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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution 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, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. 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 document misleading.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



INCU Corporate Finance Limited

Placing Agent

Cheong Lee

昌利證券

昌利期貨

Cheong Lee Securities Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 17 of this circular.

A notice convening a special general meeting of the Company to be held at Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong on Thursday, 11 April 2013 at 10:30 a.m. is set out on pages 18 to 20 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the special general meeting or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the special general meeting if 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 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 Stock 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.

CONTENTS

	<i>Page</i>
Characteristics of GEM	i
Definitions	1
Letter from the Board	5
Notice of SGM	18

DEFINITION

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

“Announcement”	the announcement of the Company dated 28 February 2013 in relation to the Top-up Placing, the Top-up Subscription and the New Placing
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Neng Xiao Technology (Group) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“connected person(s)”	has the same meaning as defined in the GEM Listing Rules
“Directors”	directors 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, 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 of the Company in accordance with the GEM Listing Rules

DEFINITION

“Latest Practicable Date”	18 March 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing sub-committee of GEM for considering applications for listing and the granting of listing
“Mr. Lau”	Mr. Lau Kim Hung, Jack
“New Placing”	the placing of up to 349,480,000 New Placing Shares on a best effort basis, pursuant to the terms of the New Placing Agreement
“New Placing Agreement”	the conditional placing agreement dated 28 February 2013 entered into between the Company and the Placing Agent in relation to the New Placing
“New Placing Price”	HK\$0.072 per New Placing Share
“New Placing Share(s)”	up to 349,480,000 new Shares to be placed pursuant to the New Placing Agreement
“Placees”	any individuals, corporate, institutional investors or other investors or any of their respective subsidiaries or associates procured by or on behalf of the Placing Agent to subscribe for any of the New Placing Share pursuant to the Placing Agent’s obligations under the New Placing Agreement
“Placing Agent”	Cheong Lee Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Possible Acquisition”	the possible acquisition of majority interest in Hong Kong Automobile Restoration Group Limited as announced by the Company in the announcements dated 8 February 2013 and 14 February 2013

DEFINITION

“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Relevant Period”	a period from the date of passing of the relevant resolution approving the grant of the Specific Mandate up to the earlier of (i) the expiration of the 3-month period following the passing of the said relevant resolution; or (ii) the revocation and/or variation of the authority given under the said relevant resolution by an ordinary resolution of the Shareholders in a general meeting
“SGM”	the special general meeting of the Company to be held and convened for approving the New Placing Agreement and the transactions contemplated thereunder and the Specific Mandate for the issue and allotment of the New Placing Shares
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specific Mandate”	the specific mandate for the issue and allotment of the New Placing Shares to be granted to the Directors by the Shareholders at the SGM at any time during the Relevant Period
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Starryland Profits Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Lau
“Top-up Placing”	the placing of up to 345,000,000 existing Shares beneficially owned by the Subscriber pursuant to the terms of the Top-up Placing and Subscription Agreement, which has been completed and placed in full

DEFINITION

“Top-up Placing and Subscription Agreement”	the agreement dated 28 February 2013 entered into among the Subscriber, the Company and the Placing Agent in relation to the Top-up Placing and Top-up Subscription
“Top-up Placing Price”	HK\$0.072 per Top-up Placing Share
“Top-up Placing Share(s)”	up to 345,000,000 Shares beneficially owned by the Subscriber placed by the Placing Agent pursuant to the Top-up Placing and Subscription Agreement
“Top-up Subscription”	the subscription of up to 345,000,000 Top-up Subscription Shares by the Subscriber pursuant to the terms of the Top-up Placing and Subscription Agreement, which has been completed
“Top-up Subscription Share(s)”	up to 345,000,000 new Shares to be subscribed by the Subscriber pursuant to the Top-up Placing and Subscription Agreement
“Warrants”	32,499,998 warrants entitling the holder(s) thereof to subscribe for Shares issued by the Company on 12 April 2010, which will expire on 11 April 2013
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

21 March 2013

*To the Shareholders and, for information only
the holder of the Warrants*

Dear Sir or Madam

(1) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 28 February 2013 after trading hours, the Board announced that the Company entered into the Top-up Placing and Subscription Agreement with the Placing Agent and the Subscriber pursuant to which the Subscriber agreed to place, through the Placing Agent on a best effort basis, up to 345,000,000 Top-up Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are Independent Third Parties at the Top-up Placing Price of HK\$0.072 per Top-up Placing Share. Pursuant to the Top-up Placing and Subscription Agreement, the Subscriber agreed to subscribe for such number of Top-up Subscription Shares, which is equivalent to the number of Top-up Placing Shares actually placed under the Top-up Placing at a price of HK\$0.072 per Top-up

* *For identification purposes only*

LETTER FROM THE BOARD

Subscription Share. As at the Latest Practicable Date, the Top-up Placing and the Top-up Subscription has been completed, a total of 345,000,000 has been placed by the Placing Agent and the Subscriber has subscribed a total of 345,000,000 Top-up Subscription Shares. Please refer to the announcement of the Company dated 12 March 2013 for more details.

The Board also announced that on 28 February 2013 after trading hours, the Company entered into the conditional New Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 349,480,000 new Shares at the New Placing Price of HK\$0.072 per New Placing Share on behalf of the Company to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties.

The purpose of this circular is to give Shareholders further information in relation to the (i) the New Placing Agreement and the transactions contemplated thereunder; (ii) the issue and allotment of the New Placing Shares under the Specific Mandate; and (iii) a notice convening the SGM.

NEW PLACING AGREEMENT

On 28 February 2013 after trading hours, the Company entered into the conditional New Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 349,480,000 New Placing Shares, at the New Placing Price of HK\$0.072 per New Placing Share on behalf of the Company to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties.

Date : 28 February 2013 (after trading hours)

Issuer : The Company

Placing Agent : The Placing Agent, an Independent Third Party

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its respective ultimate beneficial owners are Independent Third Parties.

The Placees

The New Placing Shares will be placed on a best effort basis to not less than six Placees who and whose ultimate beneficial owner(s) are Independent Third Party(ies).

It is expected that none of the Placees will become a substantial Shareholder of the Company immediately after completion of the New Placing.

LETTER FROM THE BOARD

Placing commission

The Placing Agent will receive a placing commission of 2.5% of the aggregate New Placing Price of the New Placing Shares actually placed by the Placing Agent which was arrived at after arm's length negotiations between the Company and the Placing Agent. The placing commission will be reimbursed by the Company. The Directors consider that the placing commission is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Number of New Placing Shares

The New Placing Shares represent, in aggregate, (i) approximately 10.47% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.48% of the issued share capital of the Company as enlarged by the New Placing Shares.

The New Placing Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the New Placing Shares.

Assuming the 349,480,000 Placing Shares are subscribed in full, the aggregate nominal value of the New Placing Shares is HK\$3,494,800.

New Placing Price

The New Placing Price of HK\$0.072 per New Placing Share represents:

- (i) a discount of approximately 11.11% to the closing price of HK\$0.081 per Share as quoted on the Stock Exchange on 28 February 2013, being the date of the New Placing Agreement;
- (ii) a discount of approximately 10.89% to the average of the closing prices of approximately HK\$0.0808 per Share for the last 5 consecutive trading days up to and including 27 February 2013, being the last trading day immediately before the entering into of the New Placing Agreement;
- (iii) a discount of approximately 13.98% to the average of the closing prices of approximately HK\$0.0837 per Share for the last 10 consecutive trading days up to and including 27 February 2013, being the last trading day immediately before the entering into of the New Placing Agreement;
- (iv) a premium of approximately 3 times over the unaudited pro forma consolidated net tangible assets of Group attributable to owners of the Company of HK\$0.018 per Share as at 30 September 2012 (assuming the open offer as disclosed in the prospectus of the Company dated 11 January 2013 has completed on 30 September 2012); and
- (v) a discount of approximately 7.69% to the closing price of HK\$0.078 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The New Placing Shares are to be issued under the Specific Mandate to be sought at the SGM.

LETTER FROM THE BOARD

The proposed Specific Mandate to be granted by the Shareholders at the SGM will be valid for a period from the passing of the resolution(s) at the SGM up to the earlier of: (i) the expiration of the 3-month period following the passing of the relevant resolution(s) at the SGM; or (ii) the revocation and/or variation of the authority given under the relevant resolution(s) at the SGM by an ordinary resolution of the Shareholders in a general meeting.

The New Placing Price was determined and negotiated on an arm's length basis between the Company and the Placing Agent with reference to (i) the prevailing market price of the Shares at the time of entering into of the New Placing Agreement; (ii) the net assets value per Share of the Company; (iii) the market risks assumed by the Placing Agent and any Placee(s) thereunder, on account of the fact that the New Placing is subject to and cannot be completed until the approval by the Shareholders is obtained at the SGM; and (iv) trading multiples of comparable listed companies prior to the determine of the actual New Placing Price.

On a best effort basis, the Directors identified 52 comparable companies listed in the main board of the Stock Exchange and the GEM which conducted fund raising activities by means of issuing new shares from 1 December 2012 to 27 February 2013, being the past three months prior to the date of the New Placing Agreement. The Board noted that the other comparables are issued at a premium of 25% to a discount of 37.11% to their respective latest closing prices (on the date of the announcement or the date of the agreement where applicable as disclosed in their respective announcements). The Board considered the New Placing Price which represents a discount of approximately 11.11% to the closing price on the date of the New Placing Agreement is fair and reasonable.

Set out below is the details of the comparables:

Date of announcement	Stock code	Company name	Premium/(discount) of placing price over/(to) the closing price on the day of the agreement/last trading day (%)
4/12/2012	1251	SPT Energy Group Inc.	(9.38)
4/12/2012	23	The Bank of East Asia, Limited	(0.37)
5/12/2012	922	China Boon Holdings Limited	(2.91)
12/12/2012	8046	Heng Xin China Holdings Limited	(6.30)
12/12/2012	8269	Wealth Glory Holdings Limited	(10.53)
13/12/2012	916	China Longyuan Power Group Corporation Limited	(8.10)
13/12/2012	8103	Tai Shing International (Holdings) Limited	(13.58)
13/12/2012	2	CLP Holdings Limited	(5.88)
14/12/2012	1129	China Water Industry Group Limited	(16.39)
17/12/2012	8239	Ming Kei Holdings Limited	(10.26)
17/12/2012	8020	Chanceton Financial Group Limited	(7.00)
18/12/2012	8078	China 3D Digital Entertainment Limited	(19.39)
20/12/2012	166	New Times Energy Corporation Limited	0.00
20/12/2012	928	Tack Fiori International Group Limited	(15.84)
20/12/2012	1788	Guotal Junan International Holdings Limited	(17.29)
21/12/2012	1191	Yueshou Environmental Holdings Limited	(14.29)

LETTER FROM THE BOARD

Date of announcement	Stock code	Company name	Premium/(discount) of placing price over/(to) the closing price on the day of the agreement/last trading day (%)
24/12/2012	136	Mascotte Holdings Limited	(9.34)
27/12/2012	8202	Inno-tech Holdings Limited	(15.79)
27/12/2012	1082	Modern Education Group Limited	(2.99)
27/12/2012	8009	Chinese Energy Holdings Limited	(15.35)
28/12/2012	8103	Tai Shing International (Holdings) Limited	(9.09)
3/1/2013	273	Willie International Holdings Limited	(9.09)
8/1/2013	1142	Siberian Mining Group Company Limited	(18.75)
10/1/2013	326	China Star Entertainment Limited	(7.89)
14/1/2013	764	Eternity Investment Limited	(19.38)
16/1/2013	8231	Shanghai fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd	(28.00)
17/1/2013	544	Daido Group Limited	(9.86)
17/1/2013	260	China Environmental Investment Holdings Limited	(3.85)
17/1/2013	3333	Evergrande Real Estate Group Limited	(6.50)
18/1/2013	8207	Credit China Holding Limited	(13.98)
18/1/2013	166	New Times Energy Corporation Limited	(2.20)
18/1/2013	8129	China Bio Cassava Holdings Limited	(13.04)
21/1/2013	886	Silver Base Group Holdings Limited	(8.24)
21/1/2013	1918	Sunac China Holdings Limited	(6.82)
22/1/2013	712	Comtec Solar Systems Group Limited	(7.45)
22/1/2013	1003	21 Holdings Limited	(8.00)
23/1/2013	142	First Pacific Company Limited	(6.30)
24/1/2013	8158	China Bio-Med Regeneration Technology Limited	(1.20)
25/1/2013	166	New Times Energy Corporation Limited	0.00
28/1/2013	616	Easyknit Enterprises Holdings Limited	(7.37)
28/1/2013	535	Frasers Property (China) Limited	(15.22)
28/1/2013	9	Cheung Wo International Holdings Limited	(15.31)
28/1/2013	379	PME Group Limited	(17.44)
30/1/2013	70	Neptune Group Limited	(15.20)
4/2/2013	1163	Dejin Resources Group Company Limited	(19.04)
8/2/2013	8017	Long success International (Holdings) Limited	(19.79)
21/2/2013	8032	Viva China Holdings Limited	25.00
22/2/2013	136	Mascotte Holdings Limited	(8.26)
22/2/2013	8078	China 3D Digital Entertainment Limited	(37.11)
24/2/2013	1191	Yueshou Environmental Holdings Limited	(17.39)
25/2/2013	8168	UKF (Holdings) Limited	(12.16)
26/2/2013	8206	China Communicaton Telecom Services Company Limited	(15.07)
		Maximum	25.00
		Minimum	(37.11)
		Average	(10.67)
		The Company	(11.11)

Source: Hong Kong Stock Exchange website

LETTER FROM THE BOARD

Conditions of the New Placing

The New Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the New Placing Shares;
- (ii) the passing of necessary resolution(s) by the Shareholders at the SGM to approve the New Placing Agreement and the transactions contemplated thereunder, including but not limited to the issue and allotment of the New Placing Shares; and
- (iii) all necessary consents and approvals to be obtained on the part of the Placing Agent and the Company in respect of the New Placing Agreement and the transactions contemplated thereunder having been obtained.

In the event that the condition of the Placing is not fulfilled by 30 April 2013 (or such later date as may be agreed by the Placing Agent and the Company), all rights, obligations and liabilities of the parties to the New Placing Agreement in relation to the Placing shall cease and determine and none of the parties shall have any claim against any other party in respect of the New Placing save for any antecedent breaches.

As at the Latest Practicable Date, none of the conditions above have been fulfilled.

Shareholders and potential investors should note that the New Placing is subject to conditions under the New Placing Agreement to be fulfilled. As the New Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Completion of the New Placing

Completion of the New Placing shall take place on the third Business Days after the fulfillment of the conditions set out in the New Placing Agreement (or such other date as may be agreed by the Company and the Placing Agent).

Force majeure

The Placing Agent may, in its reasonable opinion, terminate the New Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of completion of the New Placing if:

- (i) there is any significant change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the New Placing; or

LETTER FROM THE BOARD

- (ii) there is any material breach of the warranties, representations and undertakings given by the Company in the New Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the New Placing; or
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the New Placing or makes it inadvisable or inexpedient for the New Placing to proceed; or
- (iv) any statement contained in this announcement has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the New Placing.

Upon termination of the New Placing Agreement pursuant to the above mentioned force majeure factors, all liabilities of the parties thereto shall cease and no party of the New Placing Agreement shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the New Placing Agreement save of any antecedent breach of any obligation under the New Placing Agreement.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the New Placing Shares.

REASONS FOR THE NEW PLACING AND USE OF PROCEEDS

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.

Assuming that the New Placing Shares are fully placed under the New Placing, the gross proceeds to be received by the Company from the New Placing will be approximately HK\$25.16 million.

The maximum amount of net proceeds from the New Placing, after deducting the commission and related fees and expenses, of approximately HK\$24.28 million will be applied towards the Possible Acquisition and other potential acquisition or for the general working capital of the Group. The selection criteria for future potential acquisitions will be based on, not limited to the future prospects and profit contribution, synergy to existing business of the Group, diversification of business opportunities or market exploration of the Group. The Board will also evaluate whether the potential acquisitions will be in the interest of the Shareholders as a whole and whether the terms are fair and reasonable. Save for the Group entered into a non-legally binding memorandum of understanding dated 8 February 2013 in relation to the Possible Acquisition of majority

LETTER FROM THE BOARD

interest in Hong Kong Automobile Restoration Group Limited, the Group has no other potential acquisition as at the Latest Practicable Date. The Directors consider that the Possible Acquisition represents a good opportunity for the Group to diversify its business and seek new revenue stream. As at the Latest Practicable Date, the Company has started the due diligence process but has not finished the due diligence work nor finalized the terms of the Possible Acquisition. Although the management of the Company has no specific expertise in the motor vehicles beauty business, the Company will retain the existing management to oversee the business should the Possible Acquisition materializes. There is no expected timetable for the Possible Acquisition as at the Latest Practicable Date and the capital requirements depends on the terms of the Possible Acquisition which is not yet finalized. If the Possible Acquisition is not materialized, the Company will reserve the net proceeds for other future potential acquisitions. In the event if there is any fund required for working capital purposes, the Director will allocate some of the net proceeds towards working capital purpose if necessary.

As at the Latest Practicable Date, the current cash balance of the Company is approximately HK\$80 million, in which (i) approximately HK\$22.97 million was the net proceeds of the open offer completed on 1 February 2013 which will be used for the future investments of the existing business, for details please refer to the following section "Fund Raising Activities In Past Twelve Months"; (ii) approximately HK\$24.07 million was the net proceeds from the Top-up Placing and Top-up Subscription completed on 12 March 2013 which will be used for the Possible Acquisition and future potential acquisitions; (iii) approximately HK\$22.95 million was the net proceeds from the fully exercised of 270,000,000 warrants at the subscription price of HK\$0.085 per Share which has been reserved for future business development of existing business, future potential investment opportunities and as general working capital; and (iv) approximately HK\$10.01 million was general working capital. The unutilized portion will be put in bank as deposits.

The Company will update the market on the actual use of proceeds from its fund raising exercises in future interim/annual reports.

The Directors (including the independent non-executive Directors) consider that the New Placing Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the New Placing Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned.

The Directors have considered various kinds of fund raising methods, such as placing, rights issue and open offer. The Directors are of the view that the fund raising by placing is preferred than rights issue and open offer having taken into account the expected time and cost involved. The New Placing takes around one month to complete, while the expected administrative expenses (excluding underwriting commission) for New Placing is around HK\$250,000. As to open offer and rights issue, it is expected to take around 2 months to complete with expected administrative costs (excluding underwriting commission) of around HK\$1,350,000. Therefore, the Directors choose to proceed fund raising by means of the New Placing which is more time and cost effective.

LETTER FROM THE BOARD

The Board considers that the New Placing represent an opportunity to raise capital for the Group while broadening its Shareholder base, strengthen the capital base and financial position for the Group's future business developments. Further, the Directors consider that the New Placing is currently preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

In addition, the New Placing is on a best effort basis, the amount of fund successfully raised under a best-effort basis depends significantly on the market sentiment. After considering the recent improved market sentiment the Board decided to conduct the Top-up Placing and the New Placing shortly after the completion of the previous open offer.

Save for the New Placing Agreement, the Company does not have any arrangement, intention, understanding or negotiation about any possible fund raising as at the Latest Practicable Date.

FUND RAISING ACTIVITIES IN PAST TWELVE MONTHS

The followings are the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of the Announcement:

- (i) A private placing of 270,000,000 non-listed warrants at an issue price of HK\$0.005 per warrant as stated in the announcement of the Company dated 12 July 2012. The net proceeds from the warrant subscription of approximately HK\$1.35 million has fully applied as general working capital of the Group for day to day general operating expenses. The net proceeds from the exercise of 270,000,000 warrants of 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. The unutilized proceeds from the placing are deposited in bank;
- (ii) An open offer of 997,897,828 offer shares at HK\$0.025 per Share on the basis of one offer share for every two then existing Shares as stated in the announcements of the Company dated 11 December 2012 and 14 December 2012. The net proceeds of approximately HK\$22.97 million were intended to apply as to (i) approximately 15% (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 15% (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 40% (approximately HK\$9.18 million) will be used in the investment of other

LETTER FROM THE BOARD

telecommunication enhancement related business of the Group; and (iv) the remaining 30% (approximately HK\$6.89 million) will be used as general working capital of the Group, 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. As at the Latest Practicable Date, none of the proceeds from the open offer is utilized. 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 proceeds from the open offer will be utilized as stated in the prospectus of the Company dated 11 January 2013. The unutilized proceeds from the open offer are deposited in bank; and

- (iii) the Top-up Placing as stated in the announcement of the Company dated 28 February 2013. The net proceeds from the Top-up Placing, after deducting the commission and related fees and expenses, of 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. As at the Latest Practicable Date, none of the proceeds from the Top-up Placing is utilized. The unutilized proceeds from the Top-up Placing are deposited in bank.

LETTER FROM THE BOARD

CHANGES OF SHAREHOLDING STRUCTURE

The changes of the shareholding structure of the Company as a result of the New Placing are as follows:

Shareholders	Issued share as at the Latest Practicable Date		Issued share capital immediately after completion of the New Placing assuming the New Placing Shares are fully placed	
	<i>No. of Shares</i>	<i>Approximate percentage (%)</i>	<i>No. of Shares</i>	<i>Approximate percentage (%)</i>
The Subscriber (<i>Note 1</i>)	519,607,023	15.56	519,607,023	14.09
Mr. Lau (<i>Note 1</i>)	6,724,800	0.20	6,724,800	0.18
Ms. Chan Yiu Kan, Katie (<i>Note 2</i>)	3,220,000	0.10	3,220,000	0.09
Other parties acting in concert with Mr. Lau	2,526,932	0.08	2,526,932	0.07
Brilliant Bloom Investments Limited (<i>Note 3</i>)	487,500,000	14.60	487,500,000	13.22
Places of the New Placing	–	–	349,480,000	9.48
Other public Shareholders	<u>2,319,114,729</u>	<u>69.46</u>	<u>2,319,114,729</u>	<u>62.87</u>
Total	<u>3,338,693,484</u>	<u>100.00</u>	<u>3,688,173,484</u>	<u>100.00</u>

Notes:

- The Subscriber, 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 519,607,023 Shares held by the Subscriber 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 3,220,000 Shares held by Chan Yiu Kan, Katie under the SFO.
- Ms. Chan Yiu Kan, Katie, being the spouse of Mr. Lau is deemed to be interested in 519,607,023 Shares held by the Subscriber and 6,724,800 Shares held by Mr. Lau under the SFO.
- Brilliant Bloom Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly and beneficially owned by Mr. Ng Yui Wah Sonny. Mr. Ng Yui Wah Sonny is deemed to be interested in 487,500,000 Shares held by Brilliant Bloom Investments Limited under the SFO.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the authorized share capital of the Company is 20,000,000,000 Shares and the issued share capital of the Company is 3,338,693,484 Shares. As at the Latest Practicable Date, the Company has outstanding 32,499,998 Warrants entitling holders to subscribe for 32,499,998 Shares. Save as aforesaid, the Company has no other share options, warrants or other outstanding securities in issue which are convertible or exchangeable into Shares as at the Latest Practicable Date.

Pursuant to the Warrant instrument, there will be adjustment to the subscription price of the Warrants in the event the Company issue new shares at a discount of 30% or more. Since the discount of the New Placing Price is less than 30%, no adjustments to the subscription price and number of Warrants are required.

SGM

The SGM will be convened and held at 10:30 a.m. on Thursday, 11 April 2013 for the Shareholders to consider and, if thought fit, to pass the necessary ordinary resolutions to approve the New Placing Agreement and the transactions contemplated thereunder and to issue and allotment of the New Placing Shares under the Specific Mandate. A notice convening the SGM is set out on pages 18 to 20 of this circular. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Shareholders have a material interest in the New Placing and accordingly no Shareholders are required to abstain from voting at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment meeting thereof if you so wish.

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

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.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the New Placing and the terms of the New Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend that all Shareholders should vote in favour of the resolutions proposed at the SGM.

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 SGM

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of China Neng Xiao Technology (Group) Limited (the “Company”) will be held at 10:30 a.m. on Thursday, 11 April 2013 at Unit 1601, 16/F., 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 as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the placing agreement (the “**Placing Agreement**”) dated 28 February 2013 entered into between the Company as issuer and Cheong Lee Securities Limited as placing agent in relation to the placing of up to a maximum 349,480,000 new shares of HK\$0.01 each (the “**Placing Shares**”) in the share capital of the Company at a placing price of HK\$0.072 per Placing Share (a copy of which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the directors (the “**Directors**”) of the Company be and are hereby authorized to exercise all the powers of the Company and take all steps as might in the opinion of the Directors be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Placing Agreement as well as in relation to the issue and allotment of the Placing Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

* *for identification purposes only*

NOTICE OF SGM

2. “THAT

the Directors of the Company be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot, issue and deal in the Placing Shares, subject to the following terms:

- (i) such Specific Mandate shall not extend beyond the Relevant Period (as defined below);
- (ii) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the Placing Shares (as defined below) and fulfillment of the conditions set out in the Placing Agreement, the issue and allotment of the Placing Shares, pursuant to and subject to the terms and conditions of the Placing Agreement, be and are hereby approved; and
- (iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution up to:

- (aa) the expiration of the 3-month period following the passing of this resolution; or
- (bb) the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders in a general meeting,

whichever is earlier.”

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

Hong Kong, 21 March 2013

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
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

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or 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.
3. In order to be valid, the form of proxy must be duly lodged at the Company's branch 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 notarially 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.