Price has been determined based on arm's length negotiations between the Company and the Underwriter and the discounts as represented by the Subscription Price to the closing price on the Last Trading Day and the theoretical ex-rights price of the Shares fall within the range of the Comparables;
- (iv) the underwriting arrangements for the Rights Issue (including the underwriting commission) are in line with the common market practice;
- (v) the allocation principles for excess Rights Shares are not unusual to other rights issues conducted by the Comparables;

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- (vi) the potential dilution of the effect on the shareholding interests of the Independent Shareholders in the Company, which may only happen when the Qualifying Shareholders do not take up their provisional allotments under the Rights Issue in full, to be acceptable; and
- (vii) the Rights Issue will have positive impact on the net tangible assets, gearing and liquidity position of the Group,

we consider the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue at the SGM.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited

Derek C.O. Chan
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the years ended 31 March 2011 (pages 36 to 126), 2012 (pages 38 to 126) and 2013 (pages 38 to 128) respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.icubetech.com.hk).

2. INDEBTEDNESS

As at the close of business on 31 May 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had unsecured and unguaranteed zero-coupon convertible bonds with an aggregate principal amount of HK\$100,000,000 and unsecured and unguaranteed interest-bearing bonds with an aggregate principal amount of HK\$100,000,000 at interest of 2.5% per annum. For accounting purpose, as at 31 May 2013, the carrying value of liability component of convertible bonds was approximately HK\$66,714,000 and the carrying value of the bonds was approximately HK\$71,999,000. As at 31 May 2013, the Group had a finance lease payable of approximately HK\$62,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2013, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources presently available to the Group and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this circular.

4. 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 31 March 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group attributable to the owners of the Company prepared by the Directors in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the proposed Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 31 March 2013.

This Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

This Unaudited Pro Forma Financial Information is prepared by the Directors based on the audited consolidated statement of financial position of the Group as at 31 March 2013, extracted from the published audited financial statements of the Group for the year ended 31 March 2013 with adjustment described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2013 <i>HK\$'000</i> Note 2	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> Note 3	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets per Share attributable to the owners of the Company as at 31 March 2013 <i>HK\$</i> Note 4	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company immediately after completion of the Rights Issue <i>HK\$</i> Note 5
Issue of Rights Shares based on 1,355,825,218 Rights Shares at subscription price of HK\$0.1 per Rights Share (Note 1)	<u>23,420</u>	<u>129,653</u>	<u>153,073</u>	<u>0.0345</u>	<u>0.075</u>

Notes:

- 1 The Rights Issue of 1,355,825,218 Rights Shares is based on 677,912,609 shares in issue (assuming no issue of new Shares and no repurchase of Shares on or before the Record Date).

2. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 is calculated as follows:

HK\$'000

Audited consolidated net assets of the Group attributable to owners of the Company	23,420
Less: intangible assets	<u>–</u>
Audited consolidated net tangible assets of the Group attributable to the owners of the Company	<u><u>23,420</u></u>

3. Estimated net proceeds from the Rights Issue is calculated as follows:

HK\$'000

Estimated proceeds from the Rights Issue (based on the subscription price of HK\$0.1 per Rights Share and 1,355,825,218 Rights Shares to be issued)	135,583
Less: related expenses	<u>(5,930)</u>
	<u><u>129,653</u></u>

4. Audited consolidated net tangible assets per share attributable to the owners of the Company as at 31 March 2013 before the Rights Issue is calculated as follows:

Audited consolidated net tangible assets of the Group attributable to the owners of the Company	HK\$23,420,000
Number of shares in issue as at 31 March 2013	677,912,609
Audited consolidated net tangible assets per share attributable to the owners of the Company as at 31 March 2013 before the Rights Issue	<u><u>HK\$0.0345</u></u>

5. Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after the Rights Issue (assuming no issue of new Shares and no repurchase of Shares on or before the Record Date) is calculated as follows:

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue	HK\$153,073,000
Number of shares in issue as at 31 March 2013	677,912,609
Number of Rights Shares to be issued	<u>1,355,825,218</u>
Total number of shares immediately after completion of Rights Issue	2,033,737,827
Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after the Rights Issue	<u><u>HK\$0.075</u></u>

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
GROUP**

29 July 2013

The Directors
ICube Technology Holdings Limited
Room 1603-5
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF ICUBE TECHNOLOGY HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of ICube Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 31 March 2013, and related notes (the "Pro Forma Financial Information") as set out on pages 49 to 50 of the circular dated 29 July 2013 (the "Circular") issued by the Company on the proposed rights issue at a subscription price of HK\$0.1 per rights share, on the basis of two rights shares for every share in issue, to raise approximately HK\$129.65 million to HK\$223.33 million (the "Proposed Rights Issue"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages 49 to 50 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Rights Issue of the Company on the Group's net tangible assets as at 31 March 2013 as if the transaction had taken place at 31 March 2013. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2013, on which an audit report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Rights Issue on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Ernst & Young
Certified Public Accountants
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 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.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately following completion of the Rights Issue (assuming no issue of new Shares or repurchase of Shares on or before the Record Date); and (c) assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized, on or before the Record Date.

(a) As at the Latest Practicable Date

<i>Number of shares</i>		<i>Nominal Value HK\$</i>
<i>Authorised:</i>		
<u>60,000,000,000</u>	Shares of HK\$0.01 each	<u>600,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>677,912,609</u>	Shares of HK\$0.01 each	<u>6,779,126.09</u>

(b) Immediately following the completion of the Rights Issue (assuming no issue of new Shares or repurchase of Shares on or before the Record Date)

<i>Number of shares</i>		<i>Nominal Value HK\$</i>
<i>Authorised:</i>		
<u>60,000,000,000</u>	Shares of HK\$0.01 each	<u>600,000,000.00</u>
<i>Issued and to be issued:</i>		
677,912,609	Shares of HK\$0.01 each in issue immediately before completion of the Rights Issue	6,779,126.09
<u>1,355,825,218</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>13,558,252.18</u>
<u>2,033,737,827</u>	Shares in issue immediately after completion of the Rights Issue	<u>20,337,378.27</u>

(c) Immediately following the completion of the Rights Issue (assuming (i) no repurchase of Shares; (ii) the Options are fully exercised; (iii) all the convertible portion of the Convertible Bonds is converted into Shares; and (iv) the General Mandate is fully utilized, on or before the Record Date)

<i>Number of shares</i>		<i>Nominal Value HK\$</i>
<i>Authorised:</i>		
<u>60,000,000,000</u>	Shares of HK\$0.01 each	<u>600,000,000.00</u>
<i>Issued and to be issued:</i>		
1,146,325,433	Shares of HK\$0.01 each in issue immediately before completion of the Rights Issue	11,463,254.33
<u>2,292,650,866</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>22,926,508.66</u>
<u>3,438,976,299</u>	Shares in issue immediately after completion of the Rights Issue	<u>34,389,762.99</u>

All the Rights Shares to be issued will rank pari passu with the Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed in this circular, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive 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 were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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:

(a) Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding (Note 2)
Mr. Wong Howard	Interest of controlled corporation	136,000,000 (Note 1)	20.06%
	Beneficial owner	<u>4,259,800</u>	<u>0.63%</u>
		140,259,800	20.69%
Mr. Wong Yat Fai	Beneficial owner	4,259,800	0.63%

Notes:

- These shares were held by Allied Way. Mr. Wong Howard and his spouse, Ms. Cheung Mei Yee, Rebacca, were deemed to be interested in these 136,000,000 shares of the Company held by Allied Way under Part XV of the SFO.
- The percentage shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date.

(b) Long positions in the underlying Shares – physically settled unlisted equity derivatives

Name of Director	Date of grant	Exercise period	Exercise price per Share (subject to adjustments) <i>HK\$</i>	Number of Shares to be issued upon full exercise of the Options granted to the relevant person
Mr. Wong Howard	18/7/2011	1/1/2012 – 31/12/2016	0.62	1,400,000
	18/7/2011	1/1/2013 – 31/12/2016	0.62	1,400,000
	18/7/2011	1/1/2014 – 31/12/2016	0.62	1,400,000
	18/7/2011	1/1/2015 – 31/12/2016	0.62	1,400,000
	8/1/2013	1/7/2013 – 31/12/2017	0.325	1,400,000
	8/1/2013	1/7/2014 – 31/12/2017	0.325	1,400,000
	8/1/2013	1/7/2015 – 31/12/2017	0.325	1,400,000
	8/1/2013	1/7/2016 – 31/12/2017	0.325	<u>1,400,000</u>
				11,200,000
Mr. Wong Yat Fai	18/7/2011	1/1/2012 – 31/12/2016	0.62	500,000
	18/7/2011	1/1/2013 – 31/12/2016	0.62	500,000
	18/7/2011	1/1/2014 – 31/12/2016	0.62	500,000
	18/7/2011	1/1/2015 – 31/12/2016	0.62	500,000
	8/1/2013	1/7/2013 – 31/12/2017	0.325	900,000
	8/1/2013	1/7/2014 – 31/12/2017	0.325	900,000
	8/1/2013	1/7/2015 – 31/12/2017	0.325	900,000
	8/1/2013	1/7/2016 – 31/12/2017	0.325	<u>900,000</u>
				5,600,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions 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 were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company

which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, 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 any other member of the Group.

(a) Long positions in the Shares

Name	Capacity	Number of Shares	Approximate percentage of shareholding (Note 3)
Allied Way	Beneficial owner	136,000,000 (Note 1)	20.06%
Ms. Rebacca Cheung	Interest held by a controlled corporation	136,000,000 (Note 1)	20.06%
	Interest of spouse	4,259,800 (Note 2)	0.63%
		140,259,800	20.69%

Notes:

- (1) These shares were held by Allied Way. Mr. Wong Howard and his spouse, Ms. Rebacca Cheung, were deemed to be interested in these 136,000,000 shares of the Company held by Allied Way under Part XV of the SFO. Mr. Wong Howard is a director of Allied Way.

The interest of Allied Way is also disclosed as the interest of Mr. Wong Howard in the above section headed "Disclosure of Interests by Directors".

- (2) Ms. Rebacca Cheung was deemed to be interested in 4,259,800 shares of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO.
- (3) The percentage of shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date.

(b) Long positions in the underlying Shares – physically settled unlisted equity derivatives

Name	Capacity	Number of Shares to be issued upon full exercise of the Options granted to the relevant person
Ms. Cheung Mei Yee, Rebacca	Interest of spouse	11,200,000

Note: Ms. Cheung Mei Yee, Rebacca was deemed to be interested in 11,200,000 Options through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO. Details of the Options granted by the Company are set out under the above section headed “Disclosure of Interests by Directors”.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or 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 who was, 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 any other member of the Group or any options in respect of such capital.

5. DIRECTORS’ INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

The following are the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Halcyon Capital Limited	a licensed corporation to carry out business in Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

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

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 date of the Latest Practicable Date and are or may be material:

- (a) the placing agreement dated 5 March 2012 entered into between the Company and Kingston Securities Limited in relation to the placing of a maximum of 564,920,000 shares of the Company at HK\$0.09 per share;
- (b) the conditional deed of variations dated 8 February 2013 entered into between the Company and Chung Nam Securities Limited, Haitong International Securities Nominees Limited and Get Nice Securities Limited (which are holding the Convertible Bonds as nominee for several beneficial owners) respectively in relation to the amendments conditionally agreed by the Company and the holders of the Convertible Bonds to be made to the deed poll dated 1 December 2010 executed by the Company constituting the Convertible Bonds and the terms and conditions of the Convertible Bonds as which were then in force; and
- (c) the Underwriting Agreement.

10. CORPORATE INFORMATION

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Branch Share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorised representatives	Mr. Wong Yat Fai Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong Mr. Szeto Pui Tong, Patrick Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Company secretary	Mr. Szeto Pui Tong, Patrick
Legal adviser to the Company in relation to the Rights Issue	Ching & Solicitors Suite 2201-03, 22nd Floor China United Centre 28 Marble Road North Point, Hong Kong
Auditors	Ernst & Young <i>Certified Public Accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited No. 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

DIRECTORS**Particulars of Directors**

Name	Address
Executive Directors	
Mr. Wong Howard (<i>Chairman & Chief Executive Officer</i>)	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Mr. Wong Yat Fai	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Independent non-executive Directors	
Mr. Tung Tat Chiu, Michael	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Mr. Li Chi Ming	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong
Mr. Wan Ngar Yin, David	Room 1603-05 Harcourt House 39 Gloucester Road Wanchai, Hong Kong

Executive Directors:

Wong Howard, aged 57, is an executive director, the Chairman of the Board, the Chief Executive Officer and the Chairman of both the Executive Committee and Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, Mr. Wong is a director and shareholder of Allied Way, the substantial shareholder of the Company. Mr. Wong joined the Group in February 2000. He has over 20 years of senior management experience in overall strategy, business development and retail chain shops establishment. Mr. Wong had been a Managing Director of a listed company in Hong Kong for two years before joining the Group.

Wong Yat Fai, aged 53, is an executive director and a member of both the Executive Committee and Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wong joined the Group in February 2000. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Prior to joining the Group, Mr. Wong had over 13 years of working experience in an international banking group. He is a non-executive director of C C Land Holdings Limited and Y. T. Realty Group Limited, both being listed on the Main Board of the Stock Exchange.

Mr. Wong resigned as a non-executive director of The Cross-Harbour (Holdings) Limited and Yungang International Limited, both being listed on the Main Board of the Stock Exchange, on 31 December 2012.

Independent Non-executive Directors:

Li Chi Ming, aged 56, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. He joined the Group in February 2000. Mr. Li holds an Honorary Bachelor of Laws (LLB) and Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong, and Master of Laws (LLM) from City University of Hong Kong. He has been a Partner of Messrs Poon, Yeung & Li, Solicitors over 19 years.

Tung Tat Chiu, Michael, aged 51, is an independent non-executive director, the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. He joined the Group in September 2000. Mr. Tung holds a Bachelor of Arts degree in law and accounting from The University of Manchester, U.K.. Mr. Tung is a practicing solicitor in Hong Kong and a China-Appointed Attesting Officer. He is the company secretary of various listed companies in Hong Kong.

Wan Ngar Yin, David, aged 52, is an independent non-executive director and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He joined the Group in September 2004. Mr. Wan holds a bachelor degree in social sciences from The University of Hong Kong and a master degree in business administration from the University of Sydney in Australia. Mr. Wan is a member of the Hong Kong Securities Institute, a member of the CPA Australia, an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of The Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants.

11. MISCELLANEOUS

The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, financial advisory fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$5.93 million on the basis of not less than 1,355,825,218 Rights Shares and not more than 2,292,650,866 Rights Shares to be issued, and will be payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Room 1603-05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (a) the memorandum and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2011, 31 March 2012 and 31 March 2013;
- (c) the letter of advice from the Independent Financial Advisor, the text of which is set out on pages 25 to 47 of this circular;
- (d) the letter from the Independent Board Committee, the full text of which is set out on page 24 of this circular;
- (e) the report on the unaudited pro forma financial information of the Group issued by Ernst & Young, the text of which is set out in Appendix II to this circular;
- (f) the material contracts disclosed in the paragraph under the heading “Material Contracts” in this Appendix; and
- (g) the written consent referred to in the paragraph under the heading “Experts” in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING

ICube Technology Holdings Limited

中國微電子科技集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of ICube Technology Holdings Limited (the “**Company**”) will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 15 August 2013 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the underwriting agreement in respect of the Rights Issue (as defined hereinbelow) dated 25 June 2013 and made between the Company and Freeman Securities Limited (the “**Underwriting Agreement**”) (a copy of which has been produced to the Meeting marked “A” and signed by the Chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment of the conditions set out in the Underwriting Agreement, the allotment and issue of not less than 1,355,825,218 new shares and not more than 2,292,650,866 new shares (the “**Rights Shares**”) of HK\$0.01 each in the share capital of the Company (the “**Shares**”) pursuant to an offer by way of rights to the holders of Shares (the “**Shareholders**”) at the subscription price of HK\$0.10 per Rights Share on the basis of two Rights Shares for every Share held by the Shareholders whose names appear on the register of members of the Company on Tuesday, 27 August 2013 (the “**Record Date**”) as described in further details in a circular issued by the Company dated 29 July 2013 and on and subject to such terms and conditions as may be determined by the directors of the Company (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
- (c) the directors of the Company be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, the directors of the Company may make such exclusions or other arrangements in relation to Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (d) the directors of the Company be and is hereby authorised to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement and to make and agree such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate and in the interests of the Company."

Yours faithfully
By order of the Board
ICube Technology Holdings Limited
Wong Howard
Chairman

Hong Kong, 29 July 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*
Room 1603-05
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more separate proxy(ies) to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 29 July 2013.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting (or any adjournment thereof). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) should they so wish.
4. Where there are joint registered holders of any share in the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, the joint member whose name stands first on the register of members of the Company in respect of such share, or his proxy, shall alone be entitled to vote and will be accepted to the exclusion of other joint registered holder(s) in respect thereof.
5. The votes at the Meeting will be taken by poll.

As at the date of this notice, the board of directors of the Company comprises two executive Directors, namely, Mr Wong Howard and Mr Wong Yat Fai; and three independent non-executive Directors, namely, Mr Tung Tat Chiu, Michael, Mr Li Chi Ming and Mr Wan Ngai Yin, David.