

**THIS DOCUMENT AND THE ENCLOSED TENDER FORM AND PROXY FORM, OR FORM OF DIRECTION, AS APPROPRIATE, ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action to take, you are recommended immediately to seek your own professional advice from your stockbroker, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000 (“FSMA”) who specialises in advising upon investments in shares and other securities, or equivalent adviser in your jurisdiction.**

If you have sold or otherwise transferred all of your Ordinary Shares or Depositary Interests in BlueStar SecuTech, Inc., please forward this document and enclosed Proxy Form or Form of Direction, but not the accompanying personalised Tender Form, at once to the purchaser or transferee or the agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares in BlueStar SecuTech, Inc., please contact the bank, stockbroker or other agent through whom the sale or transfer was effected as to the actions you should take.

The Tender Offer is not being made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa. Copies of the Tender Form are not being and must not be mailed or otherwise distributed or sent in or into the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa including to Tender Offer Shareholders with registered addresses in these jurisdictions or to persons whom the Company knows to be trustees, nominees or custodians holding Tender Offer Shares for such persons.

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## **BLUESTAR SECUTECH, INC.**

*(incorporated in the British Virgin Islands under number 1032245 )*

**Proposed cancellation of admission of Ordinary Shares to trading on AIM  
Adoption of new articles of association  
Tender offer to purchase Ordinary Shares  
and  
Notice of a Meeting of Shareholders**

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You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter to Shareholders from the Chairman of BlueStar SecuTech, Inc. which is set out in Part 1 of this document. This letter explains the background to and reasons for the Proposals and contains a recommendation that you vote in favour of the Resolutions to be proposed at the Shareholders’ Meeting.

**The latest time for receipt of TTE instructions in respect of shares represented by Depositary Interests under the Tender Offer is 10 am on 13 November 2013 and for receipt of Tender Forms in respect of certificated shares is 1.00 pm on 13 November 2013 unless extended by means of an announcement through the Regulatory News Service of the London Stock Exchange.**

Notice of a Shareholders’ Meeting of BlueStar SecuTech, Inc. to be held at Room 1410, 14<sup>th</sup> Floor, Tower A, Chengjian Plaza, No. 18 Beitaipingzhuang Road, Haidian District, Beijing 100088, China on 14 November 2013 at 5.00 pm (Beijing time)/9.00 am (London time) is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Shareholders’ Meeting. The Form of Proxy should be completed, signed and returned by post or by hand (during normal business hours only) to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 9.00 am (London time) on 12 November 2013. The completion and return of a Form of Proxy will not affect your right to attend and vote in person at the Shareholders’ Meeting or any adjournment thereof, if you wish to do so. If you do not send in a valid Form of Proxy or attend the Shareholders’ Meeting in person and vote, no one else may vote on your behalf. Depositary Interest Holders will find enclosed a Form of Direction for use in respect of the Shareholders’ Meeting. The Form of Direction should be completed, signed and returned by post or by hand (during normal business hours only) to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 9.00 am (London time) on 11 November 2013. The completion and return of a Form of Direction will not affect your right to attend and vote in person at the Shareholders’ Meeting or any adjournment thereof. Depositary Interest holders wishing to attend the meeting should contact the Depositary at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email to [custodymgt@capitaregistrars.com](mailto:custodymgt@capitaregistrars.com) in order to request a Letter of Representation (to enable them to attend and vote in person at the Shareholders’ Meeting or any adjournment thereof) by no later than 9.00 am (London time) on 11 November 2013.

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## DEFINITIONS

<b>“Act”</b>	the BVI Business Companies Act, 2004 (No.16 of 2004), including the regulations made thereunder
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM rules for companies published by the London Stock Exchange from time to time
<b>“Articles”</b>	the articles of association of the Company as amended from time to time
<b>“Board” or “Directors”</b>	the directors of the Company whose names are set out in Part 1 of this document
<b>“Business Day”</b>	means a day other than a day which is a Saturday, Sunday or public holiday in England
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited
<b>“certificated” or “in certificated form”</b>	a share or other security which is not in uncertificated form (i.e. not in CREST)
<b>“Circular”</b>	this document, including the Notice
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Company”</b>	BlueStar SecuTech, Inc.
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI No. 2001/3755)
<b>“Depositary”</b>	Capita IRG Trustees Limited (Registered No. 2729260) whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
<b>“Depositary Interests”</b>	depositary interests representing Ordinary Shares and issued by the Depositary pursuant to a deed poll executed by the Depositary, further details of which are contained in the CREST International Manual
<b>“Depositary Interest Holder”</b>	a holder of Depositary Interests
<b>“De-listing”</b>	the proposed cancellation of admission of the Ordinary Shares to trading on AIM
<b>“Euroclear”</b>	Euroclear UK and Ireland Limited, the operator of CREST
<b>“FCA”</b>	the Financial Conduct Authority
<b>“Form of Direction”</b>	the form of direction enclosed with this document when sent to Depositary Interest Holders for use in connection with the Shareholders’

	Meeting
<b>“Form of Proxy”</b>	the form of proxy enclosed with this document when sent to holders of certificated Ordinary Shares for use by Shareholders in connection with the Shareholders’ Meeting
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“ISIN”</b>	International Securities Identification Number
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Non-UK Persons”</b>	persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom
<b>“Notice”</b>	the notice of Shareholders’ Meeting set out at the end of this document
<b>“Optionholders”</b>	holders of Options
<b>“Options”</b>	options to subscribe for Ordinary Shares pursuant to the Share Option Scheme, described in more detail in section 7 of Part 1 of this document
<b>“Ordinary Shares”</b>	the ordinary shares of no par value each issued by the Company
<b>“Pounds Sterling” or “£”</b>	the official currency of the UK
<b>“PRC” or “China”</b>	the People’s Republic of China
<b>“Proposals”</b>	the Tender Offer and De-listing
<b>“Receiving Agent”</b>	Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>“Register”</b>	the register of Shareholders maintained by the Registrars
<b>“Registrars”</b>	Capita Registrars (Guernsey) Limited of Mont Crevelt House, Bulwer Avenue, St Sampson, Guernsey, GY2 4LH
<b>“relevant system”</b>	any computer based system and its related facilities and procedures that is provided by an operator and by means of which title to units of a security can be evidenced and transferred without a written instrument
<b>“Resolutions”</b>	the resolutions to be proposed at the Shareholders’ Meeting as set out in the notice at the end of this document
<b>“Restricted Territories”</b>	the United States, Canada, Australia, Japan, the Republic of Ireland and South Africa
<b>“Share Option Scheme”</b>	the BlueStar SecuTech, Inc. Unapproved Share Option Scheme
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Shareholders’ Meeting”</b>	the meeting of Shareholders of the Company convened for 5.00 pm (Beijing time)/ 9.00 am (London time) on 14 November 2013, notice of

which is set out at the end of this document

<b>“Tender Form”</b>	the form enclosed with this document for use by Shareholders who hold Ordinary Shares in certificated form in connection with the Tender Offer
<b>“Tender Offer”</b>	the invitation by the Company to Tender Offer Shareholders to tender Ordinary Shares for purchase by the Company on the terms and subject to the conditions set out in this document and also, in the case of certificated Ordinary Shares, the Tender Form
<b>“Tender Offer Record Date”</b>	5.00 pm on 13 November 2013
<b>“Tender Offer Shareholders”</b>	holders of Tender Offer Shares
<b>“Tender Offer Shares”</b>	Ordinary Shares to which the Tender Offer relates being, in aggregate, the total number of Ordinary Shares in issue as at the Tender Offer Record Date other than those Ordinary Shares in respect of which irrevocable commitments not to participate in the Tender Offer have been given
<b>“TFE Instruction”</b>	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear) made in respect of Depository Interests representing uncertificated Tender Offer Shares
<b>“TTE Instruction”</b>	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear) made in respect of Depository Interests representing uncertificated Tender Offer Shares
<b>“uncertificated”</b>	an Ordinary Share recorded on the Company’s Register as being held by the Depository and represented by Depository Interests held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“uncertified Tender Offer Shares”</b>	Ordinary Shares represented by Depository Interests to which the Tender Offer relates being, in aggregate, the total number of Ordinary Shares held by Capita IRG Trustees Limited as at the Tender Offer Record Date other than those Ordinary Shares in respect of which irrevocable commitments not to participate in the Tender Offer have been given
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“US” or “United States”</b>	the United States of America
<b>“US\$” or “US dollars”</b>	United States Dollars

In this document, words denoting any gender include all genders.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

### 2013

Tender Offer opens	23 October
Latest time for receipt of Forms of Direction	9.00 am (London time) on 11 November
Latest time for receipt of Forms of Proxy	9.00 am (London time) on 12 November
Latest time for receipt of TTE Instructions in respect of Depositary Interests representing uncertificated shares	by 10.00 am (London time) on 13 November
Latest time for receipt of Tender Forms for certificated shares	by 1.00 pm (London time) on 13 November
Record Date for the Tender Offer	5.00 pm (London time) on 13 November
Shareholders' Meeting to approve De-listing	5.00 pm (Beijing time)/ 9.00 am (London time) on 14 November
Announcement of results of the Tender Offer and Shareholders' Meeting	14 November
CREST Account credited with Tender Offer proceeds	21 November
Dispatch of cheques for Tender Offer proceeds	21 November
Last day of trading of Ordinary Shares on AIM	21 November
Ordinary Shares de-listed from AIM	22 November
CREST facilities for Depositary Interest Holders cancelled	22 November

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through the Regulatory News Service of the London Stock Exchange.

All references to times in this document are to London (UK) time unless otherwise stated.

## **PART 1**

### **BlueStar SecuTech, Inc.**

*Registered in the British Virgin Islands with registered number 1032245*

#### *Directors*

Mr. Liu Xiao Chuan, Non-Executive Chairman

Mr. Xiao Gang, Chief Executive Officer

Mr. He CaiGuang, Chief Technological Officer

Mr. Xing Hui Dong, Senior Vice President and Director of Sales Department

Ms. Liu Jin Qing, Senior Vice President and Director of Production Department

Ms. Ping Dan (also known as Antonia Ping), Chief Financial Officer & Company Secretary

Mr. Teo Kean Eek, Non-Executive Director

Mr. Derrick Woolf, Non-Executive Director

23 October 2013

#### *To all Shareholders*

Dear Sir or Madam,

### **Cancellation of admission of Ordinary Shares to trading on AIM**

#### **Adoption of new articles of association**

#### **Tender offer to purchase Ordinary Shares**

#### **Notice of a Meeting of Shareholders**

### **1. Introduction**

On 23 October 2013, the Company announced it was proposing to seek shareholder consent to cancel the admission of the Company's Ordinary Shares to trading on AIM, and would conduct a tender offer for those of the Company's Ordinary Shares not owned by those Shareholders who had agreed in advance not to participate in such tender offer.

As such the Company proposes to:

- (a) cancel the admission of its Ordinary Shares to trading on AIM; and
- (b) purchase Ordinary Shares by way of the Tender Offer.

The Tender Offer applies to a maximum of approximately 23.52 per cent. of the current issued Ordinary Shares. The price to be paid for each Ordinary Share subject to the Tender Offer is 2.5 pence.

This letter sets out the background to and reasons for the Proposals, additional information on the implications of the Proposals for the Company and its Shareholders, and why your Board believes the Proposals to be in the best interests of Shareholders as a whole. Having disclosed their interests in the Company and their intentions with regard to their individual holdings, the Directors also include a unanimous recommendation of the Proposals.

## **2. The De-listing**

### ***Reasons for the De-Listing***

Having carefully considered the overall position of the Company, especially the current trading environment, the Group's operating performance and continued working capital and cash flow management problems, the Board has concluded that the best option is for the Company to seek to cancel its admission to AIM and to continue its strategy away from the public market, at least in the short term.

The Groups's trading difficulties and falling share price have resulted in a position where in the view of the Directors the financial, management and potential reputational costs of maintaining the listing outweigh the benefits of remaining on a public market. The Company is now capitalised at approximately £3 million and the Directors consider that the prospects of raising funds whilst on the AIM market are remote and, furthermore, liquidity in the Ordinary Shares is extremely limited. The estimated costs of maintaining the Company's AIM quote in the region of £150,000 a year are material when compared with the Group's net profit for the year to 31 March 2013 of RMB 3.3 million (approximately £330,000, using an exchange rate as at 21 October 2013).

Whilst the Group's results for the year ended 31 March 2013 saw growth over the comparative figures for the year ended 31 March 2012, the Group's net profit of RMB 3.3 million was significantly below the levels achieved up to and including the financial year ended 31 March 2011. The Group's customers are principally PRC banks and in 2011 the Company announced that it was optimistic and looked forward to continued growth for the business. In November 2011, the Company announced that it was confident of achieving its revenue and profits targets for the year to 31 March 2012. In early February 2012 the Company made a further announcement, ahead of the financial year end of 31 March 2012, that the optimism for the period had dissipated and that the results for the year were likely to be significantly below the Board's forecasts. The outcome for that financial year saw revenues decline by 17 per cent. from the previous year, gross profitability fall by 20 per cent. and net profits decline by 94 per cent. to just over RMB 2 million.

Despite the Company's initiatives, seeking to grow the Group's channel sales business and continuing to seek to win more clients in the banking, police and government security agency sectors, the Company recorded only minor growth in revenues of 5 per cent. in the last full financial year to 31 March 2013, suffered a decline in gross profitability and recorded net profits of approximately RMB 3.3 million. The Company has been reliant upon its lenders' continued support and their provision of increased short term loan facilities to bridge working capital troughs.

The Group has had longstanding problems with working capital management and the collection of receivables. Despite attempts to address the issue, debtor days have been consistently high and have continued to rise. The lengthy customer payment terms are a result of a lack of leverage over the Company's main customers and this is exacerbated by payment structures which mandate that payments fall due on completion of long term projects. The Group's consolidated accounts for the year ended 31 March 2013 stated that trade receivables and accrued income amounted to RMB 254 million with debtor days at that time of approximately 500 days based on reported revenues for the period.

The results and trading updates published by the Company since February 2011 have recognised the Group's on-going difficulties in collecting revenue from its customers. Whilst management has attempted to address the working capital problems through a revised approach to payment terms and changes to the sales and customer mix, the Directors consider that the difficulties in funding working capital remain an obstacle to the Group's growth.

The fall in the Company's share price since November 2011 has reflected the trading updates of the Company's operating performance and challenging trading conditions. In the period since November 2011, the Group has maintained net profitability on an annual basis, but trading conditions remain



difficult, the Group is dependent upon the continued support of its banks and the Directors consider that further cost savings are required, if the Company is to remain profitable.

### ***Current Operating Results***

The Company's last completed financial period was the six months ended on 30 September 2013. Management information for the period indicates that whilst revenues for the period are expected to be between 15-20 per cent. below those for the comparable period ended 30 September 2012, losses for the six month period ended 30 September 2013 are expected to be broadly in line with those for the first half of the financial year ended 31 March 2013.

The Group's issues with the collection of receivables continues with trade payables at 30 September 2013 equating to approximately 667 days' sales (at 30 September 2012: 606 days), based on revenues for the six month period. Whilst the final quarter of the calendar year is traditionally a period of significant cash collection for the Group, the Group's short term bank borrowings in the period to 30 September 2013 have increased significantly from RMB 30 million at 30 September 2012 to RMB 40 million at 31 March 2013, and at 30 September 2013 were RMB 45 million.

Whilst management are confident in the long term prospects for the Group and revenues have recently been second half weighted, the Directors consider that trading conditions remain difficult.

The De-listing will allow the Company to carry on its business without the pressure the Directors believe a quoted company may face to deliver short term performance over long term positioning. Importantly, the Directors also believe that the De-listing will allow executive management based in China more time to focus on driving the business forward. Ultimately, the Board believes that greater shareholder value will be derived by operating the Company's business off-market for the immediate future.

Due to the Company's current working capital and cash flow management problems, the Directors believe the Company is unable to offer Shareholders a price above 2.5 pence for each Ordinary Share purchased under the Tender Offer, which the Company is able to fund from its current banking facilities. The price of 2.5 pence reflects the Company's average share price of 2.51 pence per share during the three months to 30 September 2013. The proposed Tender Offer price does not reflect the recent share price increase from a mid market price of 2.5 pence on 26 September 2013 to a mid market price of 4.13 pence at the close of business on 22 October 2013 (the latest practicable date before the posting of this document). This increase has occurred despite there being no significant uplift in trading volumes for the Ordinary Shares since 26 September 2013. The Directors consider the price to be offered under the Tender Offer to be appropriate given the challenging circumstances confronting the Company and Shareholders' ability to choose whether or not to accept the Tender Offer.

Under the terms of the Proposals, which are subject to Shareholder approval, Tender Offer Shareholders who are registered as such at the Tender Offer Record Date will have the opportunity to offer to sell to the Company all (or some of) the Ordinary Shares registered in their names at the price of 2.5 pence per share. This price is 1.63 pence less than the closing price of 4.13 pence per Ordinary Share on 22 October 2013.

In deciding whether to make an offer to sell Ordinary Shares to the Company, Tender Offer Shareholders should balance the potential of receiving 2.5 pence in cash immediately for each Ordinary Share sold with the uncertainty of being able to realise their investment in the future. Whilst the Directors' objective is to increase Shareholder value, there is no certainty as to whether they will be successful or when a Shareholder may be able to sell Shares in the future or at what value.

### ***Effect of De-listing***

The principal effect of the Proposals and the De-Listing in particular is that Shareholders will no longer be able to buy and sell shares in the Company through a public stock market; that is, liquidity in the Company's shares will be very limited. Upon the De-listing becoming effective, Ordinary Shares shall cease to be available in uncertificated form and shall be withdrawn from CREST. Holders of Ordinary Shares in uncertificated form will then hold those shares in certificated form, for which they will be sent share certificates within 7 days of the CREST facility being withdrawn.

The three non-executive Directors, Mr. Liu Xiao Chuan, Mr. Teo Kean Eek and Mr. Derrick Woolf have agreed with the Board to resign upon the De-listing becoming effective.

The Company also proposes to adopt new articles of association as described in section 5 below.

### ***Summary***

Your Board has accordingly concluded that it is in the best interests of Shareholders as a whole that the De-listing be approved.

The Board believes that it is appropriate to give those Shareholders who are not able or willing to continue to own shares in the Company following the De-listing an opportunity to dispose of their interest in the Company through the Tender Offer more fully described below.

Under the AIM Rules, the De-listing can only be effected by the Company after securing a resolution of Shareholders in a Shareholders' Meeting, whereby at least 75 per cent. of votes cast are in favour of such a resolution, and the expiration of a period of twenty clear Business Days from the date on which notice of the De-listing is given. In addition, a period of at least five clear Business Days following the Shareholder approval of the De-listing is required before the De-listing may be put into effect.

Resolution 1 contained in the Notice seeks Shareholder approval for the De-listing. The Company has received irrevocable undertakings from Shareholders holding 55,686,234 Ordinary Shares, representing approximately 76.48 per cent. of the current issued Ordinary Shares, to vote in favour of the De-listing. Assuming that Shareholders approve this resolution, it is proposed that the De-listing would take place by 22 November 2013.

### **3. Tender Offer**

#### ***Tender Offer***

The Board recognises that not all Shareholders will be able or willing to continue to own Ordinary Shares following the De-listing. Although it is under no formal obligation to do so, the Board is therefore arranging for the Company to provide the Tender Offer Shareholders with the opportunity to sell Ordinary Shares held at the Tender Offer Record Date by means of the accompanying Tender Form (in the case of Tender Offer Shares held in certificated form, that is, not in CREST) or by TTE Instruction (in respect of Tender Offer Shares held in uncertificated form, that is, represented by Depositary Interests in CREST).

The maximum aggregate number of Ordinary Shares which may be purchased in the Tender Offer is 17,121,766 Ordinary Shares representing approximately 23.52 per cent. of the issued Ordinary Shares. The price to be paid for each Ordinary Share subject to the Tender Offer is 2.5 pence.

A Tender Offer Shareholder may tender up to all of their holdings.

The Company has received irrevocable undertakings in respect of their entire holdings from SecuLine Technologies Inc. and other persons currently beneficially owning 55,686,234 Ordinary Shares in aggregate at the date of this document, representing approximately 76.48 per cent. of the current

issued Ordinary Shares that they will not participate in the Tender Offer in respect of those Ordinary Shares. Details of the undertakings obtained are set out in the table below:

<b>Undertaking provided by</b>	<b>Number of Ordinary Shares owned</b>	<b>Percentage of issued Ordinary Shares</b>
SecuLines Technologies Inc. (1)	18,450,000	25.34 %
Sunshine Holdings (Private) Limited(2)	13,720,000	18.84 %
Members of staff of the Company	7,422,734	10.19 %
Video Sources Communication Limited(3)	5,370,000	7.38 %
Heartland Capital Management Limited	3,990,540	5.48 %
Balance Partners Limited	3,207,050	4.40 %
NewTech Capital Management Limited	2,923,410	4.02 %
Teo Kean Eek/Agile Partners Ltd(4)	602,500	0.83 %

(1) Undertaking also given by the beneficial owner of this company, Xiao Gang, a Director, to procure that this company complies with its undertakings.

(2) Undertaking also given by the beneficial owner of this company, Liu Jin Qing, a Director, to procure that this company complies with its undertakings.

(3) Undertakings also given by the beneficial owners of this company, including He CaiGuang, a Director, to procure that this company complies with its undertakings.

(4) Teo Kean Eek, a Director, is the beneficial owner of Agile Partners Limited, which holds 600,000 of these Ordinary Shares. Teo Kean Eek has given undertakings in relation to the 2,500 Ordinary Shares held by him personally and to procure compliance by Agile Partners Limited with its undertakings.

The above irrevocable undertakings are in the same terms, and in each case the party giving the undertaking agrees not to participate in the Tender Offer and to vote their Ordinary Shares in favour of the De-listing at the Shareholders' Meeting.

A guide to the general tax position of Shareholders under UK law and HM Revenue & Customs practice in respect of the Tender Offer is set out in Part 3 of this document. All Shareholders are strongly advised to consult their professional advisers about their own tax position.

The attention of Shareholders who are citizens or nationals of or resident in jurisdictions outside the UK and who wish to participate in the Tender Offer is drawn to the section headed "Non-UK Persons" in Part 2 of this document.

Full details of the Tender Offer are given in Part 2 of this document. Under the terms of the Tender Offer:

- (a) the maximum number of Ordinary Shares subject to the Tender Offer shall be 17,121,766 Ordinary Shares (representing 23.52 per cent. of the issued Ordinary Shares); and
- (b) the price to be paid for each Ordinary Share subject to the Tender Offer shall be 2.5 pence.

#### **4. Takeover Code**

The Company is incorporated in The British Virgin Islands and is not subject to the City Code on Takeovers and Mergers (the “City Code”). Accordingly, the Company is not subject to takeover regulation in the UK. Investors should be aware in particular that the protections afforded to shareholders by the City Code which are designed to regulate the way in which the purchase by a company of its own shares is conducted will not be available. The Articles contain provisions in Regulation 13 that reflect certain parts of the City Code, in particular Rule 9. As the Board does not consider it appropriate that the Articles should contain such provisions following the De-listing, a resolution is being proposed at the Shareholders’ Meeting, *inter alia*, to adopt new articles of association of the Company, which would not include these provisions, as described more fully in the next paragraph. For the avoidance of doubt, the Board has resolved that no offer will be required to be made under Regulation 13 as a result of the Tender Offer.

#### **5. Articles of Association**

The Board considers that there are certain provisions of the Articles which it would not be appropriate to maintain following the De-listing. Resolution number 2 in the Notice would, if passed, provide for new articles of association of the Company to be adopted, which would not include provisions equivalent to the following regulations contained in the current Articles:

- (a) Regulation 2.2: pre-emption rights in favour of existing Shareholders on a new issue of shares of the Company;
- (b) Regulations 2.9 and 2.10: provision for shares of the Company to be held in uncertificated form;
- (c) Regulations 8.15 and 8.16: requirement for one-third of the Directors to retire at each annual general meeting of the Company;
- (d) Regulation 13: Shareholders subject to provisions which are equivalent to certain of those contained in the City Code;
- (e) Regulation 20: requirements for the Company to comply in certain respects with UK law and practice in relation to its accounting records and published accounts; and
- (f) Regulations 25 to 28: provisions requiring Shareholders to disclose interests in shares of the Company.

The new articles of association also reflect certain minor consequential and other changes to the provisions of the Articles.

The current Articles, as well as copies of the proposed new articles of association, can be found at the “Investor Relations” page on the Company’s website at <http://www.bstar.com.cn/en/investorrelations/aimrule37/> and copies will be available for inspection 15 minutes before and during the Shareholders’ Meeting at the place of the meeting and at the offices of Edwin Coe LLP, 2 Stone Buildings, Lincoln’s Inn, London WC2A 3TH during normal business hours (Saturdays and Sundays excepted) until the time of the meeting.

The Company has received irrevocable undertakings in relation to 55,686,234 Ordinary Shares in aggregate, representing approximately 76.48 per cent. of the current issued Ordinary Shares, to vote in favour of Resolution 2 providing for the adoption of the new articles of association of the Company.

## 6. Significant Shareholdings

The Company is aware of the following persons who directly or indirectly have an interest representing 3 per cent. or more of the existing issued Ordinary Shares (being the threshold at or above which, in accordance with the Articles, an interest must be disclosed to the Company):

<i>Name</i>	<i>Current shareholding</i>	<i>Percentage of current issued Ordinary Shares</i>
SecuLines Technologies Inc.	18,450,000	25.34 %
Sunshine Holdings (Private) Limited	13,720,000	18.84 %
Mackenzie Cundill Investment Management	6,490,000	8.91 %
Video Sources Communication Limited	5,370,000	7.38 %
Heartland Capital Management Limited	3,990,540	5.48 %
CIM Investment Management	3,736,391	5.13 %
Balance Partners Limited	3,207,050	4.40 %
NewTech Capital Management Limited	2,923,410	4.02 %

The interests of the Directors and persons connected with them in the existing Ordinary Shares as at the date of this document and immediately following the Tender Offer are as set out below:

Name	Number of Shares	Percentage of current issued Ordinary Shares	Shareholding following the Tender Offer	Percentage of issued Ordinary Shares following the Tender Offer*	Number of Ordinary Shares subject to Options	Exercise price per share
Xiao Gang <sup>(1)</sup>	32,170,000	44.18%	32,170,000	57.77%	-	-
Liu Jin Qing <sup>(2)</sup>	32,170,000	44.18%	32,170,000	57.77%	-	-
He CaiGuang <sup>(3)</sup>	5,370,000	7.38%	5,370,000	9.64%	-	-
Teo Kean Eek <sup>(4)</sup>	602,500	0.83%	602,500	1.08%	-	-
Xing Hui Dong	-	-	-	-	280,000	23 pence
Ping Dan	-	-	-	-	40,000	23 pence

(1) This represents the interests of Xiao Gang and his spouse, Liu Jin Qing, also a Director, through their shareholdings respectively in SecuLine Technologies, Inc., wholly owned by Xiao Gang, which holds 18,450,000 Ordinary Shares, and Sunshine Holdings (Private) Limited, wholly owned by Liu Jin Qing, which holds 13,720,000 Ordinary Shares.

(2) This represents the interests of Liu Jin Qing and her spouse, Xiao Gang, also a Director, through their shareholdings respectively in Sunshine Holdings (Private) Limited, wholly owned by Liu Jin Qing, which holds 13,720,000 Ordinary Shares, and SecuLine Technologies, Inc., wholly owned by Xiao Gang, which holds 18,450,000 Ordinary Shares.

(3) Held through Video Sources Communication Limited in which He CaiGuang is a shareholder.

(4) Held directly (as to 2,500 Ordinary Shares) and indirectly through Agile Partners Limited (as to 600,000 Ordinary Shares) which is wholly owned by Teo Kean Eek.

\* Assuming the Tender Offer is accepted in full by Tender Offer Shareholders

## 7. Share Options

<i>Number of Ordinary Shares over which options are granted</i>	<i>Exercise price per Ordinary Share</i>	<i>Date of grant</i>	<i>Exercise period</i>
36,404	48 pence	18 June 2007	18 June 2008 to 17 June 2017
1,008,904	23 pence	14 April 2010	15 July 2014-31 August 2014 and 25 November 2014-31 March 2015

The options described in the above table are all the options that have been granted over Ordinary Shares in the Company. As all of the options are exercisable at a price greater than the price payable under the Tender Offer, no action is proposed in relation to such options. The Board has resolved that no adjustment will be made to the terms of the above Options as a result of the making of the Tender Offer.

## 8. Shareholders' Meeting

Set out at the end of this document is a notice convening the Shareholders' Meeting of the Company to be held at Room 1410, 14<sup>th</sup> Floor, Tower A, Chengjian Plaza, No. 18 Beitapingzhuang Road, Haidian District, Beijing 100088, China at 5.00 pm (Beijing time)/9.00 am (London time) on 14 November 2013. At this Shareholders' Meeting, the Resolutions will be proposed.

## 9. Actions to be taken – Shareholders' Meeting

Holders of certificated Ordinary Shares will find enclosed with this document a Form of Proxy for use at the Shareholders' Meeting. Whether or not you propose to attend the Shareholders' Meeting in person, you are requested to complete and return the Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received no later than 9.00 am (London time) on 12 November 2013. Completion and return of a Form of Proxy will not preclude you from attending the Shareholders' Meeting and voting in person if you wish. A Form of Direction is enclosed with this document when sent to Depositary Interest Holders. Depositary Interest Holders should complete, sign and return the Form of Direction by post or by hand (during normal business hours only), to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 9.00 am (London time) on 11 November 2013. The completion and return of a Form of Direction will not affect your right to attend and vote in person at the Shareholders' Meeting or any adjournment thereof. Depositary Interest Holders wishing to attend the meeting should contact the Depositary at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email to [custodymgt@capitaregistrars.com](mailto:custodymgt@capitaregistrars.com) in order to request a Letter of Representation (to enable them to attend and vote in person at the Shareholders' Meeting or any adjournment thereof) by no later than 9.00 am (London time) on 11 November 2013.

## 10. Actions to be taken – Tender Offer

The procedure for tendering your Tender Offer Shares depends on whether Tender Offer Shares are held in certificated or uncertificated form and is summarised below.

### (a) *Shares held in certificated form (that is, not in CREST)*

Tender Offer Shareholders who hold Tender Offer Shares in certificated form are being sent a Tender Form with this document. Tender Offer Shareholders who hold Tender Offer Shares in certificated form and who wish to tender some or all of their Tender Offer Shares should

complete the Tender Form in accordance with the instructions printed thereon and in Part 2 of this document and return it by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by 1.00 pm on 13 November 2013. Tender Offer Shareholders who hold their shares in certificated form should also return with their Tender Form their share certificate(s) or any other documents of title in respect of the Tender Offer Shares tendered.

**(b) *Shares held in uncertificated form (that is, represented by Depositary Interests in CREST)***

Where Tender Offer Shares are in uncertificated form, Depositary Interest Holders who wish all or some of their Tender Offer Shares to be tendered should send a TTE Instruction and follow the procedures set out in Part 2 of this document in respect of tendering uncertificated Tender Offer Shares, which must have been effected by 10.00 am on 13 November 2013.

**Completed TTE Instructions must be received by the Receiving Agent no later than 10.00 am on 13 November 2013 and completed Tender Forms must be received by the Receiving Agent by no later than 1.00 pm on 13 November 2013.**

Further details of the procedures for tendering and settlement are set out in Part 2 of this document and in the accompanying Tender Form.

**If you are in any doubt about the completion of the Tender Form and/or the TTE Instruction, please contact the Receiving Agent at Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by telephone on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 am and 5.30 pm (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.**

**Tender Offer Shareholders who do not wish to sell any Tender Offer Shares need take no action.**

## **11. Recommendation**

**The Directors consider that all the proposals to be considered at the Shareholders' Meeting are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.**

**The Directors therefore unanimously recommend that you vote in favour of the Resolutions as they have undertaken to do so in respect of their own direct or indirect current beneficial holdings of 38,142,500 Ordinary Shares, representing approximately 52.39 per cent. of the existing issued Ordinary Shares.**

**The Directors recommend that all Tender Offer Shareholders consult their duly authorised independent advisers before they make a decision as to whether to tender all, some or none of their Tender Offer Shares, in order to obtain advice relevant to their particular circumstances.**

**As described above, the three non-executive Directors, Mr. Liu Xiao Chuan, Mr. Teo Kean Eek and Mr Derrick Woolf have agreed with the Board to resign upon the De-listing becoming effective.**

**The Tender Offer is conditional upon the De-listing being approved by the passing of Resolution 1 at the Shareholders' Meeting.**

**Shareholders should note that if for any reason the Tender Offer does not take place, the De-listing will, if approved at the Shareholders' Meeting, still occur.**

Yours faithfully

Liu Xiao Chuan *Non-Executive Chairman*



## **PART 2**

### **TENDER OFFER**

Shareholders on the Register at the Tender Offer Record Date (other than certain Non-UK Persons, as described in the section below headed "Non-UK Persons" in this Part 2) are hereby invited to tender Ordinary Shares for purchase by the Company and cancellation on the terms and subject to the conditions set out in this Circular and, for Shareholders who hold their Ordinary Shares in certificated form, in the accompanying Tender Form.

Under the Tender Offer, a maximum of 17,121,766 Ordinary Shares currently in issue may be purchased, representing approximately 23.52 per cent. of the issued Ordinary Shares at a price of 2.5 pence per Ordinary Share, for a maximum aggregate cash consideration of approximately £428,045. The purchased Ordinary Shares will be cancelled by the Company.

A Tender Offer Shareholder may tender up to all of their holding.

As all the Options are exercisable at a price in excess of the Tender Offer price of 2.5 pence per Ordinary Share, it is not anticipated that Optionholders will exercise Options that are vested and capable of exercise, so as to be able to participate in the Tender Offer, in respect of Ordinary Shares that could be subscribed on exercise of Options. If any were to do so the subscription proceeds would be applied in payment of the Tender Offer price.

As noted above, the Company has received irrevocable undertakings not to participate in the Tender Offer from persons controlling 55,686,234 issued Ordinary Shares representing approximately 76.48 per cent. of the issued Ordinary Shares.

The Tender Offer Shares will be purchased free of commissions and dealing charges.

The Tender Offer will be open to all Tender Offer Shareholders.

#### **TERMS AND CONDITIONS OF THE TENDER OFFER**

The Company hereby invites Tender Offer Shareholders to offer to sell Ordinary Shares to the Company on and subject to the following terms and conditions:

1. The Tender Offer is conditional upon:
  - (i) the passing of resolution number 1 in the notice of Shareholders' Meeting at the end of this Circular; and
  - (ii) the Tender Offer not having been terminated in accordance with paragraph 18 of these terms and conditions of the Tender Offer prior to 5.00 pm (Beijing time)/9.00 am (London time) on 14 November 2013.

If these conditions are not satisfied, or waived by the Company (at the sole discretion of the Board), the Tender Offer will lapse and the Company will not purchase any Ordinary Shares pursuant to the Tender Offer.

2. The consideration payable under the Tender Offer is 2.5 pence per Ordinary Share in cash.
3. The Tender Offer is only available to Tender Offer Shareholders (other than certain Non-UK Persons) in respect of the number of Ordinary Shares registered in those Tender Offer Shareholders' names on the Register at the Tender Offer Record Date.

4. In respect of Tender Offer Shares held in certificated form, Tender Forms which have been duly completed and received by the Receiving Agent will become irrevocable at the time of receipt. In respect of Tender Offer Shares held in uncertificated form (that is, represented by Depositary Interests in CREST), a TTE Instruction duly received by the Receiving Agent in respect of the relevant Depositary Interests will become irrevocable at the time of receipt.
5. The Tender Offer will close at 10.00 am on 13 November 2013 in respect of TTE Instructions for Depositary Interests and at 1.00 pm on 13 November 2013 in respect of Tender Forms for Tender Offer Shares in certificated form and no tenders received after that time will be accepted except to the extent that the Company extends the period for tendering under the Tender Offer, in which case (a) new closing date(s) for the Tender Offer will be given. **The Company reserves the right, subject to applicable legal and regulatory requirements, to extend the period for tendering under the Tender Offer at any time prior to 10.00 am on 13 November 2013.** Any material change to the expected timetable will be notified to Shareholders by way of an announcement through the Regulatory News Service of the London Stock Exchange. Any such extension will comply with all applicable legal and regulatory requirements including, but not limited to, the duration of such extension.
6. All or part of a holding of Tender Offer Shares may be tendered. Subject to and upon satisfaction of the conditions described in paragraph 1 above, Tender Offer Shares successfully tendered will be purchased by the Company fully paid and free from all liens, charges, equitable interests and encumbrances and with all rights attaching to the same. Successfully tendered Tender Offer Shares will be cancelled and will not rank for any future dividends.
7. All tenders of Tender Offer Shares held in certificated form must be made on the Tender Form duly completed in accordance with the instructions set out on the Tender Form (which constitute part of the terms of the Tender Offer). A tender of certificated shares will only be valid when the procedures contained in this document and in the Tender Form are complied with. Holdings in certificated form under the same name with different designations will be treated as separate shareholdings for the purposes of the application of terms of the Tender Offer and a separate Tender Form (which may be obtained from Capita Asset Services as described on page 1 of the Tender Form) will need to be submitted in order to tender each such separate holding.
8. Depositary Interest Holders holding Tender Offer Shares in uncertificated form (that is, represented by Depositary Interests in CREST) should not complete a Tender Form. All tenders of Tender Offer Shares held in uncertificated form and represented by Depositary Interests must be made by the input and settlement of a TTE Instruction in CREST in accordance with the procedures described in this Part 2 and the relevant procedures in the CREST manual (which together constitute part of the terms of the Tender Offer). A tender of uncertificated Ordinary Shares represented by Depositary Interests will only be valid when the procedures contained in this Circular and the relevant parts of the CREST manual are complied with in full.
9. The Tender Offer and all tenders will be governed by and construed in accordance with English law. Delivery of a Tender Form in respect of Tender Offer Shares held in certificated form and a TTE Instruction in respect of Tender Offer Shares held in uncertificated form and represented by Depositary Interests will constitute submission to the jurisdiction of the English courts.
10. It is expected that the results of the Tender Offer will be announced by the Company through the Regulatory News Services of the London Stock Exchange on 14 November 2013.
11. All documents and remittances sent by or to Tender Offer Shareholders or Depositary Interest Holders will be sent at their risk. If the Tender Offer does not become unconditional and

lapses, Tender Forms, certificates and other documents of title, in the case of Tender Offer Shares held in certificated form, will be returned by post not later than ten business days after the date of such lapse, or, in the case of Tender Offer Shares held in uncertificated form (that is, represented by Depositary Interests in CREST), the Receiving Agent will give instructions to Euroclear to transfer all Depositary Interests held in escrow balances and in relation to which it is the Receiving Agent for the purposes of the Tender Offer to the original available balances of the Depositary Interest Holders concerned.

12. If part only of a holding of Ordinary Shares is successfully tendered pursuant to the Tender Offer, the relevant Tender Offer Shareholder or Depositary Interest Holder will be entitled to receive the following:
  - 12.1 if Ordinary Shares are held in certificated form - a balance certificate in respect of the unsold Ordinary Shares; or
  - 12.2 if Ordinary Shares are held in uncertificated form (that is, represented by Depositary Interests in CREST) - the transfer by the Receiving Agent acting as escrow agent of the Depositary Interests representing unpurchased Ordinary Shares by TFE Instruction to the original Depositary Interest Holder.
13. Further copies of the Tender Form for those Tender Offer Shareholders holding Tender Offer Shares in certificated form may be obtained on request from the Receiving Agent as described on page 1 of the accompanying Tender Form.
14. Subject to and upon the satisfaction of the conditions referred to in paragraph 1 above, all successfully tendered Ordinary Shares will be purchased by the Company at the price of 2.5 pence per share. Such Ordinary Shares will then be cancelled by the Company.
15. All questions as to the number of Tender Offer Shares tendered, the TTE Instructions given in respect of Depositary Interests representing Tender Offer Shares, the results of the Tender Offer, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Tender Offer Shares will be determined by the Company, in its sole discretion, which determination shall be final and binding on all of the parties (except as otherwise required under applicable law). The Company reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of or payment for which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right to waive any of the terms or conditions of the Tender Offer and any defect or irregularity in the tender of any particular Tender Offer Shares or any particular holder thereof and to accept such tender. No tender of Tender Offer Shares will be deemed to be validly made until all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Tender Offer will not be despatched until after the Tender Form is complete in all respects and the share certificates and/or the other document(s) of title satisfactory to the Company have been received or (as the case may be) the relevant TTE Instruction has settled. None of the Company, the Receiving Agent or any other person is or will be obliged to give notice of any defects or irregularities in tenders and none of them will incur any liability for failure to give any such notice. The decision of the Company as to the results of the Tender Offer shall be final and binding on the Shareholders and Depositary Interest Holders.
16. Tender Offer Shares will be purchased by the Company under the Tender Offer free of commissions and dealing charges.
17. The failure of any person to receive a copy of this Circular and/or the Tender Form (as appropriate) shall not invalidate any aspect of the Tender Offer. None of the Company, the Receiving Agent or any other person will incur any liability in respect of any person failing to

receive this Circular and/or, for a person who holds its Ordinary Shares in certificated form, the Tender Form.

18. If at any time prior to 5.00 pm (Beijing time)/9.00 am (London time) on 14 November 2013:
  - 18.1 the Board in its absolute discretion concludes that the Tender Offer would no longer be in the best interests of the Company and/or the Shareholders as a whole; or
  - 18.2 there shall occur any material adverse change in the national or international, financial, economic, political or market conditions; or
  - 18.3 there shall occur any material adverse change in the financial position or prospects and/or circumstances of the Company (including, without limitation, in relation to the solvency of the Company) or the Company is no longer able to complete the Tender Offer in compliance with the laws of the British Virgin Islands,which, in respect of 18.2 and 18.3 above, in the reasonable opinion of the Directors of the Company, renders the Tender Offer temporarily or permanently impractical, illegal or inadvisable (taking into account the background to and reasons for the Tender Offer), the Company shall terminate the Tender Offer and shall, as soon as practicable thereafter, announce the same through the Regulatory News Service of the London Stock Exchange and notify the Shareholders in writing.
19. No acknowledgement of receipt of any Tender Form, share certificate(s), other document(s) of title and/or TTE messages (as appropriate) will be given.
20. The provisions of the Contracts (Rights of Third Parties) Act 1999 shall not apply to the agreements arising from the acceptance of the Tender Offer or any collateral agreements relating to the Tender Offer.

#### **Non-UK Persons**

1. The making of the Tender Offer in, or to certain persons (“Non-UK Persons”) who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdiction. Shareholders and Depositary Interest Holders who are Non-UK Persons should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such persons to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Tender Offer, including the obtaining of any governmental or other consents which may be required, compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction. Any Non-UK Person will be responsible for payment of any such issue, transfer or other taxes or other requisite payments due by whomsoever payable and the Company, the Receiving Agent and the Depositary and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Non-UK Person for any such issue, transfer or other taxes as any such person may be required to pay. **No steps have been taken to register or qualify the Tender Offer or to authorise the extending of this Tender Offer or the distribution of the Circular, the Tender Form and any related documents in any territory outside the United Kingdom.**
2. In particular, the Tender Offer is not being made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone, e-mail or internet) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa.

3. Accordingly, details of the Tender Offer and copies of this Circular, the Tender Form and any related documents are not being and must not be mailed or otherwise distributed or sent in, into or from any of the Restrictive Territories, including to Shareholders or Depository Interest Holders with registered addresses in any of the Restricted Territories or to persons whom the Company knows to be custodians, nominees or trustees holding Ordinary Shares or Depository Interests for persons in any of the Restricted Territories. Persons receiving this Circular and the Tender Form and any related documents, and/or wishing to tender under the Tender Offer (including, without limitation, trustees, nominees or custodians) must not distribute or send or mail them in or into or from the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa or use such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, in connection with the Tender Offer, and so doing may invalidate any purported tender pursuant to the Tender Offer. Envelopes containing Tender Form(s) should not be postmarked in the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa or otherwise be despatched from the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa and all tendering Shareholders and Depository Interest Holders must provide addresses outside the United States, Canada, Australia, Japan, the Republic of Ireland or South Africa for the remittance of cash, or for the return of Tender Form(s), share certificates and/or other document(s) of title or transfer of Depository Interests.
4. A Shareholder will be deemed not to have tendered Ordinary Shares pursuant to the Tender Offer if (i) such Shareholder is unable to make the representations and warranties set out in paragraphs 9 and 10 under the heading "Effect of Tender" below in this Part 2; (ii) Box 1 of their Tender Form has an address in any of the Restricted Territories and/or such Shareholder has a registered address in any of the Restricted Territories and in either case such Shareholder does not insert in Box 4 of a Tender Form the name and address of the person or agent outside of any of the Restricted Territories to whom he wishes the consideration to which he is entitled under the Tender Offer to be sent, subject to the provisions of this paragraph and applicable law; or (iii) such Shareholder inserts in Box 4 of a Tender Form the name and address of a person or agent in any of the Restricted Territories to whom he wishes the consideration to which such Shareholder is entitled under the Tender Offer to be sent; or (iv) the Tender Form received from him is in an envelope postmarked in, or which otherwise appears to the Company or its agents to have been sent from, any of the Restricted Territories. The Company reserves the right, in its absolute discretion, to investigate in relation to any tender, whether the representations and warranties referred to in paragraphs 9 and 10 under the heading "Effect of Tender" below in this Part 2 given by any Shareholder or Depository Interest Holder are correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation and warranty is not correct, such acceptance shall not be valid.
5. If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this Circular, the Tender Form or any related documents in, into or from any of the Restricted Territories, such person should:

  - (i) inform the recipient of such fact;
  - (ii) explain to the recipient that such action may invalidate any purported tender by the recipient; and
  - (iii) draw the attention of the recipient to this section headed "Non-UK Persons" in this Part 2.
6. The above provisions of this section headed "Non-UK Persons" and/or any other terms of the Tender Offer relating to Non-UK Persons may be waived, varied or modified as regards

specific Non-UK Persons or on a general basis by the Company in its absolute discretion. Subject to this, the above provisions of this section headed “Non-UK Persons” supersede any terms of the Tender Offer inconsistent therewith. References in the above provisions of this section headed “Non-UK Persons” to a Tender Offer Shareholder shall include references to the persons executing a Tender Form and, in the event of more than one person executing a Tender Form, the above provisions of this section headed “Non-UK Persons” shall apply to them jointly and severally.

7. **Non-UK Persons should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory.**

### **Procedure for tendering**

*If you do not wish to sell any of your Tender Offer Shares, you need take no action.*

To take up the Tender Offer:

- (a) Tender Offer Shareholders holding shares in certificated form (that is, not in CREST) must complete and return the Tender Form in accordance with these instructions and the instructions printed on the Tender Form. The following instructions should be read together with the notes on the Tender Form.
- (b) if Tender Offer Shares are held in uncertificated form (that is, represented by Depositary Interests in CREST) Depositary Interest Holders must follow the procedure set out in paragraph 2 below and, if the relevant Depositary Interests are held under different member account IDs, you should send a separate TTE Instruction for each member account ID.

If you hold Tender Offer Shares in both certificated and uncertificated forms, you should complete a Tender Form in respect of the Tender Offer Shares held in certificated form and send a TTE Instruction in respect of the Depositary Interests representing Tender Offer Shares held in uncertificated form.

#### **1. Shares in certificated form**

The Tender Form(s) must be completed and returned in respect of Tender Offer Shares held in certificated form.

If you hold Tender Offer Shares in certificated form but under different designations, you should complete a separate Tender Form, as appropriate, in respect of each designation. Additional Tender Forms are available from Capita Asset Services on 0871 664 0321 from within the UK or on +44 208 639 3399 if calling from outside the UK between 9.00 am and 5.30 pm (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider’s network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.

The completed, signed and witnessed Tender Form(s) **together with your share certificates and/or other documents of title** should be sent either by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU **as soon as possible and, in any event, so as to be received not later than 1.00 pm on 13 November 2013. No Tender Forms received after that time will be accepted.**

No acknowledgement of receipt of documents will be given. The instructions printed on the Tender Form(s) shall be deemed to form part of the terms of the Tender Offer. Any Tender Form received in an envelope postmarked in the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan or otherwise appearing to the Company or its agents to have been sent from any of those jurisdictions may be rejected as an invalid tender. For further information on Non-UK Persons, see the section headed “Non-UK Persons” in this Part 2.

If the Tender Offer does not become unconditional and lapses, Tender Forms, share certificates and other documents of title will be returned to Tender Offer Shareholders by post not later than 10 Business Days after the date of such lapse.

## **2. *Shares in uncertificated form (that is, represented by Depositary Interests in CREST)***

If Tender Offer Shares are in uncertificated form, Depositary Interest Holders should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the Depositary Interests representing the Tender Offer Shares which they wish to be tendered to the Tender Offer to the appropriate escrow account, specifying the Receiving Agent (in its capacity as a CREST participant under the Receiving Agent’s participant ID and member account ID referred to below) as the escrow agent, as soon as possible **and in any event so that the TTE Instruction settles not later than 10.00 am on 13 November 2013. A Depositary Interest Holder should transfer all Depositary Interests representing the Tender Offer Shares to be tendered to escrow by this time.**

CREST sponsored members should refer to their CREST sponsor before taking any action. The CREST sponsor will be able to confirm details of the CREST sponsored member’s participant ID and the member account ID under which the CREST sponsored member’s Depositary Interests are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the CREST sponsored member’s Depositary Interests. Depositary Interest Holders should send (or, if a CREST sponsored member, procure that their CREST sponsor sends) a TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear’s specifications and which must contain, in addition to the other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Depositary Interests to be transferred to an escrow balance;
- the ISIN of the Ordinary Shares. This is VGG1195V1076;
- the Depositary Interest Holder’s participant ID;
- the Depositary Interest Holder’s member account ID;
- the participant ID of the escrow agent, Capita Asset Services, in its capacity as a CREST Receiving Agent. This is RA10;
- the member account ID of the escrow agent. This is 2806101;
- the corporate action number of the Tender Offer, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date. This should be as soon as possible, in any event no later than 10.00 am on 13 November 2013;
- contact name and telephone number inserted at the beginning of the shared note field; and

- input with a standard delivery priority of 80.

A tender made in accordance with this section 2 (which has not been validly withdrawn) shall constitute an offer to sell Ordinary Shares at 2.5 pence per share on the terms of the Tender Offer, by transferring the relevant Depositary Interests to the relevant escrow account as detailed in this section 2.

After settlement of the TTE Instruction, Depositary Interest Holders will not be able to access the Depositary Interests concerned for any transaction or charging purposes, notwithstanding they will be held by the Receiving Agent as their escrow agent until completion or lapsing of the Tender Offer. Prior to settlement of the Tender Offer proceeds on or about 21 November 2013, the Receiving Agent will transfer the Depositary Interests representing Tender Offer Shares which are accepted by the Company to itself, as escrow agent, for cancellation, returning any Depositary Interests not successfully tendered in the Tender Offer to the relevant Depositary Interest Holder.

Depositary Interest Holders are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

**Depositary Interest Holders should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. Depositary Interest Holders should therefore ensure that all necessary action is taken by them (or by their CREST sponsor) to enable a TTE Instruction relating to their Tender Offer Shares to settle prior to 10.00 am on 13 November 2013. In this connection Depositary Interest Holders are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.**

The Company will make an appropriate announcement if any of the details contained in this paragraph 2 are altered for any reason.

### **3. *Deposits of Tender Offer Shares into, and withdrawals of Tender Offer Shares from, CREST***

Normal CREST procedures (including timings) apply in relation to any Tender Offer Shares that are, or are to be, converted from uncertificated to certificated form or vice versa during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Tender Offer Shares or otherwise). Tender Offer Shareholders and/or Depositary Interest Holders who are proposing to convert any such Tender Offer Shares or Depositary Interests are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Tender Offer Shares or Depositary Interests as a result of the conversion to take all necessary steps in connection with the take up of the Tender Offer (in particular, as regards transfers to the appropriate escrow account prior to 10.00 am on 13 November 2013 in respect of Depositary Interests representing uncertificated Tender Offer Shares and as regards delivery of share certificates and/or other documents of title together with the Tender Form prior to 1.00 pm on 13 November 2013 in respect of certificated Tender Offer Shares).

### **4. *Lost share certificates and documents of title***

If you have lost your share certificate(s) and/or other document(s) of title, you should write to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, for a letter of indemnity in respect of the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given on it, should be returned either by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.



If you are in any doubt as to the procedure for tendering, please telephone Capita Asset Services on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK between 9.00 am and 5.30 pm (London time) Monday to Friday. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide any financial, legal or tax advice.

Once tendered, Tender Offer Shares and Depositary Interests may not be sold, transferred, charged or otherwise disposed of except pursuant to the Tender Offer.

## **Effect of Tender**

Completion and delivery to the Receiving Agent of a Tender Form or a TTE Instruction (as appropriate), shall constitute the irrevocable agreement, undertaking, warranty and representation of the relevant Tender Offer Shareholder and/or relevant Depositary Interest Holder (both referred to in this section headed "Effect of Tender" as a "Shareholder", as appropriate) with and to the Company and the Receiving Agent (so as to bind him, her or it and their respective personal or legal representatives, heirs, successors and assigns) that:

1. the execution of the Tender Form (in relation to certificated shares) shall constitute an offer to sell to the Company at 2.5 pence per share, the number of Ordinary Shares inserted or deemed to be inserted in Box 2 of the Tender Form or deemed to be inserted (or such lesser number of Ordinary Shares as is accepted for purchase pursuant to the Tender Offer), in each case on and subject to the terms and conditions set out and referred to in this Circular and, for Shareholders who hold their Ordinary Shares in certificated form, the relevant Tender Form and that, once lodged, such offer shall be irrevocable;
2. the input of the TTE Instruction (in relation to Depositary Interests representing uncertificated Tender Offer Shares) shall constitute an irrevocable instruction to the Depositary by the Shareholder to submit a Tender Form to offer to sell to the Company at 2.5 pence per share, the number of Ordinary Shares represented by Depositary Interests specified in the TTE Instruction (or such lesser number of Ordinary Shares as is deemed to be tendered or accepted for purchase pursuant to the Tender Offer), in each case on and subject to the terms and conditions set out and referred to in this Circular and that once the TTE Instruction has settled, such instruction shall be irrevocable;
3. such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares (and where relevant Depositary Interests representing them) in respect of which the Tender Offer is accepted (together with all rights attaching thereto) and when the same are purchased, the Company will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature together with all rights attaching thereto at the time the Tender Offer closes, including the right to vote the Ordinary Shares and to receive all dividends and other distributions declared, paid or made on or after such date;
4. the execution of the Tender Form and/or the input of the TTE Instruction (as appropriate) will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of any director or officer of the Company, or other person(s) nominated by the Company, as such Shareholder's attorney and/or agent ("attorney") and an irrevocable instruction and authorisation for the attorney to complete and execute all or any instruments of transfer in favour of the Company and/or other documents at the attorney's discretion in relation to the Ordinary Shares being tendered by that Shareholder and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the share certificate(s) and/or any other document(s) relating to such Ordinary Shares, for registration

within 6 months of the Tender Offer becoming unconditional and to do all such other acts and things as may, in the opinion of such attorney, be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to complete the Tender Offer and/or to vest in the Company or its nominee(s) such Ordinary Shares;

5. such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by such attorney and/or by the Company or any of its directors in the proper exercise of its or his or her powers and/or authorities hereunder;
6. such Shareholder holding Ordinary Shares in certificated form will deliver to the Receiving Agent their share certificate(s) and/or other document(s) or title in respect of the Ordinary Shares being tendered by that Shareholder or an indemnity acceptable to the Company in lieu thereof or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, by 1.00 pm on 13 November 2013;
7. the provisions of the Tender Form shall be deemed to be incorporated into the terms and conditions of the Tender Offer;
8. such Shareholder shall do all such things and acts as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable to complete the Company's purchase of the Tender Offer Shares and/or to perfect any of the authorities expressly given hereunder;
9. such Shareholder has observed the laws of all relevant jurisdictions, obtained any requisite consents, complied with all applicable formalities and has not taken or omitted to take any action which would result in the Company acting in breach of any applicable legal or regulatory requirement in respect of making the invitation under the Tender Offer and purchasing the Tender Offer Shares;
10. such Shareholder is not a resident of the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan, does not hold any Ordinary Shares or Depositary Interests which he has tendered on behalf of a resident of the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan and has not received or sent copies or originals of this Circular, the Tender Form or any related document, or given any TTE Instruction, in, into or from the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan and has not otherwise utilised in connection with the Tender Offer directly or indirectly, the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telephone, email or internet) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan, the Tender Form has not been mailed or otherwise been sent, and such Shareholder has not given any TTE Instruction, in, into or from the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan and such Shareholder is tendering Ordinary Shares or Depositary Interests pursuant to the Tender Offer from outside the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan and such Shareholder is not an agent or fiduciary acting on a non-discretionary basis for the principal who has given any instructions with respect to the Tender Offer from within the United States, Canada, Australia, South Africa, the Republic of Ireland or Japan;
11. the creation of an assured payment obligation in favour of a Shareholder's payment bank in accordance with the CREST assured payment arrangements as referred to under the heading "Settlement" in this Part 2 will, to the extent of the obligations so created, discharge fully any obligation of the Company to pay to such Shareholder the cash consideration to which he is entitled pursuant to the Tender Offer;
12. on execution each Tender Form takes effect as a deed;

- 13.** in respect of Depositary Interests, the input of a TTE Instruction constitutes the irrevocable appointment of the Depositary as the Depositary Interest Holder's attorney and/or agent (with power to delegate to any director of the Depositary) and an irrevocable instruction and authority to the attorney and/or agent (i) subject to the Tender Offer becoming unconditional, to transfer to the Depositary by means of CREST any of the Relevant Depositary Interests representing Tender Offer Shares in respect of which the Tender Offer is instructed to be accepted (but not exceeding the number of Depositary Interests representing Tender Offer Ordinary Shares which are to be tendered pursuant to the Tender Offer); and (ii) if the Tender Offer does not become unconditional and lapses or has been terminated, or there are Depositary Interests representing Tender Offer Shares which have not been accepted under the Tender Offer, to give instructions to Euroclear, as promptly as practicable after the lapsing or completion (as appropriate) of the Tender Offer, to transfer all Relevant Depositary Interests to the original available balances from which those Depositary Interests came. "Relevant Depositary Interests" means Depositary Interests in respect of which a TTE Instruction pursuant to the procedure described in this Part 2 is input and where the transfer(s) to escrow was or were in respect of Depositary Interests held under the same member account ID and participant ID;
- 14.** that, subject to the Tender Offer becoming unconditional, the execution of a Tender Form or the inputting of a TTE Instruction (as appropriate), constitutes an irrevocable authorisation and request:

  - 14.1** if the Ordinary Shares concerned are in certificated form, to the Company to procure the despatch by post of a cheque drawn in pounds sterling at a branch of a UK clearing bank for the cash consideration to which a tendering Shareholder is entitled, at the risk of such Shareholder, to the person whose name and address outside any of the Restricted Territories is set out in Box 1 (or, if relevant, Box 4) of the Tender Form; or
  - 14.2** if the Ordinary Shares are in uncertificated form and represented by Depositary Interests, to the Company to procure the creation of an assured payment obligation in favour of the payment bank of the tendering Depositary Interest Holder in accordance with the CREST assured payment arrangements in respect of the cash consideration to which such Depositary Interest Holder is entitled;
- 15.** that the execution of a Tender Form and/or the input of the TTE instruction (as appropriate) constitutes such Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form or the TTE Instruction;
- 16.** the execution of the Tender Form and/or the inputting of a TTE Instruction (as appropriate) constitutes a warranty by such Shareholder that the information given by or on behalf of the Shareholder in the Tender Form and/or in the TTE Instruction (as appropriate) will be true in all respects at the time the Company purchases the Ordinary Shares tendered as if it had been given afresh at such time and shall not be extinguished by such purchase;
- 17.** such completion and delivery constitutes any director of the Company as the attorney and/or agent of such Shareholder, and an instruction to any such director as such, to:

  - 17.1** complete and execute any and all forms and take any and all actions which are necessary or, in the Company's absolute discretion, desirable to give effect to the purchase and cancellation of the Tender Offer Shares the subject of the Tender Form and/or the TTE Instruction (as appropriate);

- 17.2 transfer any Depositary Interests representing uncertificated Tender Offer Shares from escrow, to be held by the Receiving Agent as escrow agent to the Tender Offer pending cancellation;
  - 17.3 procure the cancellation of the Tender Offer Shares the subject of the Tender Form or the TTE Instruction (as appropriate); and
  - 17.4 despatch or otherwise make payment of the proceeds of sale in respect of the purchased Tender Offer Shares in accordance with the settlement provisions set out below;
18. such Shareholder shall not take any action which would prevent the Company or the Receiving Agent from cancelling the Tender Offer Shares to which the Tender Form and/or the TTE Instruction relates; and
  19. such Shareholder was registered at the Tender Offer Record Date as the holder of the Tender Offer Shares and/or Depositary Interests, as appropriate.

A reference in this section headed "Effect of Tender" to a Shareholder includes a reference to any person or persons other than the Tender Offer Shareholder or Depositary Interest Holder, as appropriate, executing the Tender Form or inputting the TTE instruction and, in the event of more than one person executing a Tender Form or inputting the TTE instruction, the provisions of this paragraph will apply to them jointly and severally.

### **Settlement**

Delivery of cash for the Ordinary Shares to be purchased by the Company pursuant to the Tender Offer will be made by the Receiving Agent. The Receiving Agent will act as agent on behalf of the Company for the purpose of receiving the cash and transmitting such cash to tendering Shareholders. Under no circumstances will interest be paid on the cash to be paid by the Company notwithstanding any delay in making such payment.

Settlement of the consideration to which any Tender Offer Shareholder or Depositary Interest Holder is entitled pursuant to tenders accepted by the Company, complete in all respects, will be made in full without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against such Tender Offer Shareholder or Depositary Interest Holder, as follows:

1. ***Shares in uncertificated form (that is, represented by Depositary Interests in CREST)***

Where a purchase relates to Tender Offer Shares in uncertificated form represented by Depositary Interests, any cash consideration will be paid in pounds sterling through CREST by the Receiving Agent (on behalf of the Company) procuring the creation of an assured payment obligation by 21 November 2013 in favour of the payment banks of the relevant Depositary Interest Holders in accordance with the CREST assured payment arrangements. The Company reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any Depositary Interest Holders, in the manner referred to in paragraph 2 below if, for any reason it wishes to do so.

2. ***Shares in certificated form (that is, not in CREST)***

Where a purchase relates to Tender Offer Shares held by Tender Offer Shareholders in certificated form, cheques for the consideration will be despatched by first class post on 21 November 2013 by the Receiving Agent (on behalf of the Company) at the risk of the person(s) entitled thereto. All payments will be made in pounds sterling by cheque, drawn on a branch of a UK clearing bank at the risk of the person(s) entitled thereto.

## **Additional Provisions**

All powers of attorney and authorities conferred by or referred to in this Circular or the Tender Form are given by way of security for the performance of the obligations of the Shareholders and Depository Interest Holders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.

The Company reserves the right to change any of the times and/or dates referred to in this Part 2 at its discretion. Any revised times and/or dates will be notified to Shareholders by announcement through the Regulatory News Service of the London Stock Exchange.

All references to times in this Part 2 are to London (UK) times unless otherwise stated.

## PART 3

### TAXATION

The following summary of the tax treatment in the United Kingdom is intended as a general guide only. It is based on certain aspects of current UK law and HM Revenue and Customs published practice as at the date of this Circular and does not constitute tax advice. The summary relates only to Shareholders who are resident in the United Kingdom for tax purposes (save as expressly provided otherwise), who beneficially own their Ordinary Shares and who hold their Ordinary Shares as investments. It may not be applicable to certain Shareholders, including insurance companies, dealers in securities and Shareholders who are not beneficial owners of the relevant Ordinary Shares, such as trustees.

Any Shareholder who is in any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult an appropriate professional adviser. References to “Shareholders” in this Part 3 include references to persons who hold Ordinary Shares in uncertificated form which are represented by Depositary Interests.

#### *General*

In general, proceeds received by UK tax resident shareholders on the purchase by a company of its own shares will include a distribution element and a capital element.

- The capital element represents the amount that the company originally received by way of share subscription proceeds when it issued the shares which it is purchasing.
- The distribution element is the amount (if any) by which the sale proceeds received by the shareholder on the sale of its shares to the company exceeds the capital element.

The Company has determined, in accordance with the guidelines laid down by HM Revenue and Customs in its Company Taxation Manual (CTM17520), that the purchase price of 2.5 pence per Ordinary Share under the Tender Offer is less than the average amount paid up on the Ordinary Shares in respect of which the Tender Offer may be accepted. Accordingly, no part of the proceeds received by a UK tax resident Shareholder will fall to be treated as a distribution for tax purposes. The remainder of the tax guidance in this Part 3 has been drafted on this basis.

**Shareholders should note that it is open to a Shareholder to prepare their tax return on a different basis if they wish to do so.**

#### *Capital Gains*

##### *Individual Shareholders*

The sale of Ordinary Shares to the Company under the Tender Offer will constitute a disposal for capital gains tax purposes at a price per Ordinary Share equal to the purchase price. Whether a loss or a gain arises for a particular Shareholder will depend on the price at which that Shareholder originally acquired the Ordinary Shares.

##### *Corporate Shareholders*

The sale of Ordinary Shares to the Company under the Tender Offer will constitute a disposal for corporation tax purposes at a price per Ordinary Share equal to the purchase price. Whether a loss or a gain arises for a particular Shareholder will depend on the price at which that Shareholder originally acquired the Ordinary Shares being sold.

#### **Stamp Duty**

Shareholders whose Tender Offer Shares are purchased under the Tender Offer will not be subject to stamp duty or stamp duty reserve tax.

**BLUESTAR SECUTECH, INC.**

**(a company incorporated in the British Virgin Islands under number 1032245 )**

**NOTICE OF SHAREHOLDERS' MEETING**

Notice is hereby given that a Shareholders' Meeting of BlueStar SecuTech, Inc. (the "**Company**") will be held at Room 1410, 14<sup>th</sup> Floor, Tower A, Chengjian Plaza, No. 18 Beitaipingzhuang Road, Haidian District, Beijing 100088, China on 14 November 2013 at 5.00 pm (Beijing time)/9.00 am (London time) to consider and, if thought fit, to pass each of resolutions 1 and 2 below as 75% Resolutions of Shareholders being resolutions approved at a duly convened and constituted meeting of the Shareholders of the Company by the affirmative vote of a majority of in excess of 75% of the votes of the Shares entitled to vote thereon in respect of which the Shareholders holding the Shares were present at the meeting in person or by proxy and being Shares in respect of which the votes were voted:

**75% RESOLUTIONS OF SHAREHOLDERS**

1. That, the cancellation of the admission of the Company's ordinary shares of no par value to trading on the AIM Market of the London Stock Exchange proposed to be effected by a dealing notice be and is hereby approved.
2. That, subject to the passing of Resolution 1 set out above, the form of articles of association produced to the meeting by the Chairman and signed by him by way of identification be adopted as the new articles of association of the Company, in substitution for and to the exclusion of the existing articles of association of the Company, immediately upon the cancellation described in Resolution 1 above becoming effective.

By Order of the Board

Company Secretary  
Ping Dan (also known as Antonia Ping)

Date: 23 October 2013

Registered Office:

Offshore Incorporations Centre  
PO Box 957  
Road Town  
Tortola  
British Virgin Islands

## Notes:

1. A Shareholder entitled to attend and vote at the Meeting is also entitled to appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a Shareholder of the Company. Appointment of a proxy will not preclude a Shareholder from attending and voting in person at the meeting.
2. A Form of Proxy is enclosed for use by Shareholders. To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or copy of such power or authority certified notarially or in accordance with the Powers of Attorney Act 1971) must be completed, signed and deposited at the registrars' office, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time for holding the Meeting. In the case of a member which is a corporation, the proxy form must be executed under the hand of a duly authorised officer or attorney of the company.
3. Please indicate with a cross in the appropriate box how you wish the proxy to vote. In the absence of any indication, the proxy will exercise his/her discretion as to whether and how he/she votes.
4. In the case of joint holders of a share, if two or more of the joint owners are present in person or by proxy they must vote as one, and if only one is present in person or by proxy he may vote on behalf of all joint owners.
5. The time by which a person must be entered on the register of Shareholders in order to have the right to attend and vote at the Meeting is 9.00 am (London time) on 12 November 2013 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of Shareholders after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.
6. Any corporation which is a Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Shareholder provided that they do not do so in relation to the same shares.
7. Persons who are not Shareholders or their proxies or corporate representatives will not be admitted to the Meeting unless prior arrangements are made with the Company.
8. A Form of Direction is enclosed for use by holders of Depositary Interests representing Ordinary Shares. To be effective, the Form of Direction for use at the meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited with Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 9.00 am on 11 November 2013. Alternatively, Depositary Interests may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual. Instructions should be transmitted so as to be received by no later than 9.00 am on 11 November 2013.
9. Depositary Interest holders wishing to attend the Shareholders' Meeting should contact the Depositary at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email: [custodymgt@capitaregistrars.com](mailto:custodymgt@capitaregistrars.com) by no later than 9.00 am on 11 November 2013.
10. All references to times in this notice are to London (UK) time unless otherwise stated.