

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

If you have sold or transferred all your shares in China Neng Xiao Technology (Group) Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED

中國能效科技(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

- (1) PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES;
(2) PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT;
(3) RE-ELECTION OF DIRECTORS;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

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

Nuada Limited

Corporate Finance Advisory

The notice convening the special general meeting of the Company to be held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on 14 June 2013 at 10:30 a.m. is set out on pages 38 to 41 of this circular.

A letter from the board of directors of China Neng Xiao Technology (Group) Limited set out on pages 4 to 19 of this circular. A letter from the Independent Board Committee (as defined herein) and a letter from Nuada containing their recommendations and advices are set out on page 20 and pages 21 to 33 of this circular, respectively.

A form of proxy for the special general meeting of the Company is enclosed with this circular. Whether or not you intend to attend and vote at the special general meeting of the Company, you are requested to complete the enclosed form of proxy and return it in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting of the Company should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the Latest Company Announcements page for at least 7 days from the date of its posting and on the website of the company at www.nengxiao.com.hk.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of potential risks of investing in such companies and should make a decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM NUADA	21
APPENDIX I - DETAILS OF THE RETIRING DIRECTORS WHO ARE PROPOSED TO BE RE-ELECTED	34
NOTICE OF SPECIAL GENERAL MEETING	38

DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company
“Capital Reorganization”	the capital reorganization of the Company involving among others, capital reduction, share premium reduction and share consolidation (10 shares into 1 consolidated Share) which become effective on 14 May 2013, details of which are set out in the circular of the Company dated 16 April 2013
“Company”	China Neng Xiao Technology (Group) Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors to exercise the power of the Company to issue securities up to 20% of the Company’s issued share capital as at the date of annual general meeting of the Company held on 23 August 2012
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi, formed for the purpose of advising the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof
“Independent Financial Adviser” or “Nuada”	Nuada Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the grant of Refreshed General Mandate and any extension thereof
“Independent Shareholders”	shareholder(s) other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates (as define under the GEM Listing Rules)
“Independent Third Parties”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Latest Practicable Date”	24 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Placing”	the placing of up to 349,480,000 Shares on a best effort basis, pursuant to the terms of the conditional placing agreement dated 28 February 2013 entered into between the Company and the placing agent in relation to the placing
“Notice”	the notice convening the SGM
“Option(s)”	option(s) granted or to be granted under the Share Option Scheme
“Possible Acquisition”	the possible acquisition of majority interest in Hong Kong Automobile Restoration Group Limited. Please refer to the announcements of the Company dated 8 February 2013 and 25 April 2013

DEFINITIONS

“Proposed Refreshment”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme at the SGM
“Refreshed General Mandate”	the general mandate which, if approved, would authorise the Directors to exercise the power of the Company to issue and otherwise deal with additional securities up to 20% of the Company’s issued share capital as at the date of the SGM
“Scheme Mandate Limit”	the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the Shares in issue as at the date on which dealings in the Shares first commence on the Stock Exchange which may be refreshed pursuant to the rules of the Share Option Scheme. If the Scheme Mandate Limit is refreshed, the total number of Shares which may be issued upon exercise of all options to be granted must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant ordinary resolution
“SGM”	the special general meeting of the Company to be convened and held at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Friday, 14 June 2013 at 10:30 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Refreshment of General Mandate and any extension thereof; the Proposed Refreshment and re-election of Directors
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued and unissued share capital of the Company (after the Capital Reorganization becoming effective on 14 May 2013)
“Share Option Scheme”	the share option scheme of the Company adopted pursuant to the ordinary resolution passed by the Shareholders on 24 August 2011
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED

中國能效科技(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

Executive Directors:

Ms. Sung Ting Yee (*Chairman*)
Mr. Wu Zhinan (*Chief executive officer*)
Mr. Chan Francis Ping Kuen (*Deputy chairman*)
Mr. Chan Hin Wing, James
Mr. Tsang Ho Ka, Eugene

Independent non-executive Directors:

Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place

of business in Hong Kong:
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

28 May 2013

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES;
(2) PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT;
(3) RE-ELECTION OF DIRECTORS;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) information regarding resolutions to be proposed at the SGM, including the grant of the Refreshed General Mandate, the Proposed Refreshment and the re-election of retiring Directors; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Nuada on the Refreshed General Mandate; and (iv) a notice of the SGM.

* *For identification purposes only*

LETTER FROM THE BOARD

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi, has been constituted to advise the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof. Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders on the grant of the Refreshed General Mandate and any extension thereof.

PROPOSED REFRESHMENT OF THE GENERAL MANDATE

At the annual general meeting of the Company on 23 August 2012, the General Mandate was given to the Directors to exercise the powers of the Company to issue up to 34,515,913 Shares (after taking into account of the Capital Reorganization becoming effective), representing 20% of the issued share capital of the Company as at the date of the annual general meeting. Such general mandate has not been refreshed since it was granted and, after the completion of top-up placing and top-up subscription (details were set out in the announcement of the Company dated 28 February 2013 and 12 March 2013), 34,500,000 Shares (after taking into account of the Capital Reorganization becoming effective) out of the General Mandate (approximately 99.95%) has been substantially utilised. As at the Latest Practicable Date, the balance of the General Mandate comprised 15,913 Shares (after taking into account of the Capital Reorganization becoming effective). Under these circumstances and in order to provide the Company with general working capital and/or flexibility to further finance the business development when opportunities are identified, at the SGM, ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the Refreshed General Mandate to issue Shares not exceeding 20% of the share capital of the Company in issue as at the date of passing the relevant resolution; and
- (ii) the Refreshed General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the annual general meeting of the Company held on 23 August 2012.

If approved by the Independent Shareholders at the SGM, such Refreshed General Mandate will authorise the Directors to allot and issue securities up to 20% of the Shares in issue on the date of the SGM, plus the number of Shares repurchased by the Company pursuant to the repurchase mandate granted at the last annual general meeting of the Company on 23 August 2012.

As at the Latest Practicable Date, there were 368,817,348 Shares in issue. If the Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, up to 73,763,469 Shares, representing 20% of the 368,817,348 issued Shares at the SGM could be allotted and issued by the Company thereunder. Any issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

LETTER FROM THE BOARD

The Refreshed General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next general meeting of the Company is required to be held by the law of Bermuda or the Bye-Laws; and
- (iii) its revocation or variation by ordinary resolution(s) of the Shareholders in general meeting.

Reasons for the Refreshment of the General Mandate

The Refreshed General Mandate and any extension thereof are necessary and crucial for the Group in obtaining the necessary cash resources and/or the method to finance potential acquisition(s) through the issue of consideration shares as a mean of payment.

The Board has assessed the cost and benefits of equity finance and debt financing. The Group has explored fund raising alternatives by means of bank borrowing. However, given the nature of the Company's businesses does not have a large amount of fixed assets, there is no collateral in securing favorable borrowing terms with banks, the Board considered that the interest rate burden and the increase in debt level would not be in the interests of the Shareholders. Therefore, although there will be dilution effect to the Shareholders, the Directors considered that fund raising by means of issue of Shares and/or the issue of consideration shares as a mean to finance future acquisition is crucial to the Group for the expansion plan both in the short and long run.

Notwithstanding that the next general meeting of the Company is expected to be held in around two month's time, the Board considers that the opportunities of fund raising by means of equity financing depends on the availability of potential investors with attractive terms, the level of investment amount and other uncontrollable factors, such as market sentiment and other investment alternatives available to potential investors. Therefore, the Refreshed General Mandate and any extension thereof are necessary and crucial for the Group to respond promptly to these opportunities. Please refer to the section "FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS" in the following section for further details.

As at the Latest Practicable Date, save for the Group entered into a non-legally binding memorandum of understanding dated 8 February 2013 and a supplemental memorandum of understanding dated 25 April 2013 in relation to the Possible Acquisition, the Group has no other potential acquisitions. As at the Latest Practicable Date, the major terms of the Possible Acquisition have not been finalized and the Company is in the process of conducting preliminary due diligence. Should the Possible Acquisition been materialized, it is currently expected the transaction will be classified as a major or above transaction and the total consideration is very likely to exceed the aggregate net proceeds from the top-up placing and top-up subscription and the New Placing set out in the following section "FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS". The portion of cash consideration is yet to be discussed but the Board considers that further fund raising will place the Group in a more advantageous position to negotiate and determine the terms for the Possible Acquisition.

LETTER FROM THE BOARD

According to the supplemental memorandum of understanding dated 25 April 2013 in relation to the Possible Acquisition, a formal agreement will be entered into on or before 24 July 2013 (or such other date as the vendors and the purchaser may agree). In order to meet the need of cash resources and maintain the flexibility of financial resources for the Group, the Group intends to explore the possibility for fund raising activities from time to time and take up opportunities when arise. On 14 May 2013, the Company announced that it has commenced discussion to explore the possibility and will negotiate with potential investor(s) for possible fund raising. As at the Latest Practicable Date, no specific investor(s) for the possible fund raising is identified. As the annual general meeting of the Company is usually held in late August, the Board considers that the refreshment of General Mandate at this moment is necessary, in the event the discussions with the potential investors for possible fund raising can be materialized before the next annual general meeting; and the Refreshment of General Mandate can shorten the expected time of completion of any fund raising activities (if materialized) and to facilitate the negotiation process.

Given the fact that approximately 99.95% of the General Mandate has been utilized, the Company can raise funds either by seeking Shareholders' approval for issuance of Shares under specific mandate or utilize the Refreshed General Mandate. However, the issuance of shares under specific mandate takes longer time to complete as shareholder's approval could not be obtained until specific investor(s) is/are identified and a circular and notice are despatched to convene a shareholder's meeting. Potential investors prefer to invest in the Company when there is already a general mandate. The obtaining of Refreshed General Mandate will shorten the time and reduce uncertainty for completion of fund raising activities as market sentiment can change rapidly within a short period, as such the obtaining of the Refreshed General Mandate will assist the Company in proceeding to further negotiation with potential investors. Therefore, the Company seeks Shareholder's approval on the Refreshment of General Mandate rather than a specific mandate which will take shorter time to obtain. In case if there is improved market sentiment where attractive terms for investment in the Shares are offered by potential investors, the grant of the Refreshed General Mandate and any extension thereof are essential to enable the Group to respond promptly to these opportunities. Furthermore, if the Group identifies suitable investment opportunities, in addition to cash settlement, the Group will be given further flexibility in deciding other payment methods such as the issue of shares and/or convertible securities.

In view of the fact that the General Mandate has almost been utilized and will not be refreshed until the next annual general meeting of the Company, the Refreshed General Mandate and any extension thereof provide the Company a more simple and less lead time process to capture acquisition opportunities or to respond to the market promptly in fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

REFRESHMENT OF THE SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme which effective from 18 October 2011 pursuant to the ordinary resolution passed by the Shareholders on 24 August 2011. Under the Share Option Scheme, the original number of Shares which may be issued upon the exercise of all Options was 6,276,478 Shares (after taking into account of the Capital Reorganization becoming effective), representing 10% of the issued share capital as at the date of adoption of the Share Option Scheme and the maximum number of Shares that

LETTER FROM THE BOARD

might be issued upon the exercise of all Options under the Share Option Scheme or other schemes. The existing Scheme Mandate Limit has been refreshed to 17,257,956 Shares (after taking into account of the Capital Reorganization becoming effective) pursuant to the ordinary resolution passed by the Shareholders on 23 August 2012. Subject to prior Shareholders' approval, the Company may, at any time thereafter, refresh the Scheme Mandate Limit to grant Options over Shares as shall represent 10% of the issued share capital of the Company as at the date of passing the relevant resolution.

As at the Latest Practicable Date, the Company has a total of 368,817,348 Shares in issue, the maximum number of New Shares which may be issued upon the exercise of all the Options to be granted under the Scheme Mandate Limit as refreshed will be 36,881,734 Shares (assuming no further issue and/or the purchase of Shares between the Latest Practicable Date and the SGM), representing 10% of the issued share capital of the Company as at the date of approval of the Proposed Refreshment by the Shareholders at the SGM.

As at the Latest Practicable Date, no Option has been granted under the current scheme mandate limit.

Pursuant to the GEM Listing Rules, the Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. The Board undertakes that no Option shall be granted under the Share Option Scheme or any scheme(s) of the Company if this will result in the 30% limit being exceeded.

The Board considers that it is in the interests of the Company to refresh the Scheme Mandate Limit to permit the granting of further Options so as to provide incentives to, and recognise the contributions of, the eligible participants (as defined under the Share Option Scheme). The Board therefore decides to seek the approval of the Shareholders at the SGM to refresh the Scheme Mandate Limit.

Conditions of the Proposed Refreshment

The Proposed Refreshment is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the SGM to approve the Proposed Refreshment; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of the Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options to be granted under the refreshed Scheme Mandate Limit.

LETTER FROM THE BOARD

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the SGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and their respective associates (to the extent they hold any Share at the time of the SGM) would be required to abstain from voting in favour at the SGM in respect of the grant of the Refreshed General Mandate and any extension thereof. As at the Latest Practicable Date, Mr. Wu Zhinan is interested in 3,900,000 Shares and is required to abstain from voting at the SGM. Save as stated above, none of the other Directors and their respective associates have shareholding interest in the Company as at the Latest Practicable Date and are required to abstain from voting at the SGM. Any vote of the Independent Shareholders at the SGM will be taken by poll. As at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) of the Company and their respective associates had indicated that they had no intention to vote against the resolution(s) to grant the Refreshed General Mandate and any extension thereof at the SGM.

An announcement will be made by the Company following the conclusion of the SGM to inform the Shareholders of the voting results.

FINANCIAL AND TRADING PROSPECT

The business of the Group achieved substantial growth for the 9 months period ended 31 December 2012. The Group recorded unaudited turnover and profit after tax of approximately HK\$54.1 million and HK\$1.8 million respectively for the 9 months period ended 31 December 2012. During the period, the Group has acquired 55% equity interests in Boomtech Limited engaging in the provision of integrated solutions for lightning electromagnetic pulse protection business and has disposed of 2.43% equity interests in China Optic Telecommunication Technology Limited (“**China Optic**”) during the period and China Optic became an associated company of the Group after the disposal. China Optic and its subsidiaries generated an unaudited turnover of approximately HK\$23.99 million during the period.

The Group is currently operating the following business segments:

(i) **Resources/Energy Conservation Business**

The business segment is conducted through Viva Champion Limited and its subsidiaries (the “**Viva Champion Group**”).

Business

The Viva Champion Group is principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC which is the forerunner in such industry in the PRC.

LETTER FROM THE BOARD

During the 9 months period ended 31 December 2012, the unaudited turnover of the Viva Champion Group amounted to approximately HK\$16.31 million. Under normal circumstances and depending on the service scope to be provided in the sales contracts, it needs to go through a bid and tender process in order to obtain sales contracts and a resource/energy conservation project usually takes not more than 6 months to complete. The Viva Champion Group has entered into several sale contracts with its clients/telecommunications operators such as China Telecommunications Corporation (“**China Telecom**”), China United Network Communications Group Co., Ltd. (“**China Unicom**”), China Mobile Limited (“**China Mobile**”) for the provision of energy and other resources management, conservation system and integrated solutions to optimize usage for enterprises. The Viva Champion Group provides the necessary personnel with relevant technical knowledge and expertise in performing, supervising and completing the resource/energy conservation projects. The Group normally grants credit term of not more than 90 days to its customers upon the completion of project.

The Viva Champion Group sources materials from 4 major suppliers. During the 9 months period ended 31 December 2012, the unaudited total purchases from the 4 major suppliers amounted to approximately HK\$2.50 million. The material purchase costs contribute to most of the direct costs. The suppliers usually grant credit term of 90 days to the Viva Champion Group.

Latest business development and contribution

In respect of the resource/energy conservation business, during the 3 months period ended 31 December 2012, contractual works have been completed for China Telecom in Henan (河南), Nanjing (南京), Shanxi (山西), Sichuan (四川) and Anhui (安徽) generated revenue of approximately HK\$13.19 million.

However, as disclosed in the announcement of the Company dated 31 December 2012, the profit guarantee provided by the vendor (i.e. the audited consolidated net profits after taxation of Viva Champion Limited for the financial year ended 31 December 2012 shall not be less than RMB6,500,000 equivalent to approximately HK\$7,995,000) will not likely be fulfilled, mainly because of the delay in completion of certain projects of the major telecommunication operators due to their internal administration reasons. The actual amount of profit of Viva Champion Limited and the compensation is yet to be ascertained, subject to finalization of the consolidated management account for the year ended 31 December 2012 and the confirmation by the auditors of the Company. The Company is still in the process of negotiation with the vendor with regard to the settlement pursuant to the terms of the sales and purchase agreement. These contracts have been gradually resumed and are expected to be completed by the second quarter of 2013.

LETTER FROM THE BOARD

Future planning and development

According to the Twelve Five Years Plan launched by the PRC National Council, low carbon and energy saving are among the top priority projects of the PRC Government. The management of the Viva Champion Group are of the view that the business is in line with the Government policy and will also capitalize the existing business connections and scope of business activities of the Group. The Viva Champion Group will continue to explore different market opportunities in these different industries to broaden the customer base and varieties.

Management

The major business operation of resources/energy conservation business is in the PRC. The Viva Champion Group has a team of 25 professional staff experienced in the management and operation of this business segment.

(ii) Electromagnetic Pulse Protection Business

The business segment is conducted through Boomtech Limited and its subsidiaries (the “**Boomtech Group**”).

Business model

The Boomtech Group is principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services to the telecommunication operators and electricity providers, in the PRC.

The Boomtech Group recorded an unaudited turnover of approximately HK\$11.6 million for the 9 months period ended 31 December 2012. The Boomtech Group provides the necessary personnel with relevant technical knowledge and expertise in performing, supervising and completing the lightning protection project. Under normal circumstances and depending on the service scope to be provided in the sales contracts, it needs to go through a bid and tender process in order to obtain sales contracts and a lightning protection project usually takes not more than 6 months to complete. The Group normally grants credit term of not more than 90 days to its customers upon the delivery of products or when the services are rendered.

The Boomtech Group sources materials from 4 major suppliers. During the 9 months period ended 31 December 2012, the unaudited total purchases from the 4 major suppliers amounted to approximately HK\$2.13 million. The material purchase costs contribute to most of the direct costs. The suppliers usually grant credit term of 90 days to the Boomtech Group.

LETTER FROM THE BOARD

Latest business development and contribution

In respect of the electromagnetic pulse protection business, during the 3 months period ended 31 December 2012, contractual works of the electromagnetic pulse protection business were completed for a state-owned electricity enterprise in Liaoning (遼寧) and China Unicom in Huangshi (黃石), Yuncheng (運城), Linfen (臨汾), Changzhi (長治), Jincheng (晉城) and Jinzhong (晉中) generating revenue of approximately HK\$8.7 million.

However, as disclosed in the announcement of the Company dated 28 March 2013, the profit guarantee provided by the vendor (i.e. the audited consolidated net profits before taxation and extraordinary items of Boomtech Limited for the 15 months ended 31 March 2013) of not be less than HK\$15,000,000 will not likely to be fulfilled, because of the delay in completion of certain projects of the major telecommunication operators due to their internal administration reasons. The actual amount of profit of Boomtech Limited and the compensation is yet to be ascertained, subject to finalization of the consolidated management account for the year ended 31 March 2013 and the confirmation by the auditors of the Company. The Company has commenced negotiation with the vendor with regard to the settlement pursuant to the terms of the sales and purchase agreement. These contracts have been gradually resumed and are expected to be completed by the second half of 2013.

Future planning and development

As lightning protection is important in maintaining the normal operation of facilities in a number of industries, especially the telecommunication industry, the electricity industry and wind power industry, the Boomtech Group will continue to explore different market opportunities in these different industries to broaden the customer base and varieties. The Company is currently exploring the possibility in expanding the diversity and variety of products in lightning electromagnetic pulse protection business and the Company is currently considering expansion of its business operation in Zhengzhou to tap into the business opportunities within the region. Given its proven service quality to major telecommunication operators, the management of the Boomtech Group remains optimistic about the future development.

Management

Currently, the major business operation of the Boomtech Group is in the PRC. The Boomtech Group has a team of 15 professional staff experienced in the management and operation of this business segment.

LETTER FROM THE BOARD

(iii) Payment Business

In March 2010, the People's Bank of China announced that non-bank payment service providers will be required to meet the requirements of, amongst others, registered capital (RMB100 million), expertise and track record profit so as to obtain a license to conduct payment business in the PRC. With such regulations, the entry barriers to the payment industry in the PRC was tightened and the Group expects that a majority of the current payment industry players would be eliminated. On 2 March 2012, the Company completed the disposal of 55% equity interests in Great Plan Group Limited which is principally engaged in the provision of contactless payment system in the PRC based on 13.56MHz NFC Technology. The remaining payment business has only been on the provision of consultancy services for payment business which does not require a special license.

The payment business recorded a turnover of approximately HK\$2.1 million for the 9 months period ended 31 December 2012. It has recorded no turnover for the 3 months period ended 31 December 2012.

(iv) Other

The Group has completed the disposal of 2.43% equity interests in China Optic which is engaging in the optic fiber business in the PRC on 7 December 2012. The Group is currently interested in 47.67% equity interests in China Optic.

The Group will continue to look for investment opportunities in the related operations particularly in the area of one-stop solution/provider of resources/energy conservation products to achieve business expansion and will continue to develop on the resource/energy conservation business and electromagnetic pulse protection business. As at the Latest Practicable Date, the expected projects on hand is expected to generate revenue amounted to over HK\$15 million.

Moreover, the Board will conduct a review on the performance of each business segments and may consider disposing or scaling down some of the existing operation/assets for the purpose of achieving operational efficiency or if the Board thought appropriate after taking into account the business direction of the Group from time to time. However, as at the Latest Practicable Date, no concrete plans have been formulated or no negotiations have been commenced with regard to the disposing or scaling down some of the existing operation/assets, the Company will make further announcement as and when appropriate.

In addition, the Group will also keep looking for other potential investment opportunities which will benefit the Group and its Shareholders as a whole. As at the Latest Practicable Date, save for the Group entered into a non-legally binding memorandum of understanding dated 8 February 2013 and a supplemental memorandum of understanding dated 25 April 2013 in relation to the Possible Acquisition, the Company has no other potential acquisition under negotiation.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Date of announcement	Fund raising activities (Note)	Net proceeds raised/ dilution to shareholding (approximately)	Discount of issue price to the closing price of the last trading day (%)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
(i) 12 July 2012	Private placing of 270,000,000 non-listed warrants at an issue price of HK\$0.005 per warrant	HK\$24.30 million (13.528%)	17.48	Approximately HK\$22.95 million will be applied for business development of the existing business of the Company and for future potential investment opportunities and general working capital of the Company.	Approximately HK\$1.35 million has been used as general working capital and the remaining is deposited in bank.
(ii) 11 December 2012	Open offer of 997,897,828 offer shares at HK\$0.025 per offer share (on the basis of one offer share for every two shares)	HK\$22.97 million (33.333% if the then existing shareholders did not participate in the open offer and 0% if the then existing shareholders participated in the open offer)	73.40	(i) Approximately HK\$3.45 million will be used to finance future investments in the provision of energy management business especially in the marketing activities in the telecommunication sectors in the PRC with approximately HK\$2 million will be used for future investments to achieve business expansion and the remaining amount will be used in marketing activities; (ii) approximately HK\$3.45 million will be used to finance future investments in the provision of integrated solutions for lightning electromagnetic pulse protection business especially in the marketing activities in the private sector of the telecommunication industry in the PRC with approximately HK\$2 million will be used for future investments to achieve business expansion and the remaining amount will be used in marketing activities; (iii) approximately HK\$9.18 million will be used in the investment of other telecommunication enhancement related business of the Group; and (iv) approximately HK\$6.89 million will be used as general working capital, in which approximately HK\$2 million will be used for expanding the team for the energy management business to accommodate the aforesaid business expansion; approximately HK\$2 million will be used for expanding the team for the electromagnetic pulse protection business to accommodate the aforesaid business expansion; approximately HK\$1.5 million will be used for setting up representative offices in other cities in the PRC and the remaining will be reserved for future needs. The future investments of the existing business will be identified on a best effort basis within the next two years. The general working capital of approximately HK\$6.89 million will be used within the next 2 years.	The net proceeds had not been utilized and are deposited in bank.

LETTER FROM THE BOARD

Date of announcement	Fund raising activities <i>(Note)</i>	Net proceeds raised/ dilution to shareholding <i>(approximately)</i>	Discount of issue price to the closing price of the last trading day (%)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
(iii) 28 February 2013	Top-up placing and top-up subscription of 345,000,000 shares	HK\$24.07 million (10.333%)	11.11	Approximately HK\$24.07 million will be applied towards the Possible Acquisition and other potential acquisitions or for the general working capital of the Group.	Approximately HK\$5.5 million has been used as the refundable non-interest bearing deposit pursuant to the supplemental memorandum dated 25 April 2013 in relation to the Possible Acquisition and the remaining is deposited in bank.
(iv) 28 February 2013	Placing of 349,480,000 shares	HK\$24.28 million (9.476%)	11.11	Approximately HK\$24.28 million will be applied towards the Possible Acquisition and other potential acquisitions or for the general working capital of the Group.	The net proceeds had not been utilized and are deposited in bank.
Total:		HK\$95.62 million			Approximately HK\$94.27 million remains unutilized (including the HK\$5.5 million refundable deposit in (iii) above).

Note: The number of shares as mentioned above is before the Capital Reorganization taking effective.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the twelve months immediately preceding the Latest Practicable Date.

Notwithstanding that there is unutilized portion of the net proceeds from the above fund raising activities and the Group has cash and bank balance of approximately HK\$95 million as at the Latest Practicable Date, the Board is prudent on the use of financial resources for its future use. Set out below are the working capital requirements and the estimation of use of proceeds.

1. The major operating expenses of the Company at the holding company level, including, but not limited to salary expenses, rental expenses amounted to

LETTER FROM THE BOARD

approximately HK\$900,000 per month. The Company at the holding company level does not generate any revenue and the availability of cash resources depends heavily on the dividends to be received from its subsidiaries and fund raising exercise. Currently, the Company intends to finance such working capital requirements entirely from the proceeds from the exercise of warrants in (i) above.

2. As at the Latest Practicable Date, the Group has two outstanding promissory notes. The first promissory note with the principal amount of HK\$4 million was issued as part of the consideration for the acquisition of the 51% equity interests in Viva Champion Limited (details of which are disclosed in the announcement of the Company dated 4 October 2011) and the second promissory note with the principal amount of HK\$8.25 million was issued as part of the consideration for the acquisition of the 55% equity interests in Boomtech Limited (details of which are disclosed announcement of the Company dated 13 January 2012 and the circular of the Company dated 4 May 2012). These promissory notes (subject to adjustment mechanism) are repayable on or before November 2013 and May 2014 respectively. The Board intends to finance the repayment from the net proceeds from the exercise of warrants in (i) above.
3. The Company is currently exploring the possibility in expanding the diversity and variety of products in lightning electromagnetic pulse protection business, therefore, more spending on recruiting expertise for research and development and the purchase of equipment is foreseen and additional capital requirement may be required. Currently the Company is considering expansion of the electromagnetic pulse protection business in Zhengzhou to tap into the business opportunities within the region. Therefore, more staff are to be employed and more expenses are to be incurred for the marketing and tendering of the projects and the capital commitment is expected to be around HK\$5 million within the coming financial year. The strengthening of the working capital position of the Group will place the Group in a better position to take up more projects in the energy management business and the lightning electromagnetic pulse protection business to cater for the possibility in expansion in the energy management business and the lightning electromagnetic pulse protection business as and when appropriate. The Group will identify on a best effort basis of any future expansion in these businesses, including mergers and acquisitions in which more cash resources should be required. In addition, there are several capital injection requirement for three PRC subsidiaries on or before August 2014 in an aggregate of approximately HK\$22 million. The board expects that the above funding requirements will mainly come from the net proceeds from the warrants of approximately HK\$22.95 million and the net proceeds from the open offer of approximately HK\$22.97 million which has been reserved for the use in the existing business in (i) and (ii) above.

LETTER FROM THE BOARD

4. On 8 February 2013 and 25 April 2013, the Company entered into memorandum of understanding in relation to the Possible Acquisition, in which the exclusivity period is presently extended to 24 July 2013. As at the Latest Practicable Date, the Company is still in the process of conducting due diligence review for the Possible Acquisition and the Directors have not proceeded with further negotiation with the vendors and thus no consideration (including terms) was determined so far. However, based on the existing information, if the transaction is materialized, it is currently expected that the transaction will be classified as a major or above transaction and the consideration will likely exceed the proceeds from the top up placing and the top up subscription and the New Placing of approximately HK\$48.35 million in (iii) and (iv) above. The portion of cash consideration is yet to be discussed but the Board considers that further fund raising will place the Group in a more advantageous position to negotiate and determine the terms for the Possible Acquisition.

Having considered the above funding requirement, the Board considers the refreshment of General Mandate is necessary to provide necessary flexibility to the Group in its future fund raising exercise to finance the Possible Acquisitions and other potential acquisitions in related businesses or other fields.

The new shares issued under (i), (iii) and (iv) in the above table are placed to Independent Third Parties, and the unsubscribed entitled portion of the open offer to the qualified shareholders are also allotted to Independent Third Parties. The four fund raising activities above (the “**Recent Fund Raising Activities**”) have diluted the interest of the Shareholders cumulatively (a) by approximately 53.21% ($1 - (1-13.528\%) \times (1-33.333\%) \times (1-10.333\%) \times (1-9.476\%)$) as compared to the shareholding immediately before the Recent Fund Raising Activities if the Shareholders do not participate in the open offer in (ii) above; and (b) by approximately 29.81% ($1 - (1-13.528\%) \times (1-0\%) \times (1-10.333\%) \times (1-9.476\%)$) as compared to the shareholding immediately before the Recent Fund Raising Activities if the Shareholders participated in the open offer in (ii) above.

Shareholders should be aware that if the General Mandate is refreshed, Shareholders will be subject to further dilution of their interests in the Company when the Refreshed General Mandate is utilized. All the existing Shareholders’ interest will be diluted by a maximum of 16.67% upon full utilization of the Refreshed General Mandate, assuming no other Shares are issued and/or repurchased by the Company.

LETTER FROM THE BOARD

DIRECTORS PROPOSED TO BE RE-ELECTED

In accordance with the Bye-laws of the Company and the Appendix 15 of the GEM Listing Rules, each of Ms. Sung Ting Yee, Mr. Wu Zhinan, Mr. Tsang Ho Ka, Eugene and Mr. Tam Chak Chi will retire and, being eligible, offer themselves for re-election at the SGM. Details of the Directors proposed to be re-elected are set out in Appendix I to this circular.

RECOMMENDATIONS

The Directors consider that (i) the grant of the Refreshed General Mandate and any extension thereof; (ii) the Proposed Refreshment; and (iii) re-election of retiring Directors are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions and all the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

The Independent Board Committee, having taken into account the advice of Nuada, considers that the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM for approving the grant of the Refreshed General Mandate and any extension thereof.

Your attention is drawn to the recommendation of the Independent Board Committee (as set out on page 20 of this circular) and advice of Nuada (as set out on pages 21 to 33 of this circular) regarding the grant of the Refreshed General Mandate and any extension thereof.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

SPECIAL GENERAL MEETING

The notice convening the SGM is set out on pages 38 to 41 of this circular. At the SGM, ordinary resolutions will be proposed to approve (i) the proposed grant of the Refreshed General Mandate and any extension thereof; (ii) the Proposed Refreshment; and (iii) re-election of retiring Directors.

LETTER FROM THE BOARD

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to present at the SGM, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the SGM. The completion of a form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting in person.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all the resolutions proposed to be approved at a general meeting must be taken by poll. An announcement on the results of the SGM will be made by the Company after the SGM.

Yours faithfully,
By order of the board of directors of
China Neng Xiao Technology (Group) Limited
Sung Ting Yee
Chairman



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED

中國能效科技(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

28 May 2013

To the Independent Shareholders

Dear Sir or Madam,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We refer to the circular of the Company dated 28 May 2013 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise required.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the grant of the Refreshed General Mandate and any extension thereof and to make recommendations to the Independent Shareholders.

We have considered whether the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Independent Shareholders are concerned. Nuada has been appointed as the Independent Financial Adviser to advise us in respect of the above matters.

We wish to draw your attention to the letter from the Board and the letter from Nuada as set out in the Circular.

Having considered the terms of the grant of Refreshed General Mandate and any extension thereof and the independent advice of Nuada as set out on pages 4 to 19 and pages 21 to 33 of the Circular, we consider that the terms of the grant of the Refreshed General Mandate and any extension thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Refreshed General Mandate and any extension thereof are in the interests of the Company and the Shareholders as a whole. On this basis, we recommend that the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the grant of the Refreshed General Mandate and any extension thereof.

Yours faithfully,

For and on behalf of the Independent Board Committee of

China Neng Xiao Technology (Group) Limited

Mr. Kwok Chi Sun, Mr. Yeung Kam Yan Mr. Cheung Chi Hwa, Mr. Tam Chak Chi
Vincent Justin

Independent non-executive Directors

* For identification purposes only

LETTER FROM NUADA

The following is the text of a letter of advice from Nuada Limited in connection with the proposed refreshment of General Mandate to issue Shares which has been prepared for inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號 BLINK 19字樓

28 May 2013

*To the Independent Board Committee and the Independent Shareholders
of China Neng Xiao Technology (Group) Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to the circular dated 28 May 2013 (the “**Circular**”) issued by the Company to the Shareholders and our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshed General Mandate, details of which are set out in the letter from the Board contained in the Circular (the “**Letter**”). Capitalised terms used in this letter, unless the context otherwise requires, shall have the same meanings ascribed to them in the Circular.

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshed General Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates, or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive, if any, of the Company and their respective associates shall abstain from voting in favour of the Refreshed General Mandate at the SGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder, accordingly, the executive Directors and their respective associates (to the extent they hold any Share at the time of the SGM) would be required to abstain from voting in favour at the SGM in respect of the grant of the Refreshed General Mandate and any extension thereof. As at the Latest Practicable Date, Mr. Wu Zhinan is interested in 3,900,000 Shares and are required to be abstain from voting at the SGM. Save as stated above, none of the other Directors and their respective associates has shareholding interests in the Company. Any vote of the Independent Shareholders at the SGM will be taken by poll.

The Independent Board Committee has been established for the purpose of advising the Independent Shareholders in relation to the Refreshed General Mandate and any extension thereof.

LETTER FROM NUADA

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided sufficient information to enable us to reach an informed view regarding the Refreshed General Mandate, and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinions. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Refreshed General Mandate and any extension thereof, we have taken the following principal factors and reasons into consideration:

Background

At the annual general meeting of the Company on 23 August 2012 (the “AGM”), the Directors were granted the General Mandate to allot and issue up to 34,515,913 Shares (after taking into account of the Capital Reorganization becoming effective), representing 20% of the issued share capital of the Company as at the date of the annual general meeting. Such general mandate has not been refreshed since it was granted and, after the completion of top-up placing and top-up subscription (details were set out in the announcement of the Company dated 28 February 2013 and 12 March 2013), 34,500,000 Shares (after taking into account of the Capital Reorganization becoming effective) out of the General Mandate (approximately 99.95%) has been substantially utilized.

LETTER FROM NUADA

As at the Latest Practicable Date, there were 368,817,348 Shares in issue. If the Refreshed General Mandate is approved and on the basis that no further Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Company would be allowed to allot and issue up to 73,763,469 new Shares under the Refreshed General Mandate. Any issue of new Shares is subject to approval from the Stock Exchange for the listing of, and permission to deal in, such new Shares.

Reasons for the Refreshed General Mandate

As disclosed in the Letter, the General Mandate has been substantially utilized, and in order to provide the Company with general working capital and/or flexibility to further finance the business development when opportunities are identified, the Directors propose to seek the approval of the Independent Shareholders at the SGM for the grant of the Refreshed General Mandate and any extension thereof.

Business development of the Group

The Group is principally engaged in the provision of payment gateway services, the provision of energy management business and the provision of integrated solutions for lightning electromagnetic pulse protection engineering design, construction and technical services.

Reference is made to the interim report 2012–2013 (the “**Interim Report**”) of the Company. For the six months ended 30 September 2012, the Group recorded an unaudited turnover of approximately HK\$22,407,000 (of which approximately HK\$15,653,000 was contributed from its telecommunications optic fiber business, while the energy management business, integrated solutions for lightning electromagnetic pulse protection business and payment gateway business recorded unaudited turnover of approximately HK\$3,124,000, HK\$2,953,000 and HK\$677,000 respectively) and the unaudited loss attributable to equity holders of approximately HK\$4,087,000. As at 30 September 2012, the Group had net assets of approximately HK\$163.0 million, comprising total assets of approximately HK\$213.2 million (of which approximately HK\$122.3 million was attributable to intangible assets and goodwill), including cash and bank balances of approximately HK\$31.7 million, and total liabilities of approximately HK\$50.2 million. For the six months ended 30 September 2012, the Group recorded net cash outflow in operating activities of approximately HK\$8.7 million. Based on the financial position of the Group as at 30 September 2012 as disclosed in the Interim Report, in assessing the working capital requirement of the Company, we have particularly taken into account (i) the net tangible assets of the Group of approximately HK\$40.7 million as at 30 September 2012 (being the net assets of the Group of approximately HK\$163.0 million minus the intangible assets and goodwill of an aggregate of approximately HK\$122.3 million); (ii) the net current assets of the Group of approximately HK\$46.2 million as at 30 September 2012, with cash and bank balance of approximately HK\$31.7 million, and current liabilities of approximately HK\$40.7 million; (iii) during the six-month period ended 30 September 2012, the Company raised net proceeds of approximately HK\$1.35 million from the private placing of 270,000,000 non-listed warrants completed on 26 July 2012, details of which are set out in the announcements dated 12 July 2012 and 26 July 2012

LETTER FROM NUADA

respectively) and such net proceeds has been utilized; (iv) the unaudited loss attributable to equity holders of the Group of approximately HK\$4.1 million and the net cash outflow in operating activities of the Group of approximately HK\$8.7 million for the six months ended 30 September 2012; and (v) the Group had no general banking facilities as at the Latest Practicable Date. As such, we consider, in particular in view of the net cash outflow in operating activities of the Group for the six months ended 30 September 2012 and in the absence of banking facilities, equity financing is an important means for the Group to raise capital for maintaining/improving its liquidity for both organic and external growth, and the Refreshed General Mandate represents a feasible and effective equity financing alternative. In fact, in the past twelve months immediately before the Latest Practicable Date, the Company had conducted a number of equity fund raising activities for business development of the existing business of the Company and for future potential investment opportunities and/or general working capital of the Company, details of which are set out in the sub-section headed "*Equity fund raising activities in the past twelve months*" below (the "**Recent Fund Raising Activities**"). We consider that the Recent Fund Raising Activities did enhance the asset base and improve the liquidity level of the Group, strengthening the Group's financial stability for its existing operations and providing the Group with additional funding for business development, involving additional costs for operational expansion, capital expenditures and/or investments, details of which are set out in the sub-section headed "*Equity fund raising activities in the past twelve months*" below.

On 8 February 2013, the Group entered into a non-legally binding memorandum of understanding in relation to the possible acquisition of majority interest in a company principally engaged in motor vehicles beauty services including cars detailing, repairing and maintenance services in Hong Kong, Macau and Taiwan (the "**Possible Acquisition**"), details of which are set out in the announcement dated 8 February 2013, and the subsequent announcement dated 25 April 2013 issued by the Company. The Directors consider that the Possible Acquisition, if materializes, represents a good opportunity for the Group to diversify its business and seek new revenue stream. As at the Latest Practicable Date, no binding agreement in relation to the Possible Acquisition has been entered into, and the Possible Acquisition may or may not proceed.

As advised by the Company, the Board will keep looking for new investment opportunities, including the Possible Acquisition, which may offer good earnings and growth potential to strengthen the Group's existing business portfolio. As disclosed in the Letter, save for the Possible Acquisition, the Group has no other potential acquisition as at the Latest Practicable Date. As at the Latest Practicable Date, the major terms of the Possible Acquisition have not been finalized and the Company is in the process of performing preliminary due diligence to proceed with the Possible Acquisition. Should the Possible Acquisition been materialized and requires additional cash resources or in case if there is improved market sentiment where attractive terms for investment in the Shares are offered by potential investors, the grant of the Refreshed General Mandate and any extension thereof are essential to enable the Group to respond promptly to these opportunities. Furthermore, if the Group identifies suitable investment opportunities, in addition to cash settlement, the Group will be given further flexibility in deciding other payment methods such as the issue of shares and/or convertible securities. In view of the fact that the General Mandate has almost been utilized and will not be refreshed until the next annual general meeting of the Company, the Refreshed General Mandate and any

LETTER FROM NUADA

extension thereof provide the Company a more simple and less lead time process to capture acquisition opportunities or to respond to the market promptly in fund raising opportunities and to avoid the uncertainties in such circumstances that specific mandate may not be obtained in a timely manner.

Equity fund raising activities in the past twelve months

Set out below are the Recent Fund Raising Activities conducted by the Company in the past twelve months immediately before the Latest Practicable Date:

Date of initial announcement	Description <i>(Note)</i>	Net proceeds raised/dilution to shareholding (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
(i) 12 July 2012	Private placing of 270,000,000 non-listed warrants (the "Warrants") at an issue price of HK\$0.005 per warrant (the "Warrant Placing")	HK\$24.30 million (13.528%)	Approximately HK\$22.95 million will be applied for business development of the existing business of the Company and for future potential investment opportunities and general working capital of the Company	Approximately HK\$1.35 million has been used as general working capital and the remaining is deposited in bank

LETTER FROM NUADA

Date of initial announcement	Description (Note)	Net proceeds raised/dilution to shareholding (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
(ii) 11 December 2012	Open offer of 997,897,828 offer shares at HK\$0.025 per offer Share (on the basis of one offer share for every two shares) (the "Open Offer")	HK\$22.97 million (33.333% if the then existing shareholders did not participate in the open offer and 0% if the then existing shareholders participated in the open offer)	(i) Approximately HK\$3.45 million will be used to finance future investments in the provision of energy management business especially in the marketing activities in the telecommunication sectors in the PRC with approximately HK\$2 million will be used for future investments to achieve business expansion and the remaining amount will be used in marketing activities; (ii) approximately HK\$3.45 million will be used to finance future investments in the provision of integrated solutions for lightning electromagnetic pulse protection business especially in the marketing activities in the private sector of the telecommunication industry in the PRC with approximately HK\$2 million will be used for future investments to achieve business expansion and the remaining amount will be used in marketing activities; (iii) approximately HK\$9.18 million will be used in the investment of other telecommunication enhancement related business of the Group; and (iv) approximately HK\$6.89 million will be used as general working capital, in which approximately HK\$2 million will be used for expanding the team for the energy management business to accommodate the aforesaid business expansion;	The net proceeds had not yet been utilized and are deposited in bank

LETTER FROM NUADA

Date of initial announcement	Description (Note)	Net proceeds raised/dilution to shareholding (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
			<p>approximately HK\$2 million will be used for expanding the team for the electromagnetic pulse protection business to accommodate the aforesaid business expansion; approximately HK\$1.5 million will be used for setting up representative offices in other cities in the PRC and the remaining will be reserved for future needs. The future investments of the existing business will be identified on a best effort basis within the next two years. The general working capital of approximately HK\$6.89 million will be used within the next two years</p>	
(iii) 28 February 2013	<p>Top-up placing and top-up subscription of 345,000,000 shares (the "Top-up Placing")</p>	<p>HK\$24.07 million (10.333%)</p>	<p>Approximately HK\$24.07 million will be applied towards the Possible Acquisition and other potential acquisitions or for the general working capital of the Group</p>	<p>Approximately HK\$5.5 million has been used as the refundable non-interest bearing deposit pursuant to the supplemental memorandum dated 25 April 2013 in relation to the Possible Acquisition and the remaining is deposited in bank</p>
(iv) 28 February 2013	<p>Placing of 349,480,000 shares (the "New Placing")</p>	<p>HK\$24.28 million (9.476%)</p>	<p>Approximately HK\$24.28 million will be applied towards the Possible Acquisition and other potential acquisitions or for the general working capital of the Group</p>	<p>The net proceeds had not yet been utilized and are deposited in bank</p>

Note: The number of shares as mentioned above is before Capital Reorganization taking effective.

Save for disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM NUADA

As at the Latest Practicable Date, the cash and bank balance of the Group amounted to approximately HK\$95 million, of which (i) approximately HK\$22.97 million was the net proceeds of the Open Offer; (ii) approximately HK\$24.07 million was the net proceeds from the Top-up Placing; (iii) approximately HK\$24.28 million was net proceeds from the New Placing; and (iv) approximately HK\$22.95 million was the net proceeds from the exercise in full of the Warrants (the “**Warrants Proceeds**”).

As stated in the above table, we note that the net proceeds from the Recent Fund Raising Activities have not been fully utilized as the Latest Practicable Date. Due to (i) the Open Offer, the Top-up Placing and the New Placing have just been completed within three months ago; (ii) the Possible Acquisition has not been materialized; and (iii) no other investment opportunities has been identified, save for the refundable non-interest bearing deposit paid by the Group pursuant to the supplemental memorandum dated 25 April 2013 regarding the Possible Acquisition, none of the net proceeds therefrom has been utilized as at the Latest Practicable Date. Nevertheless, notwithstanding most of the net proceeds from the Recent Fund Raising Activities have not been utilized, it is noted that the net proceeds from the Open Offer are reserved to be used for financing future investments in the provision of energy management business (especially in the marketing activities in the telecommunication sectors in the PRC) and the provision of integrated solutions for lightning electromagnetic pulse protection business, investment of other telecommunication enhancement related business of the Group and general working capital, details of which are set out above, which is expected to be utilized from time to time in the course of the Group’s operations and as the businesses of the Group develops in the future.

Furthermore, as advised by the Company and disclosed in the Letter, the funding requirements of the Group includes (a) major operating expenses of the Company at the holding company level, including but not limited to salary and rental expenses, (approximately HK\$900,000 per month), which the Company currently intends to be financed by the Warrants Proceeds; (b) the repayment obligations under two outstanding promissory notes, in principal amount of HK\$4 million repayable on or before November 2013 and HK\$8.25 million repayable on or before May 2014 respectively (both subject to adjustment mechanism), which the Company currently intends to be financed by the Warrants Proceeds; (c) expected additional spending/capital expenditure for recruiting expertise for research and development and purchase of equipment with an aim to exploring the possibility in expanding the diversity and variety of products in lightening electromagnetic pulse protection business; (d) expected capital commitment of around HK\$5 million for expanding the electromagnetic pulse protection business in Zhengzhou, involving expenses for recruitment of more staff and marketing and tendering of projects; (e) additional liquid cash enabling the Group to take up more projects in the energy management business and the lightning electromagnetic pulse protection business as and when appropriate, and capture other future expansion opportunities in these existing businesses of the Group; and (f) several capital injection for three PRC subsidiaries before 2014 in an aggregate of approximately HK\$22 million, which the Board currently intends to finance items (c), (d), (e) and (f) above by the Warrants Proceeds and the proceeds from the Open Offer. For further details regarding the above-mentioned funding requirements of the Group, please refer to the section headed “FUND RAISING ACTIVITIES OF THE PAST 12 MONTHS” in the Letter.

LETTER FROM NUADA

Notwithstanding the net proceeds from the Recent Fund Raising Activities and the current cash level of the Group as detailed above, given the funding requirements of the Group and the intended use of proceeds from the Recent Fund Raising Activities, should there be any other investment/expansion opportunities which may require additional capital, the Group might not be able to allocate cash resources for capturing such opportunities without altering the originally-intended business planning of the Group. In addition, although the Group raised in aggregate approximately HK\$48.35 million from the Top-up Placing and the New Placing for the Possible Acquisition, given the consideration and the timing of the Possible Acquisition has not been known, which may be imminent and there is no certainty that the requisite additional financing could be obtained in a timely manner, we consider that the Refreshed General Mandate is necessary for the Company to obtain equity financing in a timely manner in case additional capital is required and/or to opt for issue of new Shares as consideration for the Possible Acquisition and/or any investment opportunities as and when materialized. Furthermore, having taken into account the Company has been proactive in seeking investment opportunities and business expansion, we consider it is prudent, fair and reasonable for the Board to have financial flexibility for business expansion, in particular for acquisition of potential business and/or investment opportunities, including but not limited to the Possible Acquisition, as they may arise from time to time in the future.

Save for the Company has commenced discussion to explore the possibility and will negotiate with potential investor(s) for possible fund raising as announced by the Company on 14 May 2013, the Board currently has no concrete plan to utilize the Refreshed General Mandate for new investment opportunities and/or there is no concrete proposal presented by potential investors for investment in Shares as at the Latest Practicable Date. Nevertheless, the Directors consider that the Refreshed General Mandate would offer the Board flexibility to raise additional capital and/or capture investment opportunities which may arise at any time and require prompt investment decision by the Board, including but not limited to the Possible Acquisition. Given the aforesaid and the fact that the General Mandate has been substantially utilized, we are of the opinion that the Refreshed General Mandate is in the interest of the Company and the Shareholders as a whole.

LETTER FROM NUADA

Other financing alternative

The Board considers equity financing to be an important avenue of resources for the Group since it does not create any interest paying obligations on the Group. In appropriate circumstances, the Group may also consider other financing methods such as debt financing or internal cash resources to fund its business operations, future investment and/or business development. While sufficient for its present requirements, there is no certainty that such cash resources will be adequate or other financing alternatives will be available for business operations and/or expansion of the Group, or possible investment opportunities that may be identified by the Company, in the future. In addition, debt financing may incur interest burden on the Group and it may subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position, capital structure and the financial market condition at that time. In particular, given the nature of the Company's businesses does not have a large amount of fixed assets, there is no collateral in securing favorable borrowing terms with banks, and it might be difficult or not be possible for the Group to obtain unsecured bank borrowings or other debt financing, which even be possible, may be subject to high interest rates. The Directors consider that equity financing such as issuance of new shares may be an appropriate means to fund such investments and/or acquisitions and provide additional working capital for future development and expansion of the Group. Furthermore, equity financing under general mandate is less costly and time-consuming than raising funds by way of rights issues or open offers.

Given the materialization of the Possible Acquisition may be imminent and other investment opportunities may arise from time to time, we consider that the Refreshed General Mandate will provide the Company with an additional alternative to raise capital or issue shares and/or convertible securities as a payment option for settlement of consideration for acquisitions, enabling the Group to capture in a time manner any such future investment opportunities, including but not limited to the Possible Acquisition, as and when arise. As such, we are of the view that the Refreshed General Mandate will be in the interest of the Company and the Shareholders as a whole. We also consider it is prudent and reasonable for the Group to maintain a strong capital base while additional funding may be needed for investment and business expansion purposes from time to time. We are of the view that the Refreshed General Mandate could provide the Company with flexible financing option to raise additional capital for any future needs or as working capital of the Group and therefore is fair and reasonable.

LETTER FROM NUADA

POTENTIAL DILUTION TO SHAREHOLDINGS OF THE PUBLIC SHAREHOLDERS

Set out below is a table showing the shareholding structure of the Company as at the Latest Practicable Date, and, for illustrative purpose, the potential dilution effect upon full utilization of the Refreshed General Mandate, assuming no other Shares are issued and/or repurchased by the Company.

Shareholders	At the Latest Practicable Date		Upon full utilization of the Refreshed General Mandate	
	Shares (approximately)	%	Shares (approximately)	%
Starryland Profits Limited (<i>Note 1</i>)	51,960,702	14.09	51,960,702	11.74
Mr. Lau Kim Hung, Jack ("Mr. Lau") (<i>Note 1</i>)	672,480	0.18	672,480	0.15
Mrs. Chan Yiu Kan Katie (<i>Note 2</i>)	322,000	0.09	322,000	0.07
Other parties acting in concert with Mr. Lau	252,693	0.07	252,693	0.06
Mr. Wu Zhinan (<i>Note 3</i>)	<u>3,900,000</u>	<u>1.06</u>	<u>3,900,000</u>	<u>0.88</u>
<i>Public</i>				
Existing Shareholders	311,709,473	84.51	311,709,473	70.43
Shares to be issued under the Refreshed General Mandate	<u>–</u>	<u>–</u>	<u>73,763,469</u>	<u>16.67</u>
Total	<u><u>368,817,348</u></u>	<u><u>100.00</u></u>	<u><u>442,580,817</u></u>	<u><u>100.00</u></u>

Notes:

1. Starryland Profits Limited ("**Starryland**"), a company incorporated in the British Virgin Islands with limited liability, is wholly and beneficially owned by Mr. Lau. Mr. Lau is deemed to be interested in 51,960,702 Shares held by Starryland under the SFO. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie, Mr. Lau is also deemed to be interested in 322,000 Shares held by Chan Yiu Kan, Katie under the SFO.
2. Ms. Chan Yiu Kan, Katie, being the spouse of Mr. Lau is deemed to be interested in 51,960,702 Shares held by Starryland and 672,480 Shares held by Mr. Lau under the SFO.
3. Mr. Wu Zhinan is a Director of the Company.

LETTER FROM NUADA

As illustrated in the table above, the aggregate shareholding of the existing public Shareholders will decrease from approximately 84.51% as at the Latest Practicable Date to approximately 70.43% upon full utilization of the Refreshed General Mandate, assuming no other Shares are issued and/or repurchased by the Company.

For further information, as stated in the Letter, (i) the new shares issued under the Warrant Placing, the Top-up Placing and the New Placing, details of which are set out in the section sub-section headed "*Equity fund raising activities in the past twelve months*" under the section headed "**Reasons for the Refreshed General Mandate**" above, are placed to Independent Third Parties, and the unsubscribed entitled portion of the Open Offer to the qualified shareholders are also allotted to Independent Third Parties; and (ii) the Recent Fund Raising Activities have diluted the interest of the Shareholders cumulatively (a) by approximately 53.21% ($1 - (1-13.528\%) \times (1-33.333\%) \times (1-10.333\%) \times (1-9.476\%)$) as compared to the shareholding immediately before the Recent Fund Raising Activities if the Shareholders do not participate in the Open Offer; and (b) by approximately 29.81% ($1 - (1-13.528\%) \times (1-0\%) \times (1-10.333\%) \times (1-9.476\%)$) as compared to the shareholding immediately before the Recent Fund Raising Activities if the Shareholders participated in the Open Offer.

Taking into account (i) the qualified shareholders under the Open Offer have been given the pre-emptive rights to subscribe for their respective entitlements thereunder so as to maintain their respective shareholding percentages in the Company; (ii) the financial position of the Group as at 30 September 2012 and the Recent Fund Raising activities did enhance the asset base and improve the liquidity level of the Group, strengthening the Group's financial stability for its existing operations and providing the Group with additional funding for business development, involving additional costs for operational expansion, capital expenditures and/or investments as detailed in the sub-section headed "*Business development of the Group*" under the section headed "**Reasons for the Refreshed General Mandate**" above; and (iii) the intended use of proceeds from the Recent Fund Raising Activities as detailed the sub-section headed "*Equity fund raising activities in the past twelve months*" under the section headed "**Reasons for the Refreshed General Mandate**" above, we consider that the dilution on shareholdings of the Company as a result of the Recent Fund Raising Activities is fair and reasonable.

Taking into account the benefits of the Refreshed General Mandate as discussed above, in particular the Refreshed General Mandate represents a feasible and effective equity financing alternative for the Group to raise capital for maintaining/improving its liquidity for both organic and external growth, including but not limited to the Possible Acquisition and/or other investment opportunities as and when arise, and the fact that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution of shareholdings to be fair and reasonable.

LETTER FROM NUADA

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Refreshed General Mandate is fair and reasonable and in the best interest of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

Independent Shareholders are however advised to take note of the possible dilution effect on their shareholding interests in the Company when and if the Refreshed General Mandate is utilized.

For and on behalf of
Nuada Limited
Po Chan
Executive Director

Set out below are details of the Directors who are proposed to be re-elected at the SGM:

MS. SUNG TING YEE

Ms. Sung Ting Yee (“**Ms. Sung**”), aged 38, has been appointed as the chairman, executive Director and finance director of the Company on 13 May 2013. Ms. Sung holds a master degree of business administration from University of Birmingham, United Kingdom and a bachelor’s degree of arts (Honours) in accountancy from Birmingham City University (formerly known as University of Central England in Birmingham), United Kingdom. Ms. Sung is a Certified Public Accountant (“**CPA**”) of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and a fellow member of the Association of Chartered Certified Accountants (“**ACCA**”). Ms. Sung has over 14 years’ experience in finance, accounting, external and internal auditing in both Hong Kong and the People’s Republic of China (“**PRC**”). Ms. Sung previously worked as an audit manager in an international accounting firm and an internal audit manager in BALtrans Holdings Limited, which was subsequently delisted on the Main Board (the “**Main Board**”) of the Stock Exchange after her term of service. She also previously worked as a finance manager in China Mining Resources Group Limited (stock code: 340), a company listed on the Main Board. Ms. Sung was a chief financial officer of Ming Kei Holdings Limited (stock code: 8239), a company listed on GEM, and was re-designated as a group financial controller of Ming Kei Holdings Limited with effect from 6 August 2012. Ms. Sung is an executive director of Newtree Group Holdings Limited (stock code: 1323), a company listed on the Main Board. Ms. Sung is also the company secretary and the chief financial officer of Colors Securities Limited and Colors Commodities Limited, both being companies which are principally engaged in the provision of financial services respectively.

Ms. Sung has entered into a letter of appointment with the Company for a term of one year with effect from 13 May 2013, which will continue thereafter until terminated by either party giving not less than three months’ notice in writing. Ms. Sung is entitled to a directors’ fee of HK\$30,000 per month which is determined by arm’s length negotiation between Ms. Sung and the Company and with reference to her duties and responsibilities.

Save as disclosed above, Ms. Sung has not held any directorships in other public listed companies in the past three years. Apart from being the chairman, executive Director and finance director of the Company, she does not hold any other positions in the Company or any of its subsidiaries. Ms. Sung does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules).

As at the Latest Practicable Date, Ms. Sung does not have any interest in the Shares within the meaning of Part XV of the SFO.

Other than disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules, nor are there any other matters which needs to be brought to the attention of the Shareholders.

MR. WU ZHINAN

Mr. Wu Zhinan (“**Mr. Wu**”), aged 37, has been appointed as the executive Director and chief executive officer of the Company on 13 May 2013. Mr. Wu holds a bachelor degree of Industrial Automatic from the Information Science and Engineering Faculty of Jilin University (formerly known as Jilin University of Technology of China). He is the holder of the Certificate for the Qualifications of Lightning Prevention Design and Construction issued by the Beijing Meteorology Bureau. With 11 years of experience in the sales of electromagnetic security products, he was the Deputy General Manager of Beijing Allday Science and Technology Co., Ltd. (北京歐地安科技有限公司), and was responsible for the sales of electromagnetic security products to telecommunications companies, power companies and the PRC government. He was also the Chief Marketing Officer of Beijing Comtest Co., Ltd. (北京通測科技有限責任公司), and was responsible for the sales of communication testing gauges to telecommunication operators across the country. He is currently the directors of several subsidiaries of the Company, namely Boomtech Limited, Fantastic Limited, Beijing Reese Compaq Technology Co., Limited, Beijing Outwitting Huanyu Technology Company Limited and PalmPay Technology Co. Limited, and is responsible for the coordination of the business planning and operation.

Mr. Wu has entered into a letter of appointment with the Company for a term of one year with effect from 13 May 2013, which will continue thereafter until terminated by either party giving not less than one month’s notice in writing. Mr. Wu is entitled to a directors’ fee of HK\$25,000 per month which is determined by arm’s length negotiation between Mr. Wu and the Company and with reference to his duties and responsibilities.

Mr. Wu does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules). As at the Latest Practicable Date, Mr. Wu is interested in 3,900,000 shares of the Company, save for this, Mr. Wu does not have any other interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Wu has not held any directorships in other public listed companies in the past three years. Apart from being an executive Director and chief executive officer of the Company and save as disclosed above, he does not hold any other positions in the Company or any of its subsidiaries.

Other than disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules, nor are there any other matters which needs to be brought to the attention of the Shareholders.

MR. TSANG HO KA, EUGENE

Mr. Tsang Ho Ka, Eugene (“**Mr. Tsang**”), aged 31, has been appointed as the executive Director and joint company secretaries of the Company on 13 May 2013. Mr. Tsang is a Certified Practising Accountant of CPA Australia, a CPA of the HKICPA, an international associate of the American Institute of Certified Public Accountants (“**AICPA**”), a member of the Hong Kong Institute of Directors (HKIoD), an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong, a full member of the Institute of Accountants Exchange, a Certified Tax Adviser of the Taxation Institute of Hong Kong and also a member of the Hong Kong Mining Investment Professionals Association. Mr. Tsang holds a bachelor’s degree in commerce from the University of New South Wales, Australia and has also completed an accounting extension course in relation to Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 10 years of experience in accounting and financial management and has previously worked in an international CPA firm. Mr. Tsang is also the founder of Gattaca Company Limited, an independent consultancy company specializing in corporate restructuring and financial reengineering and also a consultant of GenNex Financial Media Limited, a company which is principally engaged in the provision of financial printing services. Also, Mr. Tsang was the company secretary and the qualified accountant of Richfield Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which were previously listed on the GEM (stock code: 8136) and subsequently transferred to the Main Board (stock code: 183) in March 2007. Mr. Tsang is also a non-executive director of the Ming Kei Holdings Limited (stock code: 8239) and an executive director and joint company secretaries of Newtree Group Holdings Limited (stock code: 1323).

Mr. Tsang has entered into a letter of appointment with the Company for a term of one year with effect from 13 May 2013, which will continue thereafter until terminated by either party giving not less than three months’ notice in writing. Mr. Tsang is entitled to a directors’ fee of HK\$30,000 per month which is determined by arm’s length negotiation between Mr. Tsang and the Company and with reference to his duties and responsibilities.

Save for being the son-in-law of Mr. Lau Kim Hung, a substantial shareholder of the Company, Mr. Tsang does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules) and does not have any interests in the shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date. Save as disclosed above, Mr. Tsang has not held any directorships in other public listed companies in the past three years. Apart from being the executive Director and the joint company secretaries of the Company, he does not hold any other positions in the Company or any of its subsidiaries.

Other than disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules, nor are there any other matters which needs to be brought to the attention of the Shareholders.

MR. TAM CHAK CHI

Mr. Tam Chak Chi (“**Mr. Tam**”), aged 36, has been appointed as an independent non-executive Director and members of audit committee, nomination committee and remuneration committee of the Company on 13 May 2013. Mr. Tam, holds a bachelor’s degree of commerce from the University of Toronto. He has more than 10 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies (the shares of which have been listed on the Main Board and the GEM as well as NASDAQ). He is a CPA of the HKICPA and a member of the AICPA. He was previously an executive director of Seamless Green China (Holdings) Limited (stock code: 8150), a company listed on the GEM. He is currently the company secretary of Sunrise (China) Technology Group Limited (stock code: 8226) a company listed on the GEM.

Mr. Tam has entered into a letter of appointment with the Company for a term of one year with effect from 13 May 2013, which will continue thereafter until terminated by either party giving not less than one month’s notice in writing. Mr. Tam is entitled to a fixed emolument of HK\$10,000 per month which is determined by arm’s length negotiation between Mr. Tam and the Company and with reference to his duties and responsibilities.

Mr. Tam does not have any relationship with any Directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company (within the meaning of the GEM Listing Rules). As at the Latest Practicable Date, Mr. Tam does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Tam has not held any directorships in other public listed companies in the past three years. Apart from being an independent non-executive Director and the members of the audit committee, nomination committee and remuneration committee of the Company, he does not hold any other positions in the Company or any of its subsidiaries.

Other than disclosed above, there is no other information which needs to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules, nor are there any other matters which needs to be brought to the attention of the Shareholders.

NOTICE OF SPECIAL GENERAL MEETING



CHINA NENG XIAO TECHNOLOGY (GROUP) LIMITED

中國能效科技(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8047)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (“SGM”) of China Neng Xiao Technology (Group) Limited (the “Company”) will be held on Friday, 14 June 2013 at 10:30 a.m. at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, for the purpose of considering and if thought fit, passing with or without amendments, the following resolutions of the Company:–

ORDINARY RESOLUTIONS

1. “THAT, to the extent not already exercised, the mandate to issue shares of the Company given to the directors (the “Directors”) of the Company at the annual general meeting (the “AGM”) of the Company held on 23 August 2012 be and is hereby revoked and replaced by the mandate THAT:
 - (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares (“Shares”) in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the grant or exercise of any option under the Share Option Scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-Laws of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution; and
- (ii) (if the Directors are so authorized by a separate ordinary resolution of the Shareholders) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this resolution).

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purpose of this resolution:
- (aa) "Relevant Period" means the period from the date of the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, or any other applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution.

NOTICE OF SPECIAL GENERAL MEETING

- (bb) “Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their shareholdings (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).”
2. “**THAT** conditional upon the passing of resolution no. 1 above, the mandate granted to the Directors at the AGM (as defined in resolution no. 1) to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 1 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”
3. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of, the listing of and permission to deal in, the Shares to be issued pursuant to the exercise of options granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) under the share option scheme adopted by written resolution of the Company on 23 August 2012 in the manner as set out in paragraph 5(a) below,
- (a) the refreshment of the Scheme Mandate Limit of up to 10% of the Shares in issue as at the date of passing of this resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”
4. (i) (a) To re-elect Ms. Sung Ting Yee as an executive Director.
- (b) To re-elect Mr. Wu Zhinan as an executive Director.
- (c) To re-elect Mr. Tsang Ho Ka, Eugene as an executive Director.

NOTICE OF SPECIAL GENERAL MEETING

- (d) To re-elect Mr. Tam Chak Chi as an independent non-executive Director.

- (ii) To authorise the board of Directors (the “**Board**”) to fix the Directors’ remuneration.

Yours faithfully,
For and on behalf of the board of directors of
China Neng Xiao Technology (Group) Limited
Sung Ting Yee
Chairman

Hong Kong, 28 May 2013

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

*Head office and principal place of
business in Hong Kong:*
Unit 1601, Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. A form of proxy for use of the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.