

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 139 OF 2011

IN THE MATTER of sections 15 and 86 of the Companies Law (2010 Revision) (as amended)

AND IN THE MATTER of the Grand Court Rules 1995 Order 102

AND IN THE MATTER of **China Resources Microelectronics Limited**



PETITION

TO: The Grand Court of the Cayman Islands



THE PETITION of **China Resources Microelectronics Limited** shows as follows:

- I. The object of this Petition is to seek:
 - (i) the sanction of the Court, pursuant to section 86 of the Companies Law (2010 Revision) (as amended) (the "Companies Law"), to a proposed scheme of arrangement (the "Scheme of Arrangement") between the petitioner, **China Resources Microelectronics Limited** (the "Company") and the Scheme Shareholders as defined in the draft Scheme of Arrangement attached as Exhibit "WGP-1" to the affirmation of Wang Guoping; and
 - (ii) the confirmation of the Court, pursuant to section 15 of the Companies Law, of the intended reduction of the issued share capital ("Reduction of Capital") of the Company consequent upon the cancellation of the Scheme Shares (as defined in the Scheme of Arrangement) pursuant to the Scheme of Arrangement which is expected to be approved by a special resolution of the shareholders passed at an

extraordinary general meeting of the Company immediately after the Court Meeting referred to herein.

2. The Company was incorporated as an exempted company on 28 January 2003 in the Cayman Islands under the Companies Law with registration number CT-122824.

The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804GT, George Town, Grand Cayman, Cayman Islands. The principal place of business of the Company is at No.14 Liangxi Road, Wuxi, Jiangsu, 214061, The People's Republic of China.

3. As at the date of this Petition, the Company has an authorised and issued share capital of HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of par value HK\$0.10 each (the "Shares"), 8,789,651,708 of which have been issued fully paid-up or credited as fully paid-up and the remainder are unissued.
4. The Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").
5. On the Latest Practicable Date (as defined in the Scheme of Arrangement), assuming no Share Options (as defined in the Scheme of Arrangement) to subscribe for shares are exercised and no Awarded Shares (as defined in the Scheme of Arrangement) are allotted and issued before the Record Time (as defined in the Scheme of Arrangement), the profile of the shareholders of the Company (the "Shareholders") is as follows:

Name of Shareholders or beneficial owner		Number of Shares	%
Gold Touch Enterprises Inc.		5,326,850,822	60.60

Commotra Company Limited		5,000	-
Scheme Shareholders (other than CRH Group)		3,462,795,886	39.4
	Total	8,789,651,708	100

6. On the Latest Practicable Date, on the assumption that all Share Options are exercised and all Awarded Shares (as defined in the Scheme of Arrangement) are allotted and issued before the Record Time, the profile of the Shareholders would be as follows:

Name of Shareholders or beneficial owner		Number of Shares	%
Gold Touch Enterprises Inc.		5,326,850,822	60.5
Commotra Company Limited		5,000	-
Scheme Shareholders (other than CRH Group)		3,477,330,109	39.5
	Total	8,804,185,931	100

7. The objects for which the Company was established are unrestricted and include to carrying on business as an investment company and as an investment holding company and to acquire and hold shares, stocks, debenture stock, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature and wherever constituted or carrying on business, and shares, stock, debenture stock, bonds, obligations and other securities issued or guaranteed by any government, sovereign ruler, commissioner, trust, local authority or other public body, and to vary, transpose, dispose of or otherwise deal with from time to time as may be considered expedient any of the Company's investments for the time being.
8. The purpose of the Scheme of Arrangement is to privatise the Company by cancelling

and extinguishing on the effective date of the Scheme of Arrangement, all of the Scheme Shares (as defined in the Scheme of Arrangement) that is to say all the issued shares in the capital of the Company other than the one share issued to CRH (Microelectronics) Limited as part of the Scheme of Arrangement immediately prior to such cancellation and extinguishment, so that the Company shall, thereafter become a wholly-owned subsidiary of CRH (Microelectronics) Limited (the "Offeror"). In consideration of such cancellation:

- (i) the holders of such cancelled and extinguished Scheme Shares (other than the parent of the Offeror, China Resources (Holdings) Company Limited ("CRH") and its subsidiaries (other than the Company and its subsidiaries) ("CRH Group") which will undertake to elect the Share Alternative only (as defined in the Scheme of Arrangement)), shall receive the Cash Alternative (as defined in the Scheme of Arrangement) or the Share Alternative or a combination thereof, that is to say HK\$0.48 for each Scheme Share in cash or 1 share of US\$0.01 each in the capital of the Offeror for each Scheme Share; and
 - (ii) the Offeror shall issue to CRH, or such member of the CRH Group as CRH may direct, the same number of shares of the Offeror, credited as fully paid, as the CRH Group previously held in the Company less one share of the Offeror already held by the CRH Group which shall be credited as fully paid up at par. In addition, the CRH Group shall subscribe for (and be issued) such further shares in the Offeror at HK\$0.48 per share as shall be necessary to fund the Cash Alternative (which requires the CRH Group to subscribe for (and be issued) the same number of additional shares in the Offeror as the number of Scheme Shares in respect of which the Cash Alternative is to be paid).
9. The Cash Alternative is in excess of the closing prices and the average closing prices of

the Shares as detailed in the explanatory memorandum referred to in the Scheme of Arrangement. The Directors believe, under the current market conditions and based on the past performance of the Scheme Shares preceding the Latest Practicable Date, the Cash Alternative is in excess of the price which the Scheme Shareholders (as defined in the Scheme of Arrangement) might receive for their Scheme Shares in the open market without the Scheme of Arrangement.

10. Since the members of the CRH Group are interested in aggregate in approximately 60.6% of the issued share capital of the Company as at the date hereof, the Directors believe that it is unlikely that the Scheme Shareholders will receive any other offer to acquire their Shares from a third party without the consent of the CRH Group.
11. The directors of the Company also believe the current market capitalisation of the Company may not be sufficient to retain public interest or interest from professional market researchers or analysts or from institutional investors. In addition, although the Group has borrowed and will continue to borrow from commercial banks to finance its business operations on the strength of its own financial position, it has increasingly required the support of CRH in the form of guarantees in order to raise sufficient funds to meet its capital investment requirements. While CRH has indicated that it will continue to support the Company, it has informed the Company that as a publicly listed company it should place less reliance on financial support from its parent and instead have a sufficiently large capital base to support itself. In view of this, if the Scheme of Arrangement is not implemented, it is likely that the Company will seek to refinance maturing debt which is guaranteed by CRH through the issue of shares or other securities, and the Company may or may not be able to raise the necessary funds through such issue which will depend on the then prevailing market conditions. In these circumstances, the directors believe that it is more appropriate that the Company ceases to be a listed company on the Hong Kong Stock Exchange. There will be greater

flexibility in the provision of financial support to the Group by the CRH Group as this will not be constrained by the requirements of The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). Besides, this will enable all the CRH Group's and the Group's interests in semiconductor manufacturing to be consolidated in one holding company, which is anticipated to result in significant cost savings, without constraints arising from the minimum public float requirement of the Listing Rules. The Scheme of Arrangement also offers the public Shareholders an opportunity to realise their investment for cash at a price which is higher than the price ever traded for the last three years and which is at a substantial premium to the price at which the Shares have traded in recent months or which would be supported by its current trading performance, its financing requirements and the immediate prospects of the semiconductor industry both in China and internationally, whilst providing those Shareholders with a longer term investment perspective, and who may wish to retain an interest in the Company, the ability, through the acceptance of the Share Alternative to retain, indirectly, via the Offeror, their proportionate interest in the Company and, therefore, participate in the Company's future development.

12. Given the low liquidity of the Shares, the directors of the Company believe that the Company's ability to raise funds from the equity markets to sufficiently satisfy its funding needs is currently limited and any significant improvement in this regard in the foreseeable future is unlikely. As the Company's listing status does not provide it with a viable fund-raising avenue for its business, the directors of the Company consider that the costs and management resources associated with the maintenance of the Company's listing on the Hong Kong Stock Exchange and its publicly listed status are no longer warranted. The Scheme of Arrangement will also result in a leaner corporate structure and enhance operational efficiency and management accountability.
13. The Company proposes to convene a court meeting in accordance with section 86 of the

Companies Law to be held on or about [●] (the "Court Meeting") at which the following resolution (with such amendments as may be approved at the Court Meeting) will be considered :

"THAT a scheme of arrangement (the "Scheme of Arrangement") dated [●] 2011 between the Company and the holders of the Scheme Shares (as defined in Scheme of Arrangement) in the form of the print thereof which has been produced to the meeting and, for the purpose of identification signed by the chairman of the meeting, or in such other form and on such terms and conditions or may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved."

Each of the capitalised terms referred to in the resolution above are defined in the composite scheme document (the "Composite Scheme Document") exhibited as exhibit "WGP-1" to the first affirmation of Wang Guoping which will be sent to all Scheme Shareholders.

14. Article 59(b) of the Articles of Association of the Company provides as follows:

"The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Law."

15. The Company intends to convene an extraordinary general meeting to take place immediately after the Court Meeting at which it is intended to submit a special resolution to confirm the reduction of capital pursuant to the Scheme of Arrangement and an ordinary resolution to approve the increase of the issued share capital of the Company to the amount prior to the cancellation of the issued shares of the Company and to apply the reserve created as a result of the aforesaid reduction of capital to pay

up in full at par the one new share of the Company issued to the Offeror and to issue to the Offeror such number of new shares of the Company as is equal to the number of issued shares of the Company cancelled less one new share of the Company already issued to the Offeror, credited as fully paid up:

“SPECIAL RESOLUTION

1. **THAT:**

- (a) Pursuant to the scheme of arrangement dated [●] 2011 (the “Scheme of Arrangement”) between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement);
 - (i) the allotment and issue to CRH (Microelectronics) Limited (the “Offeror”) of one share, credited as fully paid, in the capital of the Company (the “New CRM Share”) be and is hereby approved;
 - (ii) the issued share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement which for the avoidance of doubt, excludes the New CRM Share); and
- (b) the directors of the Company be and are hereby authorised to do all acts

and things considered by them to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of capital pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of capital which the Grand Court of the Cayman Islands may see fit to impose.

"ORDINARY RESOLUTION

2. **THAT:**

- (a) subject to and simultaneously with the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the share capital of the Company shall be increased and restored to its former amount by allotting and issuing to CRH (Microelectronics) Limited, credited as fully paid at par, the same number of ordinary shares of HK\$0.10 each in the share capital of the Company as the number of Scheme Shares cancelled and extinguished less the New CRM Share; and
- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied in paying up in full at par the New CRM Share and the shares allotted and issued to CRH (Microelectronics) Limited pursuant to resolution 2(a) above."

16. The Scheme of Arrangement and the Reduction of Capital as described above will not

involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and will have no effect on the creditors of the Company. It is to be noted that the reduction of capital and the increase or restoration of issued share capital of the Company back to the amount prior to the capital of reduction will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business.

17. The form of Minute proposed to be registered is as follows:

*["The issued share capital of **China Resources Microelectronics Limited** was by virtue of a Special Resolution passed on [●] and with the confirmation of an order of the Grand Court of the Cayman Islands dated [●], reduced by the cancellation and extinguishment of all issued shares of par value HK\$0.10 each of the Company other than one share of par value HK\$0.10 registered under the name of CRH (Microelectronics) Limited (the "One Remaining Share") (the "Reduction of Capital"). Simultaneously with the Reduction of Capital, the issued share capital of the Company was increased and restored to HK\$878,965,170.80 by allotting and issuing to CRH (Microelectronics) Limited, credited as fully paid at par, 8,789,651,707 shares of par value HK\$0.10 each and paying up the One Remaining Share at par.*

The authorised share capital of the Company, on the registration of this Minute, is HK\$2,000,000,000 divided into 20,000,000,000 ordinary shares of par value HK\$0.10 each."]

18. Your petitioner, the Company therefore prays as follows:

- (i) That the Scheme of Arrangement of the Company to be approved at the Court Meeting to be convened at the direction of this Honourable Court may be sanctioned by this Honourable Court.

- (ii) That the Reduction of Capital may be confirmed and that the above mentioned minute may be approved by the Court.
- (iii) That the preparation of a list of creditors be dispensed with.
- (iv) That to this end, all necessary inquiries and directions may be made and given.
- (v) That such further or other order be made as this Honourable Court thinks fit.

NOTE: It is intended to serve this Petition on China Resources Microelectronics Limited at its registered office located at Scotia Centre, 4th Floor, P.O. Box 2804GT, George Town, Grand Cayman, Cayman Islands.

DATED this 6th day of August 2011.



CONYERS DILL & PEARMAN
Attorneys-at-Law for the Petitioner herein

Notice of Hearing

This Petition, having been presented to the Court on the 4th day of August 2011, will be heard at the Law Courts, George Town, Grand Cayman on the day of 2011 at a.m. or as soon thereafter as the Petition can be heard.

This Petition was filed by Conyers Dill & Pearman, Attorneys-at-Law for and on behalf of the Petitioner herein whose address for service is that of its said Attorneys-at-Law, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.