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Hollysys Automation Technologies Ltd.

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## Buyer Consortium Updates Shareholders of Hollysys Automation Technologies With Additional Information Relating to Consent Solicitation

July 14, 2021 12:29 AM Eastern Daylight Time

BEIJING--(BUSINESS WIRE)--The buyer consortium (the "Consortium") consisting of Mr. Shao Baiqing, Ace Lead Profits Limited, and CPE Funds Management Limited today issued a letter to shareholders of Hollysys Automation Technologies Ltd. (NASDAQ: HOLI) (the "Company" or "Hollysys") with additional information regarding the Consortium's proposed acquisition of the Company and the consent solicitation. The Consortium strongly believes that the proposed acquisition is the best and only option to shareholders to achieve immediate liquidity on their investment, at a highly attractive premium and with far greater certainty. The Consortium reminds shareholders of the Company as of June 24, 2021 to sign, date and return the WHITE consent card as soon as possible before July 22, 2021.

The full text of the Consortium's letter is as follows:

Dear Fellow Shareholders,

We, the buyer consortium (the "Consortium" or "we") consisting of Mr. Shao Baiqing ("Mr. Shao"), Ace Lead Profits Limited ("Ace Lead"), and CPE Funds Management Limited ("CPE") would like to remind you to please submit your consent to our resolutions concerning the proposed acquisition (the "Proposed Acquisition") of all outstanding ordinary shares of the Company not already owned by the Consortium at a price of \$17.10 per share in cash, by following the instructions on the WHITE consent card.

If you hold shares through a bank or broker (i.e., in "street-name" or as a "beneficial owner") and have not yet received the Consortium's consent materials by mail or email, please contact your bank or broker as soon as possible and request instructions regarding the WHITE consent card. If you are a record holder (i.e., you hold shares in your own name on the register of members of the Company), please promptly contact Innisfree M&A Incorporated ("Innisfree"), the firm assisting the Consortium with the consent solicitation, at the telephone number or email address below to request a copy of the WHITE consent card.

Additionally, in case it is helpful, we would like to share with all shareholders the information we have provided in response to certain limited inquiries we have received:

### Q. Will the results of the consent solicitation commit shareholders to the Proposed Acquisition?

No. We would like to reiterate that the consent is **non-binding** as to the Proposed Transaction generally and the \$17.10 per share offer price specifically. As noted in our June 29, 2021 press release (*italic and bold font added for emphasis purposes*): *"This solicitation, if successful, will facilitate the Consortium's efforts to proceed with the Proposed Acquisition despite the inaction of the board of directors of the Company (the "Board"). If shareholders holding more than 50% of the outstanding shares of the Company deliver their consents to the resolutions as provided in the consent card, such resolutions will become effective pursuant to the Company's articles of association and the BVI Business Companies Act 2004. The intention of these resolutions is, among others, to limit the Board's power to invoke and exercise rights pursuant to the Company's existing "poison pill" in respect of the Proposed Acquisition. **These approved resolutions, even after becoming effective, do not constitute an approval and authorization of the Proposed Acquisition by shareholders. Shareholders of the Company will be entitled to consider and vote upon the Proposed Acquisition at a special shareholder meeting to be called by the Board following the execution of a definitive merger agreement between the Consortium and the Company in respect of the Proposed Acquisition.**"* Shareholders may find the full text of our June 29, 2021 press release, as well as other information about our consent solicitation and the Proposed Acquisition, on the dedicated website at [Hollysyspublicsolicitation.net](https://www.hollysyspublicsolicitation.net).

### Q. Does the Consortium expect to conduct due diligence with respect to the value of its offer?

Regarding the potential for due diligence and whether the Consortium would reconsider the offer price, we continue to believe that the Company will not allow us to conduct any meaningful due diligence in a timely or effective manner. However, if the Company were to present new, concrete and material information relevant to the offer, of course the Consortium would keep an open mind.

**Q. Does the Consortium have financing in place for its Proposed Acquisition?**

While there have been many banks offering the Consortium very beneficial terms, we believe it is premature for us to obtain committed financing at this stage given the non-binding nature of the consent solicitation process and the uncertainty around it. We would expect to undertake this phase of the process once it is clear that the Company will negotiate with us in good faith a definitive merger agreement in respect of the Proposed Acquisition that can be put before shareholders. Then, again, the Company's board of directors and the Consortium would first need to execute a merger agreement and shareholders would need to approve it before we could close on the Proposed Acquisition.

**Q. Who is ACE Lead, and is there a dispute about who owns its interest in Hollysys?**

Ace Lead is a holding company wholly owned and controlled by Mr. Shao. Mr. Shao is its sole shareholder and director. Certain former and current employees of the Company and its subsidiaries (and related parties of such employees) have economic interests in a portion of the Company shares held by Ace Lead, which allows those individuals to share the economic benefits of those shares (such as rights to receive dividends and proceeds from the sale of shares). But employees and their related parties have no rights or interests in the underlying Company shares and they cannot sell, transfer or vote those Company shares either.

As a matter of record and common ground, there is no dispute that Ace Lead owns 4,144,223 ordinary shares of Hollysys in its own right. The **alleged** dispute is regarding who should own and control Ace Lead. Mr. Changli Wang asked Mr. Shao to transfer the ownership and control of Ace Lead to himself or his designees, which has no legal or factual basis whatsoever.

**Q. Who is CPE, and what is their experience with U.S. public companies?**

CPE is a leading asset manager, currently managing a number of private equity, mezzanine and public market funds. Founded in 2008 by a world class team of investment professionals and supported by over 200 domestic and international investors, CPE is one of the largest private equity firms in China with a total AUM exceeding US\$20 billion. Since its inception, the team has made over 200 private equity investments, among which over 50 are buyout transactions. CPE places great emphasis on value creation post investment and employs a dedicated in-house portfolio management team and operating partners who work alongside deal teams to drive strategic, organizational and operational enhancement in portfolio companies. It has received recognition from various international professional awards, the most well-known being the PEI 300 (Year 2021), which ranked CPE as one of the top 60 largest private equity firms worldwide, top 5 in Asia, and No. 2 in China, as well as the Private Equity Exchange & Awards, which honored CPE the winner of both the Best Global Private Equity Fund Silver Award and the Best ESG Private Equity Initiatives Silver Award in 2021. More information about CPE can be found at its official website: <http://www.cpe-fund.com/en/index.html>.

Shareholders with questions about how to submit consents and related matters should promptly contact Innisfree by email at [HOLIconsent@innisfreema.com](mailto:HOLIconsent@innisfreema.com) or by phone at +1 (877) 750-9501 (toll-free from the U.S. and Canada), or at +1 (412) 232-3651 (from other locations), during the hours of 10:00 a.m.-7:00 p.m. Eastern Time, Monday-Friday, and 10:00 a.m.-2:00 p.m. Eastern Time on Saturdays. We ask you to please return your signed WHITE consent card to us as soon as possible before July 22, 2021.

Thank you for your support and prompt action!

Your sincerely,

Shao Baiqing  
Ace Lead Profits Limited  
CPE Funds Management Limited

**Contacts**

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