

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult 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 together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 CAPITAL REDUCTION;
(2) PROPOSED SHARE PREMIUM REDUCTION;
(3) PROPOSED SHARE CONSOLIDATION;
(4) CHANGE IN BOARD LOT SIZE;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company



INCU Corporate Finance Limited

A notice convening a special general meeting of the Company (the "SGM") to be held at 10:30 a.m. on Monday, 13 May 2013 at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong, Hong Kong is set out on pages 13 to 15 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of 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 less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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

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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 the potential risks of investing in such companies and should make the 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.

DEFINITIONS

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

“Authorisation”	the proposed authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time
“Board”	the board of Directors from time to time
“Board Lot Change”	the change of the board lot size from 40,000 Shares to 4,000 New Shares upon the Capital Reduction, the Share Premium Reduction and the Share Consolidation becoming effective
“Capital Reduction”	the proposed reduction of issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.009 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.01 to HK\$0.001
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	China Neng Xiao Technology (Group) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
“Director(s)”	director(s) of the Company from time to time
“Existing Share Certificates”	certificates for the existing Shares in purple colour
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	11 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“New Share Certificates”	certificates for the New Shares in yellow colour
“New Shares”	shares of HK\$0.01 each in the share capital of the Company upon the Capital Reduction and the Share Consolidation taking effect
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Authorisation
“Share(s)”	existing share(s) of HK\$0.01 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of every ten (10) Shares of HK\$0.001 each in the issued share capital of the Company immediately after the Capital Reduction into one (1) New Share of HK\$0.01 in the issued share capital of the Company
“Share Premium Reduction”	the proposed cancellation of the entire sum standing to the credit of the Company’s share premium account as at the date of the SGM
“Shareholder(s)”	holder(s) of Shares or New Shares (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Board Lot Change is set out below:

2013

Latest time for lodging forms of proxy for the SGM 10:30 a.m. on Saturday, 11 May

Date and time of the SGM 10:30 a.m. on Monday, 13 May

Publication of the announcement of results of the SGM Monday, 13 May

The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reduction, the Share Premium Reduction and the Share Consolidation, the dates are therefore tentative:

Effective date of the Capital Reduction, the Share Premium
Reduction and the Share Consolidation Tuesday, 14 May

Dealings in New Shares commence 9:00 a.m. on Tuesday, 14 May

Original counter for trading in the Shares in
board lots of 40,000 Shares (in the form of
Existing Share Certificates) temporarily closes 9:00 a.m. on Tuesday, 14 May

Temporary counter for trading in the New Shares in
board lots of 4,000 New Shares (in the form of
Existing Share Certificates) opens 9:00 a.m. on Tuesday, 14 May

First day of free exchange of Existing Share Certificates for
New Share Certificates for the New Shares Tuesday, 14 May

Original counter for trading in the New Shares in
board lots of 4,000 New Shares (in the form of
New Share Certificates) re-opens 9:00 a.m. on Wednesday, 29 May

Parallel trading in the New Shares (in form of
New Share Certificates and Existing Share
Certificates) commences 9:00 a.m. on Wednesday, 29 May

Temporary counter for trading in the New Shares in
board lots of 4,000 New Share (in the form of
Existing Share Certificates) ends 4:00 p.m. on Wednesday, 19 June

Parallel trading in the New Shares (in form of
New Share Certificates and Existing Share
Certificates) ends 4:00 p.m. on Wednesday, 19 June

Last day for free exchange of Existing Share Certificates for
New Share Certificates for the New Shares Friday, 21 June

EXPECTED TIMETABLE

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above depends on the results of the SGM and are therefore for indicative purpose only. An announcement will be made regarding any changes to the expected timetable as and when appropriate.

LETTER FROM THE BOARD



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:

Mr. Chan Francis Ping Kuen (*Deputy Chairman*)

Mr. Chan Hin Wing, James

Independent Non-executive Directors:

Mr. Kwok Chi Sun, Vincent

Mr. Yeung Kam Yan

Mr. Cheung Chi Hwa, Justin

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place of
business in Hong Kong:*

Unit 1601, 16/F.,

Ruttonjee House

Ruttonjee Centre

11 Duddell Street

Central

Hong Kong

16 April 2013

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED CAPITAL REDUCTION;
(2) PROPOSED SHARE PREMIUM REDUCTION;
(3) PROPOSED SHARE CONSOLIDATION;
(4) CHANGE IN BOARD LOT SIZE;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

As announced by the Company in its announcement dated 26 March 2013, the Directors proposed to reorganize the share capital of the Company. Details of the capital reorganization are as follows:

- (a) Capital Reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.009 on each of the issued Shares so that the nominal value of each issued Share will be reduced from HK\$0.01 to HK\$0.001;

* For identification purpose only

LETTER FROM THE BOARD

- (b) Share Premium Reduction involving the cancellation of the entire sum standing to the credit of the Company's share premium account as at the date of the SGM;
- (c) the transfer of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company;
- (d) Share Consolidation of every ten (10) Shares of HK\$0.001 each in the issued share capital of the Company immediately after the Capital Reduction into one (1) New Share of HK\$0.01 in the issued share capital of the Company; and
- (e) the total number of New Shares in the issued share capital of the Company immediately following the Share Consolidation be rounded down to a whole number by eliminating any fraction of a New Share in the issued share capital of the Company arising from the Share Consolidation.

Based on the total number of issued shares of 3,338,693,484 as at the Latest Practicable Date, it is expected that the credit of approximately HK\$30.05 million and HK\$55.71 million arising from the Capital Reduction and the Share Premium Reduction respectively will be credited to the contributed surplus account of the Company.

Under Bermuda law, the amount standing to the credit of the contributed surplus account is a distributable reserve and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the bye-laws of the Company.

The Board also proposes to put forward a resolution to the Shareholders to approve the Authorisation, i.e. to authorise the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time.

The purpose of this circular is to provide you with information relating to, among other things, further information on the Capital Reduction, the Share Premium Reduction, the Share Consolidation, the Board Lot Change, the Authorisation and the notice of the SGM.

CAPITAL REDUCTION, SHARE PREMIUM REDUCTION AND SHARE CONSOLIDATION

As at the Latest Practicable Date, the Company had an authorised share capital of HK\$200,000,000 divided into 20,000,000,000 Shares, of which 3,338,693,484 Shares have been issued and are fully paid or credited as fully paid.

LETTER FROM THE BOARD

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reduction, the Share Premium Reduction and the Share Consolidation become effective, the share capital structure of the Company will be as follows:

	Immediately before the Capital Reduction, the Share Premium Reduction and the Share Consolidation	Immediately after the Capital Reduction, the Share Premium Reduction and the Share Consolidation
Authorised share capital	HK\$200,000,000	HK\$200,000,000
Par value	HK\$0.01 per Share	HK\$0.01 per New Share
Number of authorised shares	20,000,000,000 Shares	20,000,000,000 New Shares
Amount of issued share capital	HK\$33,386,934.84	HK\$3,338,693.48
Number of issued shares	3,338,693,484 Shares	333,869,348 New Shares
Amount of unissued share capital	HK\$166,613,065.16	HK\$196,661,306.52
Number of unissued shares	16,661,306,516 Shares	19,666,130,652 New Shares

According to the latest unaudited management accounts of the Company, the amounts of each of the share capital account, share premium account of the Company were approximately HK\$33.39 million, HK\$55.71 million respectively as at the Latest Practicable Date. Contributed surplus account and accumulated losses account of the Company were approximately HK\$485.12 million and HK\$339.15 million respectively as at 31 December 2012.

Assuming there will be no change in the issued share capital of the Company from the Latest Practicable Date up to the date on which the Capital Reduction, the Share Premium Reduction and the Share Consolidation become effective, the amount standing to the credit of each of the share capital account, share premium account, contributed surplus account and accumulated losses account of the Company immediately after the Capital Reduction, the Share Premium Reduction and the Share Consolidation will amount to approximately HK\$3.34 million, nil, HK\$570.88 million and HK\$339.15 million respectively.

LETTER FROM THE BOARD

The distributable reserves of the Company equals the contributed surplus account minus the accumulated losses account. As at 31 December 2012 and immediately after the Capital Reduction, the Share Premium Reduction and the Share Consolidation, the distributable reserves of the Company will amount to approximately HK\$145.97 million and HK\$231.73 million respectively.

Conditions of the Capital Reduction, the Share Premium Reduction and the Share Consolidation

The Capital Reduction, the Share Premium Reduction and the Share Consolidation will be completed upon fulfilling all the following conditions:

- (a) the passing of the necessary special resolution by the Shareholders at the SGM to approve the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Authorisation;
- (b) compliance with the relevant procedures and requirements under Bermuda law and the GEM Listing Rules to effect the Capital Reduction, the Share Premium Reduction and the Share Consolidation; and
- (c) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Share Consolidation.

Reasons for the Capital Reduction, the Share Premium Reduction and the Share Consolidation and impact on the Company and the Shareholders

The Capital Reduction, the Share Premium Reduction and the Share Consolidation are proposed in order to provide the Company with more flexibility in possible future fund raisings. Save for the proposed placing of up to 349,480,000 Shares on a best effort basis as announced by the Company on 28 February 2013 which is yet to be completed, the Company has no present intention for fund raising as at the Latest Practicable Date. The transfer of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company will facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Company may distribute dividends by way of cash or by other means that the Directors consider appropriate. The declaration of dividends is subject to the discretion of the Directors, in which the Directors will consider factors like availability of distributable reserves, capital requirements and business performance of the Group from time to time.

The Directors (including the independent non-executive Directors) are of the view that the Capital Reduction, the Share Premium Reduction and the Share Consolidation will not have a material adverse effect on the financial position of the Group. Other than the estimated expenses to be incurred in relation to the Capital Reduction, the Share Premium Reduction and the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

LETTER FROM THE BOARD

Application for listing of New Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Share Consolidation.

Upon the Capital Reduction and the Share Consolidation becoming effective, the New Shares shall rank *pari passu* in all respects with each other in accordance with the bye-laws of the Company. The Capital Reduction, the Share Premium Reduction and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional New Shares will be disregarded and will not be issued to the Shareholders, but all such fractional New Shares (if any) will be aggregated and retained, and if possible, sold for the benefit of the Company.

Subject to the granting of listing of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares were traded on the Stock Exchange in board lot size of 40,000 Shares. The Board proposes that subject to and upon the Capital Reduction, the Share Premium Reduction and the Share Consolidation becoming effective, the board lot size be changed from 40,000 Shares to 4,000 New Shares. Based on the closing price of HK\$0.084 per Share as at the Latest Practicable Date, the value per board lot of 40,000 Shares was HK\$3,360. Upon the Capital Reduction and the Share Consolidation taking effect, the market price of the 40,000 New Shares will increase by 10 times theoretically (i.e. theoretically HK\$0.84 per New Shares based on the closing price of HK\$0.084 per Share as at the Latest Practicable Date). After the Board Lot Change becomes effective, the value per new board lot of 4,000 New Shares will be lowered to HK\$3,360. The Board believes the lower investment amount as a result of the Board Lot Change may facilitate the trading of Shares and attract more investors to invest and broaden the Shareholder's base and therefore considers the Board Lot Change to be in the interests of the Company and its Shareholders as a whole.

The effective date of the Board Lot Change is expected to be on Wednesday, 29 May 2013.

LETTER FROM THE BOARD

EXCHANGE OF SHARE CERTIFICATES

Subject to the Capital Reduction, the Share Premium Reduction and the Share Consolidation becoming effective, which is expected to be on Tuesday, 14 May 2013, the Existing Share Certificates will cease to be valid for trading purposes after 4:00 p.m. on Wednesday, 19 June 2013. The Shareholders may, on or after Tuesday, 14 May 2013 until Friday, 21 June 2013 (both days inclusive) submit their Existing Share Certificates to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited ("**Tricor**"), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expenses of the Company, for New Share Certificates (on the basis of ten (10) Shares for one (1) New Share). Thereafter, Existing Share Certificates will remain effective as documents of legal title but will be accepted for exchange only on payment of a fee of HK\$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) per certificate issued or cancelled, whichever is higher, payable by the Shareholders to Tricor.

The New Share Certificates will be issued in yellow colour in order to distinguish them from the Existing Share Certificates which are in purple colour.

WARNING

Shareholders and potential investors should also be aware of and take note that the Capital Reduction, the Share Premium Reduction and the Share Consolidation and the Board Lot Change are conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions of the Capital Reduction, the Share Premium Reduction and the Share Consolidation" in the section headed "CAPITAL REDUCTION, SHARE PREMIUM REDUCTION AND SHARE CONSOLIDATION". Therefore, the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Board Lot Change may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Reference is made to the announcement of the Company dated 28 February 2013 and the circular of the Company dated 21 March 2013 in relation to, amongst others, the placing of up to 349,480,000 Shares on a best effort basis under the specific mandate at the placing price (the "**Placing Price**") of HK\$0.072 per placing share. As a result of the Capital Reduction and the Share Consolidation, there may be adjustments in relation to the Placing Price. Further announcement will be made by the Company in respect of such adjustment (if any) upon the Capital Reduction, the Share Premium Reduction and the Share Consolidation becoming effective.

LETTER FROM THE BOARD

COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors or the controlling Shareholders (as defined in the GEM Listing Rules) or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflicts of interest which any such person has or may have within the Group.

SGM

The notice convening the SGM is set out on pages 13 to 15 of this circular. The SGM will be convened at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 13 May 2013 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Authorisation. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of Tricor, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

The resolution proposed to be approved at the SGM will be taken by way of poll and an announcement on the results of the SGM will be made by the Company thereafter.

RECOMMENDATION

The Board considers that the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Authorisation are in the best interests of the Company and its Shareholders as a whole and therefore recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

LETTER FROM THE BOARD

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 herein or this circular misleading.

By Order of the Board
China Neng Xiao Technology (Group) Limited
Chan Francis Ping Kuen
Executive Director

NOTICE OF SGM



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 the special general meeting (the “**SGM**”) of China Neng Xiao Technology (Group) Limited (the “**Company**”) will be held at Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Monday, 13 May 2013 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT**, conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the New Shares (as hereinafter defined); and (ii) compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reduction and the Share Premium Reduction (as defined below), with effect from 9:00 a.m. on the business day (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange) next following the day on which this resolution is passed by the shareholders (the “**Shareholders**”) of the Company:

- (a) the issued share capital of the Company be reduced by cancelling the paid-up capital of the Company to the extent of HK\$0.009 on each of the issued share of HK\$0.01 (the “**Share**”) of the Company so that the nominal value of each issued Share will be reduced from HK\$0.01 to HK\$0.001 (the “**Capital Reduction**”);
- (b) immediately following the Capital Reduction, every ten (10) existing Shares of HK\$0.001 each in the issued share capital of the Company be consolidated into one (1) consolidated share of HK\$0.01 (the “**New Share**”) in the issued share capital of the Company (the “**Share Consolidation**”) and the total number of New Shares in the issued share capital of the Company immediately following the Share Consolidation be rounded down to a whole number by eliminating any fraction of a New Share in the issued share capital of the Company following the Share Consolidation;

* For identification purpose only

NOTICE OF SGM

- (c) the entire sum standing to the credit of the Company's share premium account as at the date of the SGM be cancelled (the "**Share Premium Reduction**");
- (d) the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company and the directors (the "**Directors**") of the Company be and are hereby authorized to apply the entire amount standing to the credit of the contributed surplus account of the Company in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company from time to time (the "**Authorisation**"); and
- (e) the Directors be and are hereby authorized generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate to effect the Capital Reduction, the Share Premium Reduction, the Share Consolidation and the Authorisation."

By order of the Board
China Neng Xiao Technology (Group) Limited
Chan Francis Ping Kuen
Executive Director

Hong Kong, 16 April 2013

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

*Head office and principal place of
business in Hong Kong:*
Unit 1601, 16/F.,
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 if he is the holder of two or more shares, more than one proxy 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 at 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.

NOTICE OF SGM

3. In order to be valid, the form of proxy must be duly lodged at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the SGM or any adjourned meeting.
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 share as if he was solely entitled thereto, but if more than one of such joint holder 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.
5. The voting on the resolution at the SGM will be conducted by way of poll.