

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Neng Xiao Technology (Group) Limited, you should at once hand the Prospectus Documents (as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of each of the Prospectus Documents, together with the documents specified in the paragraph headed "Documents Delivered to the Registrars of Companies" in Appendix III to this Prospectus has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and a copy of each of the Prospectus Documents has been or, will as soon as practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act. The Registrar of Companies in Hong Kong, the SFC (as defined herein) and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the Offer Shares (as defined herein) may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Offer 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 Offer Shares on the Stock Exchange or such other dates 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, 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 the Prospectus Documents.



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)

**(I) OPEN OFFER OF 997,897,828 OFFER SHARES
AT HK\$0.025 PER OFFER SHARE
PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE
FOR EVERY TWO SHARES HELD ON THE RECORD DATE)
AND
(II) CHANGE IN BOARD LOT SIZE**

Underwriter



Colors Securities Limited

Financial adviser to the Company



INCU Corporate Finance Limited

Terms used in this cover page have the same meanings as defined in this Prospectus.

The Shares have been dealt in on an ex-entitlement basis commencing from Thursday, 3 January 2013 and that dealing in Shares will take place while the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Wednesday, 30 January 2013), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

It should be noted that the Underwriting Agreement in respect of the Open Offer contains provisions entitling the Underwriter by notice in writing to the Company at any time prior to Wednesday, 30 January 2013 to terminate its obligations thereunder on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination of the Underwriting Agreement" on pages 3 to 4 of this Prospectus and the paragraph headed "Termination of the Underwriting Agreement" under the section headed "Letter from the Board" on pages 18 to 19 of this Prospectus. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed. In addition, the Open Offer is conditional upon the fulfillment of the conditions set out under the paragraph headed "Conditions of the Open Offer" under the section headed "Letter from the Board" on pages 19 to 21 of this Prospectus. In the event that such conditions are not fulfilled on or before Wednesday, 30 January 2013, all liabilities of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other party save for antecedent breach of the Underwriting Agreement and the Open Offer will not proceed.

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.

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EXPECTED TIMETABLE

The expected timetable for the Open Offer set out below is indicative only:

Event	2013
Latest time for lodging transfers of the Shares accompanied by the relevant title documents in order to qualify for the Open Offer	4:30 p.m. on Friday, 4 January
Latest time for acceptance of and payment for the Offer Shares	4:00 p.m. on Friday, 25 January
Latest time for the Open Offer to become unconditional	4:00 p.m. on Wednesday, 30 January
Announcement of results of the Open Offer	Friday, 1 February
Despatch of share certificates for the Offer Shares	Monday, 4 February
Despatch of refund cheques if the Open Offer is terminated	Monday, 4 February
Expected first date of dealings in fully-paid Offer Shares and effective date of change of the board lot size from 20,000 Shares to 40,000 Shares	9:00 a.m. on Tuesday, 5 February
Designated broker starts to stand in the market to provide matching services	Tuesday, 5 February
Last day for the designated broker to stand in the market to provide matching services	Friday, 1 March

All times and dates in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. The above expected timetable is subject to change, and any such change will be published or notified to Shareholders in a separate announcement as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

The latest time for acceptance of and payment for the Offer Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above, or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Acceptance Date. Instead the latest time for acceptance of and payment for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place at 4:00 p.m. on the Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be note that the Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to 4:00 p.m. on Wednesday, 30 January 2013:

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

TERMINATION OF THE UNDERWRITING AGREEMENT

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 3.50% underwriting commission described above shall not be payable to the Underwriter, and the Open Offer will not proceed.

SUMMARY OF THE OPEN OFFER

The following information is derived from, and should be read in conjunction with and subject to the full text of, this Prospectus.

Basis of the Open Offer:	One Offer Share for every two existing Shares held on the Record Date
Subscription Price and Latest Time for Acceptance:	HK\$0.025 per Offer Share payable in full on application at or prior to 4:00 p.m. on Friday, 25 January 2013
Number of Offer Shares to be issued:	997,897,828 Offer Shares
Gross proceeds from the Open Offer:	Approximately HK\$24.95 million
Status of the Offer Shares:	The Offer Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distribution which are declared, made or paid after the date of allotment and issue of the Offer Shares
Number of Offer Shares undertaken to be taken up or procured to be taken up by Mr. Lau, Starryland and Mrs. Lau:	<p>Mr. Lau has undertaken in favour of the Company and the Underwriter that he will and he will procure Starryland to accept their respective entitlements under the Open Offer for an aggregate of 175,443,941 Offer Shares</p> <p>Mrs. Lau has irrevocably undertaken to the Company and the Underwriter to subscribe for the 740,000 Offer Shares to which Mrs. Lau is entitled under the Open Offer</p>
Underwriter:	Colors Securities Limited
Number of Offer Shares underwritten by the Underwriter:	821,713,887 Offer Shares, being the number of the Offer Shares less the Undertaken Shares

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	Friday, 25 January 2013 or such later date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of and payment for the Offer Shares
“Announcement”	the announcement of the Company dated 11 December 2012 and 14 December 2012 relating to the Open Offer and change in board lot size
“Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holidays and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 4:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 4:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Neng Xiao Technology (Group) Limited (previously known as Palmpay China (Holdings) Limited), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Director(s)”	director(s) of the Company

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	11 December 2012, being the date of the Underwriting Agreement, which was a trading day of the Stock Exchange
“Latest Practicable Date”	7 January 2013, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 25 January 2013 (or such later time or date as may be agreed between the Company and the Underwriter), being the latest time for acceptance of, and payment for, the Offer Shares as described in this Prospectus
“Latest Time for Termination”	4:00 p.m. on Wednesday, 30 January 2013 (or such later time or date as may be agreed between the Company and the Underwriter), being the latest time to terminate the Underwriting Agreement
“Listing Committee”	the listing sub-committee of the Stock Exchange
“Mr. Lau”	Mr. Lau Kim Hung, Jack, a substantial Shareholder of the Company
“Mrs. Lau”	Ms. Chan Yiu Kan, Katie, spouse of Mr. Lau
“Offer Share(s)”	997,897,828 new Shares, to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in this Prospectus

DEFINITIONS

“Open Offer”	the offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Prospectus excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prohibited Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Shareholders
“Prospectus”	this prospectus being issued by the Company containing details of the Open Offer
“Prospectus Documents”	this Prospectus and the Application Form
“Prospectus Posting Date”	Friday, 11 January 2013
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Prohibited Shareholders
“Record Date”	Wednesday, 9 January 2013

DEFINITIONS

“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Starryland”	Starryland Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly owned by Mr. Lau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.025 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Undertaken Shares”	an aggregate of 176,183,941 Offer Shares to which each of Mr. Lau and Mrs. Lau has undertaken to accept and Mr. Lau has procured Starryland to accept their respective entitlements under the Open Offer
“Underwriter”	Colors Securities Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement amongst the Company and the Underwriter dated 11 December 2012 in relation to the Open Offer

DEFINITIONS

“Underwritten Shares”	821,713,887 Offer Shares, being all Offer Shares less the number of the Undertaken Shares
“Warrants”	24,636,209 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 dollar, 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

11 January 2013

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

Dear Sir or Madam,

**(1) OPEN OFFER OF 997,897,828 OFFER SHARES
AT HK\$0.025 PER OFFER SHARE
PAYABLE IN FULL ON ACCEPTANCE
(ON THE BASIS OF ONE OFFER SHARE
FOR EVERY TWO SHARES HELD ON THE RECORD DATE)
AND
(2) CHANGE IN BOARD LOT SIZE**

INTRODUCTION

The Company proposed to raise approximately HK\$24.95 million, before expenses, by way of Open Offer of 997,897,828 Offer Shares to the Qualifying Shareholders at the Subscription Price of HK\$0.025 per Offer Share payable in full on acceptance on the basis of one Offer Share for every two Shares held on the Record Date. The Open Offer will not be extended to the Prohibited Shareholders.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with further information regarding (i) the Open Offer including information on dealings in and applications for the Offer Shares, and financial information and other general information of the Company; and (ii) the information on change of board lot size.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer:	One Offer Share for every two existing Shares held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.025 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	1,995,795,656 Shares
Number of Offer Shares:	997,897,828 Offer Shares. The aggregate nominal value of the Offer Shares is HK\$9,978,978.28
Number of Offer Shares undertaken to be taken up or procured to be taken up by Mr. Lau, Starryland and Mrs. Lau:	<p>Mr. Lau has undertaken in favour of the Company and the Underwriter that he will and he will procure Starryland to accept their respective entitlements under the Open Offer for an aggregate of 175,443,941 Offer Shares</p> <p>Mrs. Lau has irrevocably undertaken to the Company and the Underwriter to subscribe for the 740,000 Offer Shares to which Mrs. Lau is entitled under the Open Offer</p>
Number of Offer Shares underwritten by the Underwriters:	821,713,887 Offer Shares, being the number of the Offer Shares less the Undertaken Shares

As at the Latest Practicable Date, the Company has outstanding 24,636,209 Warrants. Save as disclosed above, 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. The Company has no intention to issue any new Shares and any other securities before the completion of the Open Offer.

The 997,897,828 Offer Shares represents 50% of the Company's existing issued share capital of 1,995,795,656 Shares in issue and 33.33% of the Company's issued share capital as enlarged by the issue of 997,897,828 Offer Shares.

LETTER FROM THE BOARD

Basis of provisional allotment

The basis of the provisional allotment shall be one Offer Share for every two (2) existing Shares held on the Record Date, being 997,897,828 Offer Shares at the Subscription Price of HK\$0.025 per Offer Share. Acceptance for all or any part of the Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted.

Subscription Price

The Subscription Price of HK\$0.025 per Offer Share will be payable in full upon application for the Offer Shares under the Open Offer. The Subscription Price represents:

1. a discount of approximately 73.40% to the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Last Trading Day;
2. a discount of approximately 72.71% to the average of the closing prices of HK\$0.0916 per Share quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
3. a discount of approximately 73.49% to the average of the closing prices of HK\$0.0943 per Share quoted on the Stock Exchange for the ten trading days up to and including the Last Trading Day;
4. a discount of approximately 64.79% to the theoretical ex-entitlement price of HK\$0.071 based on the closing price of HK\$0.094 per Share as quoted on the Stock Exchange on the Last Trading Day;
5. a discount of approximately 78.07% to the closing price of HK\$0.114 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
6. a premium of approximately 38.89% over the unaudited pro forma consolidated net tangible asset as at 30 September 2012 of HK\$0.018 per Share; and
7. a discount of approximately 70.59% to the unaudited consolidated net asset value attributable to the owners of the Company as at 30 September 2012 of approximately HK\$0.085 per Share, calculated based on the unaudited consolidated net asset value attributable to the owners of the Company as at 30 September 2012 and the number of Shares in issue as at 30 September 2012.

The net Subscription Price per Offer Share (after deducting all relevant expenses) will be approximately HK\$0.023. The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things (i) the current market price of the share and the market conditions prevailing at the date of the Underwriting Agreement; (ii) the market practice that there is discount to the share price under open offer to increase the attractiveness of the Open Offer to the Qualifying Shareholders.

LETTER FROM THE BOARD

The Board has identified, on a best effort basis, the rights issue and open offer conducted by other listed companies on the Main Board of the Stock Exchange and the GEM in Hong Kong from January 2012 to November 2012 and found that the premium/discount to the closing price per share on the last trading day range from a premium of 47.06% to a discount of 97.60%. The Directors consider that the discount of the Subscription Price to the market price is appropriate as each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding so as to participate in the potential growth of the Company. The Directors consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

The Company will offer the Offer Shares for subscription to Qualifying Shareholders only. The Prospectus is sent to the Prohibited Shareholders and holder of the Warrants for information only but no Application Form will be sent to the Prohibited Shareholders and holder of the Warrants.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date, and not be a Prohibited Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee Company as a single Shareholder according to the register of members of the Company.

In order to be registered as members of the Company on the Record Date and to qualify for the Open Offer, Shareholders must have lodged the transfers of Shares (together with the relevant share certificates) with the Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Friday, 4 January 2013.

The invitation to apply for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading of nil-paid entitlements of the Offer Shares on the Stock Exchange.

LETTER FROM THE BOARD

Rights of Prohibited Shareholders

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. Based on the register of members of the Company on the Record Date, there are seven Overseas Shareholders situated in PRC.

The Directors have, in compliance with all necessary requirements specified Rule 17.41(1) of the GEM Listing Rules, made enquiries regarding the legal restrictions under the laws of the PRC (the “**PRC Jurisdictions**”) and the requirements of the regulatory bodies or stock exchanges with respect to the offer of the Offer Shares to such Overseas Shareholders. The Company has been advised by its PRC legal adviser that the Prospectus Documents would not be required to be registered or filed with any regulatory authorities or stock exchanges under the laws and regulations of the PRC Jurisdictions and may be despatched to the Overseas Shareholders with registered address in the PRC jurisdictions without any restrictions.

Based on the advice from the PRC legal adviser, the Directors have decided to extend the Open Offer to the aforesaid Overseas Shareholders with registered address in the PRC and such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders for the purpose of the Open Offer. The Company will send the Prospectus Documents to such Qualifying Shareholders.

Closure of register of members

The register of members of the Company had been closed from Monday, 7 January 2013 to Wednesday, 9 January 2013, both days inclusive to determine the eligibility of the Shareholders to the Open Offer. No transfers of Shares had been registered during the book closure period.

Accordingly, there are no Overseas Shareholders being prohibited from the Open Offer. It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the domestic legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Offer Shares.

Fractions of the Offer Shares

Fractional entitlements of Offer Shares will not be allotted and issued. All Offer Shares arising from the aggregation of such fractional entitlements will be taken up by the Underwriter.

LETTER FROM THE BOARD

No application for excess offer Shares

No Qualifying Shareholder is entitled to apply for any Offer Shares which are in excess to his/her/its entitlement. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled under the Open Offer, will not be available for subscription by the other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiation with the Underwriter, and taking into account that the related administration costs would be lowered in the absence of excess applications and that it will put in additional efforts to administer the excess application procedures and to make allocation on a fair and equitable basis, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders and to have the unsubscribed Offer Shares taken up by the Underwriter.

Status of the offer Shares

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Offer Shares.

The first day of dealings in the Offer Shares is expected to be on Tuesday, 5 February 2013.

Share Certificates for the Offer Shares

Subject to the fulfillment of the conditions of the Open Offer as set out in the section headed "Conditions of the Open Offer" below, share certificates for all fully-paid Offer Shares are expected to be posted on or before Monday, 4 February 2013 to those Qualifying Shareholders who have accepted and applied for (where appropriate), and paid for the Offer Shares by ordinary post at their own risks.

Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares shall have the board lot size of 40,000 Shares per board lot. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees, SFC transaction levy and other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer 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 Offer 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

UNDERWRITING ARRANGEMENT

Underwriting agreement

Date:	11 December 2012 (after trading hours)
Underwriter:	Colors Securities Limited Colors Securities Limited and its ultimate beneficial owners are third parties independent of and are not connected with the Company or any connected persons of the Company (as defined in the GEM Listing Rules)
Number of Offer Shares:	not less than 917,897,828 Offer Shares and not more than 1,010,215,932 Offer Shares
Number of Underwritten Shares:	not less than 741,713,887 Offer Shares and not more than 834,031,991 Offer Shares
Commission:	3.5% of the aggregate Subscription Price in respect of the maximum number of Underwritten Shares to be determined on the Record Date (being 821,713,887 Offer Shares)

As the underwriting commission payable to the Underwriter (i) was determined after arm's length negotiations between the Company and the Underwriter; (ii) is on normal commercial terms; (iii) is comparable with market rate at 1% to 5%; and (iv) the historical trading volume of the Shares was relatively thin, the Directors consider the terms of the Underwriting Agreement (including but not limited to the underwriting commission) to be fair and reasonable and the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

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Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no black rainstorm warning signal is or remains hoisted between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the reasonable opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

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- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of all the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement, the 3.50% underwriting commission described above shall not be payable to the Underwriter, and the Open Offer will not proceed.

UNDERTAKINGS

As at the date of the Underwriting Agreement and as at the Latest Practicable Date, Mr. Lau was wholly and beneficially interested in 4,483,200 Shares. Starryland, a company wholly and beneficially owned by Mr. Lau was interested in 346,404,682 Shares. Mrs. Lau was beneficially interested in 1,480,000 Shares. Pursuant to the Underwriting Agreement, Mr. Lau has irrevocably undertaken to the Company and the Underwriter (i) that he would not dispose of the Shares he interested in from 11 December 2012 to the Record Date and to subscribe for the 2,241,600 Offer Shares to which Mr. Lau is entitled under the Open Offer; (ii) to procure Starryland not to dispose of the Shares Starryland interested in from 11 December 2012 until the Record Date and to subscribe for the 173,202,341 Offer Shares to which Starryland is entitled under the Open Offer. Mrs. Lau has irrevocably undertaken to the Company and the Underwriter that she would not dispose of the Shares she interested in from 11 December 2012 to the Record Date and to subscribe for the 740,000 Offer Shares to which she is entitled under the Open Offer.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional, inter alia, upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance not later than the Prospectus Posting Date;

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- (b) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Offer Shares either unconditionally or subject to conditions which the Company accepts and satisfaction of such conditions (if any) by no later than the Prospectus Posting Date;
- (d) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time of Termination or such later time as the Underwriters may agree with the Company in writing;
- (e) the filing with the Registrar of Companies in Bermuda one copy of each of the Prospectus Documents duly signed by one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Companies Act on or before the Prospectus Posting Date;
- (f) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (g) compliance with and performance of all the undertakings and obligations of the Underwriter under the terms of the Underwriting Agreement;
- (h) compliance with and performance of all undertakings and obligations of Mr. Lau under the Mr. Lau undertaking;
- (i) compliance with and performance of all undertakings and obligations of Mrs. Lau under the Mrs. Lau undertaking;
- (j) all requirements and conditions imposed by the Stock Exchange or under the GEM Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination; and
- (k) the entering into of binding agreements by the Underwriter with certain sub-underwriters, which shall be independent third parties, for sub-underwriting the Offer Shares, such that none of (i) the Underwriter together with its parties acting in concert (having the meaning under the Takeovers Code) nor (ii) any of the sub-underwriters and their respective parties acting in concert (having the meaning under the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Open Offer.

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The Company shall use all reasonable endeavours to procure the fulfillment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Offer Shares or to give effect to the Open Offer and the arrangements contemplated in the Underwriting Agreement.

PROCEDURES FOR APPLICATION

Application for the Offer Shares

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to subscribe for the number of Offer Shares available to the Qualifying Shareholder on an assured basis subject to payment in full on application by not later than 4:00 p.m. on Friday, 25 January 2013. Qualifying Shareholders should note that they may apply for the number of Offer Shares equal to or less than the number set out in the Application Form.

If you are a Qualifying Shareholder and you wish to accept all the Offer Shares provisionally allotted to you as specified in the enclosed Application Form or to apply for any number less than your entitlement under the Open Offer, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on application in respect of such number of Offer Shares you have applied for with the Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Friday, 25 January 2013. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**China Neng Xiao Technology (Group) Limited – Open Offer**" and crossed "**Account Payee only**".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar, Tricor Tengis Limited, by not later than 4:00 p.m. on Friday, 25 January 2013, the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to apply for a number of Offer Shares different from your assured entitlement.

All cheques or cashier's orders will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation, or at the option of the Company, subsequent presentation, is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

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If the conditions of the Open Offer are not fulfilled, the application monies will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Monday, 4 February 2013.

Save as described under the paragraph headed "Rights of the Prohibited Shareholders" above, no action has been taken to permit the offering of the Offer Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Offer Shares to satisfy itself/himself/herself/themselves before subscribing for the assured allotted Offer Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. Any acceptance of the offer of the Offer Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Offer Shares will be accepted from any person who is the Prohibited Shareholder.

The Application Form is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

If the conditions of the Open Offer as set out in the paragraph headed "Conditions of the Open Offer" are not fulfilled, the monies received in respect of applications for the Offer Shares will be returned, without interest, to the applications by means of cheques despatched by ordinary post to their respective registered addresses at their own risk on or before Monday, 4 February 2013.

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CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below (for illustration purpose only):

	As at the Latest Practicable Date		Immediately upon completion of the Open Offer (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer)		Immediately upon completion of the Open Offer (assuming no Qualifying Shareholders takes up his/her/its entitlements under the Open Offer other than the Undertaken Shares)	
	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)
Substantial Shareholders						
Mr. Lau	4,483,200	0.23	6,724,800	0.23	6,724,800	0.23
Starryland Profits Limited	346,404,682	17.36	519,607,023	17.36	519,607,023	17.36
Mrs. Lau	1,480,000	0.07	2,220,000	0.07	2,220,000	0.07
Other parties acting in concert with Mr. Lau	3,954,932	0.20	5,932,398	0.20	3,954,932	0.13
Subtotal	356,322,814	17.86	534,484,221	17.86	532,506,755	17.79
Brilliant Bloom Investments Limited	325,000,000	16.28	487,500,000	16.28	325,000,000	10.86
Public Shareholders	1,314,472,842	65.86	1,971,709,263	65.86	1,314,472,842	43.91
Underwriter	-	0.00	-	0.00	821,713,887	27.44
Total	1,995,795,656	100.00	2,993,693,484	100.00	2,993,693,484	100.00

Note:

- The Underwriter has entered into sub-underwriting agreements with sub-underwriters. It is expected that at the close of the Open Offer, save for Starryland and Brilliant Bloom Investments Limited, there will not be any substantial Shareholder holding 10% or more shareholding in the Company.

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FUNDS RAISED DURING THE PAST 12 MONTHS

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this Prospectus:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds
12 July 2012	Issue of 270,000,000 warrants	Approximately HK\$24.3 million has been raised (including the 2012 Warrants exercised as at the Latest Practicable Date)	To apply for business development of the existing business of the Company and for future potential investment opportunities and general working capital of the Company	Fully utilized/reserved as general working capital as planned

Save as disclosed above, the Company did not raise any other funds by issue of equity securities the 12 months immediately preceding the date of this Prospectus.

REASONS FOR THE OPEN OFFER

The Group is principally engaged in the provision of payment gateway business, manufacturing and trading of products relating to telecommunications, electric power network systems and equipment, the provision of energy management business, and the provision of integrated solutions for lightning electromagnetic pulse protection business. The Group also have investment in an associate engaging in the manufacturing and trading of products related to optimal optical fibres.

The Board considers that the Open Offer gives an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position. Upon completion of the Open Offer, the Company will be in a better position to capture any potential business opportunity and facilitate its business expansion and to enhance its earnings potential, and therefore enhance the overall value of the Shares. The Directors have explored other fund raising alternatives for the Company, including borrowing, placing and rights issue and have assessed the cost and benefit of such alternatives. The Directors are of the prudent view that the Open Offer is the preferred means of fund raising than borrowing as it allows the Company to raise long term funds without subjecting it to additional debt and interest payments. As compared to equity fund raising alternatives, the Open Offer is preferred than placing as it allows the Qualifying Shareholders the equal opportunities to maintain their respective pro rata shareholding in the Company and as compared to rights issue, the absence of trading nil paid rights in the Open Offer reduces associated administrative work and costs and thus requiring less time for completion. Therefore, the Board is of the view that it is in the interests of the Company and its Shareholders as a whole to raise the capital through the Open Offer since it would allow the Qualifying Shareholders to participate in the future growth and

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development of the Group. Based on the aforesaid, the Board considers that fund raising through the Open Offer is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of the Open Offer (after deduction of commission and expenses) are expected to amount to approximately HK\$22.97 million the Board would like to further announce that it is the current intention of the Group to apply the net proceeds 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, as at the Latest Practicable Date, no investment or acquisition target has been identified thus far; (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, as at the Latest Practicable Date, no investment or acquisition target has been identified thus far; (iii) approximately 40% (approximately HK\$9.18 million) will be used in the investment of other telecommunication enhancement related business of the Group but no specific target has been identified as at the Latest Practicable Date; 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.

CHANGE IN BOARD LOT SIZE

On the Last Trading Day, the Shares were traded in board lots of 20,000 Shares each and the market value of each board lot is HK\$1,880 (based on the closing price of HK\$0.094 per Share on the Last Trading Day) and HK\$1,420 (based on the theoretical ex-entitlement price of HK\$0.071 per Share on the Last Trading Day). In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 20,000 Shares to 40,000 Shares with effect from Tuesday, 5 February 2013. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.

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To alleviate the difficulties arising from the odd lots of Offer Shares, the Company has appointed Colors Securities Limited as an agent to provide matching services for sale and purchase of odd lots of Offer Shares for Shareholders during the period from Tuesday, 5 February 2013 to Friday, 1 March 2013 (both dates inclusive). Holders of Shares in odd lots who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Ms. Bonnie Tse (謝敏芝) of Colors Securities Limited at Unit 3308 The Centre, 99 Queen's Road Central, Hong Kong (telephone: (852) 3196 3388 and facsimile: (852) 3196 3300) during such period. Shareholders in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

The appointed agent, Colors Securities Limited is an independent third party not connected with any of the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

All existing share certificates in board lot of 20,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 20,000 Shares to new share certificates in board lot size of 40,000 Shares is necessary. With effect from Tuesday, 5 February 2013, any new certificate of the Shares will be issued in new board lot size of 40,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)).

FINANCIAL AND TRADING PROSPECT

The Group is currently operating the following business segments:

(i) Resources/Energy Conservation Business

The business is conducted through Viva Champion Limited and its subsidiaries (the "**Viva Champion Group**"). 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, including the telecommunication operators.

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Latest business development and contribution

The resource/energy conservation business has commenced to contribute revenue to the Group following its acquisition in November 2011.

The business contracts that has entered into have developed and expanded from 2 provinces/municipal cities in 2010 to over 15 provinces/municipal cities, partnering with major telecommunications operators in the PRC such as China Unicom, China Telecom, China Mobile and other national enterprises.

During the first six-month period in 2012, the unaudited revenue generated from this business amounted to approximately HK\$0.66 million. The drop in the unaudited revenue compared to the relevant period in 2011 of approximately HK\$1.18 million was mainly due to the delay in the completion of projects with China Telecom, which was caused by their internal administrative reasons. These projects have been gradually resumed and the Company will try to broaden the customer base to minimize the effect of the delay in completion of projects in the future. As disclosed in the first quarterly report of the Company for year 2012-2013, leveraging on the existing connections and infrastructure of the Group in the telecommunication industry, the Group is in a strategic position to capitalize on the high emphasis of the PRC Government on the creation of a nation-wide green energy/environment (expected injection of RMB100 billion in the related areas in 2012) in which telecommunication operators are among one of the largest consumers of resources/energy conservation products in the PRC. The business contracts that the Group has entered into have developed and expanded from 2 provinces/municipal cities in 2010 to over 15 provinces/municipal cities, partnering with major telecommunications operators in the PRC such as China Telecom, China Unicom, China Mobile and other national enterprises. Currently, the Group is at an advanced negotiation stage for the provision of such products to China Unicom in several provinces in the PRC. 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 ending 31 December 2012 shall not be less than RMB6,500,000 equivalent to approximately HK\$7,995,000) will not likely to be fulfilled, for details please refer to the announcement of the Company dated 31 December 2012.

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 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 based and varieties. Given its proven service quality to major

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telecommunication operators, the management of the Viva Champion is optimistic on the future development of the Company. The business mainly involves in the provision of services so it does not require heavy capital injection in future. As at the Latest Practicable Date, the Company has no intention to dispose its interest in the resources/energy conservation business.

(ii) Electromagnetic pulse protection business

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

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, including the telecommunication operators and electricity providers, in the PRC.

Latest business development and contribution

The electromagnetic pulse protection business has already commenced to contribute revenue to the Group following its acquisition of 55% equity interest in Boomtech in May 2012. The business contracts that the Group has entered into have developed and expanded from 5 provinces/municipal cities in 2010 to at current over 9 provinces/municipal cities with China Unicom in Hubei (湖北), Tianjin (天津), Anhui (安徽), Shanxi (山西), Jilin (吉林) Guangdong (廣東) and with partners including other national enterprises. The contractual works have already commenced for Liaoning (遼寧) Stated-Owned electricity enterprises and China Unicom in Shanxi (山西), Anhui (安徽) and Tianjin (天津).

Since completion of the acquisition in May 2012 and up to 30 September 2012, this business segment has contributed unaudited revenue of approximately HK\$2.95 million and unaudited net profit after tax of approximately HK\$1.37 million.

Future planning and development

As lightning protection is important in maintaining the normal operation of facilities in a number of industries, especially the telecom industry, the electricity industry and wind power industry, the Boomtech Group will continue to explore different market opportunities in these different industry to broaden the customer base and varieties. Given its proven service quality to major telecommunication operators, the management of the Boomtech Group is optimistic about the future development of the Company. The business mainly involves in the provision of services so it does not require heavy capital injection in future. As at the Latest Practicable Date, the Company has no intention to dispose its interest in the electromagnetic pulse protection business.

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(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 Board has been in the process of assessing and closely monitoring the current status and would formulate a future plan for the remaining payment business when it is deemed appropriate. As at the Latest Practicable Date, the Company has no intention to dispose of its interest in the payment business but would not rule out the possibility if the market condition improves and when suitable opportunities arise.

(iv) Other

The Group has completed the disposal of 4.78% equity interests of the China Optic Communication Technology Limited ("**China Optic**") which is engaging in the optic fiber business in the PRC in 7 December 2012. The Group is currently interested in 47.67% equity interests in China Optic.

With the completion of the rationalization process, the Group is well facilitated to commence a new era of the business. To further extend the scope of the business, 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, which will generate significant profitability in medium to long term.

The Group will continue to concentrate on the resource/energy conservation business and electromagnetic pulse protection business and the Board is optimistic about its future development. The Group will also keep looking for other potential investment opportunities which will benefit the Group and its Shareholders as a whole but as at the Latest Practicable Date, no new business has been identified thus far.

ADJUSTMENTS TO WARRANTS

As at the Latest Practicable Date, the Company had 24,636,209 Warrants entitling holders to subscribe for 24,636,209 Shares. Adjustments to the subscription price and numbers of Warrants may be required under the relevant terms of the Warrant instrument. The auditors of the Company or an approved merchant bank will be appointed to certify the necessary adjustments, if any, to the subscription price and numbers of Warrants pursuant to the Warrants instrument. Further announcement will be made by the Company in this regard.

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WARNING OF RISKS OF DEALING IN SHARES

If the Underwriter terminates the Underwriting Agreement or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Accordingly, the Open Offer may or may not proceed and the Shareholders and potential investors are advised to exercise caution when dealing in the Shares and consult their professional advisers if they are in any doubt about their positions. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

Shareholders should note that the Shares are dealt with on an ex-entitlement basis commencing from Thursday, 3 January 2013 and that dealings in such Shares take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in such Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on or before 4:00 p.m. on Wednesday, 30 January 2013), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

RISK FACTORS

Before making any investment decision (including the Open Offer) in relation to the Company, the Shareholders and prospective investors should consider carefully all the information set out in this Prospectus and, in particular, should evaluate the risks in connection with an investment in the Company. The business, financial condition or results of operations could be materially and adversely affected by the occurrence of any of the risks and uncertainties described below.

Business risk relating the Group

Risks relating to the reliance on customers

The Group is principally engaged in the provision of energy management business, the integrated solutions for lightning electromagnetic pulse protection business and payment business, the financial performance are highly dependent on the performance of these business. Given that energy management and the integrated solutions for lightning electromagnetic pulse protection business clients in the PRC are dominated by major telecommunication operators, if there is loss of major clients it may have a material effect on the Group's financial performance.

The Group's business are conducted on a project basis, there is no assurance that the Group will be able to successfully identify, secure or operate additional projects. If the Group fails to successfully identify new projects in the future from its existing customers or new customers, the Group's business may not be sustainable, and its results of operation, financial condition and prospects may be materially and adversely affected.

LETTER FROM THE BOARD

Risks relating to the reliance on the key management and expertise of the Group

The future success of the Group relies significantly on the continuing services and contribution of our key management and technician for the formulation of business strategies, development of existing and new business, maintenance of business relationships with customers and overseeing the operation of business. The loss of a significant number of the senior management of the Group without a suitable and timely replacement or the inability to attract and retain other qualified personnel would adversely affect the Group's operations and hence, the Group's revenue and profits.

Risks relating to the change in the government policies, rules and regulations and other regulatory control may affect the business and prospects of the Group

Apart from the business licenses, the Group's business operation in the PRC is required to obtain the relevant license, such as the license for the lightning protection design and construction for the operation of the Group. Any changes in government policies, rules and regulations in relation to the grant of licenses in lightning protection design and construction the industry especially in the PRC may affect the operation of the Group, such as the introduction of new government policies, rules and regulations and qualification required to conduct the business of the Group.

Risks relating to the contractual arrangements

The Group's interest in the lightning electromagnetic pulse protection business are held under contractual arrangements to control and operate, the Group has no direct equity ownership interest. Even though the contractual arrangement is legal, effective, binding and enforceable and in compliance with the relevant rules and regulations of the PRC, there are inherent risk associated with the contractual arrangements so, it may not be as effective as direct ownership in providing control over an entity. Any inability, or limitation on the effectiveness and enforceability of the contractual arrangements may have a material adverse effect on the financial position, results of operations and prospects of the Group.

Risk relating to competition

The Group faces competitions from existing industry players in terms of services innovation and cost efficiency. The Group's ability to compete depends in part on a number of factors beyond its control, including price at which comparable services are offered by competitors, the extent of competitors' responsiveness to changes of customers need and the ability of competitors to attract and retain skillful employees. There is no assurance that the Group will be able to retain its customers while competing against its competitors but the Group will try to mitigate the risk by maintaining consistent good quality of service and better after sale service to retain customers.

LETTER FROM THE BOARD

Risk relating to foreign exchange

All of the Group's turnover, expenses and major operational assets are denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility. Any future restrictions on currency exchange may limit the Group's ability to repatriate profits for the distribution of dividends to our Shareholders or to fund our other business activities outside the PRC. There can be no assurance that future exchange rate fluctuations in Renminbi may not result in foreign currency exchange losses for the Group and if so, that any such losses may have a material adverse effect on the Group's financial results.

In addition, Renminbi has steadily appreciated in value in foreign exchange market in 2012 while the Group's financing activities mainly focus on Hong Kong capital market and will be made in Hong Kong dollars. Therefore, it is not guaranteed that any future exchange rate fluctuations in Renminbi could be favorable to the Group and might adversely affect the future acquisition strategy of the Group in the PRC and thus the business growth of the Group.

Risk relating to the Open Offer

The Underwriter is entitled to terminate their obligations under the Underwriting Agreement

Under the Underwriting Agreement, the Underwriter is entitled to terminate its obligations by giving notice in writing to the Company upon the occurrence of any of the events stated in the paragraph headed "Termination of the Underwriting Agreement" in the Prospectus on or before the Latest Time for Termination.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of
China Neng Xiao Technology (Group) Limited
Mr. Chan Francis Ping Kuen
Executive Director

THREE YEARS FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 March 2010, 31 March 2011 and 31 March 2012, including the notes thereto, have been published in the annual reports of the Company for the years ended, 31 March 2010 (pages 32 to 90), 31 March 2011 (pages 27 to 92) and 31 March 2012 (pages 28 to 100) respectively, which are incorporated by reference into this Prospectus. The said annual reports of the Company are available on the Company's website at www.nengxiao.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 November 2012, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus, the Group (excluding China Optic Communication Technology Limited and its subsidiaries which has ceased to be subsidiaries of the Group upon the completion of the disposal of interest on 7 December 2012) (the "Remaining Group") had the following indebtedness.

	<i>HK\$'000</i>
Current liabilities	
Other payables (Unsecured and unguaranteed)	15,101
Amount due to a director (Unsecured and unguaranteed)	<u>4,274</u>
	<u>19,375</u>
Non-current liabilities	
Promissory note (Unsecured and unguaranteed)	<u>9,450</u>
	<u>9,450</u>
Total borrowings	<u><u>28,825</u></u>

Contingent liabilities

As at 30 November 2012, the Remaining Group had no material contingent liabilities.

Commitments

As at 30 November 2012, the Remaining Group had no commitments.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 November 2012, the Remaining Group had no other outstanding mortgages, charges, debentures or other loan capital or bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities, guarantees or other contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Remaining Group since 30 November 2012 and up to the Latest Practicable Date.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into consideration of the net proceeds from the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next 12 months from the date of publication of this Prospectus.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of consolidated net tangible assets of the Group prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been undertaken and completed on 30 September 2012.

The unaudited pro forma statement of consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 30 September 2012 or any future date.

The following unaudited pro forma statement of consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 September 2012, as calculated based on the published half-year report of the Group for the six months ended 30 September 2012, and adjusted to reflect the effect of the Open Offer. Unless otherwise defined, capitalised terms used in the following text shall have the same meaning of those used in this Prospectus.

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2012 (Note 1) HK\$'000	Adjustment for intangible assets and goodwill (Note 2) HK\$'000	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2012 HK\$'000	Estimated net proceeds from the Open Offer (Note 3) HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2012 immediately after the Open Offer HK\$'000
Based on 997,897,828 Offer Shares to be issued	147,383	(122,263)	25,120	22,970	48,090

HK\$

Unaudited consolidated net tangible assets
of the Group per Share attributable to owners
of the Company as at 30 September 2012 (*Note 4*)

0.015

Unaudited pro forma consolidated net tangible assets
of the Group per Share attributable to owners of
the Company as at 30 September 2012 immediately
after the Open Offer based on 997,897,828 Offer
Shares to be issued (*Note 5*)

0.018

Notes:

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2012 are extracted from the published half-year report of the Group for the six months ended 30 September 2012.
2. The intangible assets and goodwill of the Group as at 30 September 2012 were approximately HK\$800,000 and HK\$121,463,000 respectively which are extracted from the published half-year report of the Group for the six months ended 30 September 2012.
3. The estimated net proceeds from the Open Offer of approximately HK\$22,970,000 are based on 997,897,828 Offer Shares to be issued at the Subscription Price of HK\$0.025 per Offer Share and after deduction of estimated related commission and expenses of approximately HK\$1,980,000.
4. The unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company of approximately HK\$0.015 are calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$25,120,000 divided by 1,725,795,656 Shares in issue as at 30 September 2012.
5. The unaudited pro forma consolidated net tangible assets of the Group per Share attributable to owners of the Company immediately after completion of the Open Offer based on 997,897,828 Offer Shares to be issued of approximately HK\$0.018 are calculated based on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer of approximately HK\$48,090,000 divided by 2,723,693,484 Shares in issue immediately after completion of the Open Offer.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of the report, prepared for the sole purpose of inclusion in this Prospectus, received from the reporting accountants, Mazars CPA Limited, in respect of the unaudited pro forma statement of consolidated net tangible assets of the Group set out in this appendix.



MAZARS CPA LIMITED

瑪澤會計師事務所有限公司

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Email 電郵: info@mazars.hk

Website 網址: www.mazars.cn

11 January 2013

The Directors
China Neng Xiao Technology (Group) Limited
Unit 1601, 16/F., Ruttonjee House
Ruttonjee Centre
11 Duddell Street
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Neng Xiao Technology (Group) Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages II-1 to II-2 under the heading of “Unaudited Pro Forma Financial Information of the Group” of the Company’s prospectus dated 11 January 2013 (the “**Prospectus**”) in connection with the proposed open offer (the “**Open Offer**”) of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM**”). The unaudited pro forma financial information has been prepared by the directors of the Company (the “**Directors**”), for illustrative purposes only, to provide information about how the Open Offer might have affected the financial information of the Group as at 30 September 2012, for inclusion as Appendix II to the Prospectus. The basis of preparation of the pro forma financial information is set out on pages II-1 to II-2 to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “*Accountants’ Reports on Pro Forma Financial Information in Investment Circulars*” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2012 or any future date.

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares as at the Latest Practicable Date	<u>200,000,000.00</u>
<i>Issued and to be issued:</i>		<i>HK\$</i>
1,995,795,656	Shares in issue and fully paid as at the Latest Practicable Date	19,957,956.56
<u>997,897,828</u>	Offer Shares to be issued	<u>9,978,978.28</u>
<u>2,993,693,484</u>	Shares in issue and fully paid upon completion of the Open Offer	<u>29,936,934.84</u>

All of the Offer Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Offer Shares. The Offer Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the GEM and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for 24,636,209 Warrants, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there were no arrangement under which future dividends are/will be waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Offer Shares and 24,636,209 Warrants exercisable into an aggregate of 24,636,209 Shares.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the directors and chief executive of the Company has no interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests of a director of the Company as disclosed under the heading "Directors and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons, in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Starryland Profits Limited ("Starryland") (Note 1)	Beneficial	519,607,023 (L)	17.36%
Lau Kim Hung, Jack ("Mr. Lau") (Note 2)	Interests in controlled corporation	519,607,023 (L)	17.36%
	Beneficial	6,724,800 (L)	0.23%
	Deemed	2,220,000 (L)	0.07%

Name	Nature of interests	Number of the shares held	Approximate percentage of issued share capital
Chan Yiu Kan, Katie ("Mrs. Lau") (Note 3)	Deemed	526,331,823 (L)	17.59%
	Beneficial	2,220,000 (L)	0.07%
Brilliant Bloom Investments Limited ("Brilliant Bloom") (Note 4)	Beneficial	325,000,000 (L)	10.86%
Ng Yui Wah Sonny ("Mr. Ng") (Note 4)	Interest in controlled corporation	325,000,000 (L)	10.86%

(L) denotes Long position

Notes:

- The 519,607,023 Shares represent the 346,404,682 Shares beneficially owned by Starryland as at the Latest Practicable Date and the 173,202,341 Offer Shares which has been undertaken to be taken up by Starryland under the Open Offer.
- The 6,724,800 Shares represent the 4,483,200 Shares beneficially owned by Mr. Lau as at the Latest Practicable Date and the 2,241,600 Offer Shares which has been undertaken to take up by Mr. Lau under the Open Offer. As Starryland, a company incorporated in BVI, is wholly and beneficially owned by Mr. Lau, Mr. Lau is deemed to be interested in 519,607,023 Shares held by Starryland. In addition, by virtue of being the spouse of Mrs. Lau, he is also deemed to be interested in 2,220,000 Shares held by Mrs. Lau.
- The 2,220,000 Shares represent the 1,480,000 Shares beneficially owned by Mrs. Lau as at the Latest Practicable Date and the 740,000 Offer Shares which has been undertaken to take up by Mrs. Lau under the Open Offer. Mrs. Lau, being the spouse of Mr. Lau, is deemed to be interested in 519,607,023 Shares held by Starryland and 6,724,800 Shares held by Mr. Lau.
- The 325,000,000 Shares represent the 325,000,000 Shares beneficially owned by Brilliant Bloom as at the Latest Practicable Date. As Brilliant Bloom, a company incorporated in BVI, is wholly and beneficially owned by Mr. Ng, Mr. Ng is deemed to be interested in 325,000,000 Shares held by Brilliant Bloom.

Save as disclosed above, as at the Latest Practicable Date, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or, who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the date of this Prospectus and which was significant in relation to the business of the Group.

None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or any of their respective associates had any business or interest that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

7. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

9. EXPERT AND CONSENT

The following are the qualifications of the expert who have given opinions and advices, which are contained in this Prospectus:

Name	Qualifications
Mazars CPA Limited (“ Mazars ”)	Certified Public Accountants

As at the Latest Practicable Date Mazars has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion therein of its report and references to its name in the form and context in which they appear in this Prospectus.

10. EXPERTS’ INTERESTS IN ASSETS

As at the Latest Practicable Date, Mazars:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company is situated at Unit 1601, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, having its office situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) Mr. Law Ho Ming, the company secretary of the Company, is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University.
- (d) The English text of the Prospectors Documents shall prevail over their respective Chinese texts in the case of inconsistency.

- (e) There is no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over 1 year which are substantial in relation to the Group's business.
- (f) None of the Directors are directors or employee of Starryland.
- (g) There is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong. The Company does not have any forecasted or planned dividends; nor any foreign exchange liabilities.

12. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the conditional sale and purchase agreement dated 25 January 2011 (as supplemented by a supplemental agreement dated 26 January 2011) entered into among Brilliant Ally Limited a wholly-owned subsidiary of the Company as purchaser, Keen Success Investments Limited, Elite Option Limited and Big Well Investments Limited as vendors and Mr. Zou Meiyu, Mr. Ho Wing Hang and Ms. Tam Yuk Ching Jenny as guarantors in relation to the acquisition of the 50.1% equity interests in China Optic Communication Technology Limited at a total consideration of HK\$67,036,000;
- (ii) the underwriting agreement dated 12 July 2011 and entered into among Starryland Profits Limited, whose entire issued share capital is wholly owned by Mr. Lau and one of the underwriters of the open offer, Partners Capital Securities Limited and Phoenix Capital Securities Limited in relation to the proposed open offer of 627,647,848 offer shares at the subscription price of HK\$0.05 per offer share;
- (iii) the sale and purchase agreement dated 4 October 2011 and entered into with Beaming Investments Limited, a wholly-owned subsidiary of the Company as a purchaser, Green Delight International Limited as a vendor, and Mr. Wong Kin Chung Michael as a guarantor who is the ultimate beneficial owner of 100% equity interests in the vendor in relation to the acquisition of 51% equity interests in Viva Champion Limited for a consideration of HK\$31,295,000;

- (iv) the loan agreement dated 30 December 2011 (as supplemented by the supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among the shareholders of 北京智勝環宇科技有限公司 (unofficial English name as Beijing Outwitting Huanyu Technology Company Limited[#]) (“**Outwitting Huanyu**”) and 北京瑞斯康柏科技有限公司 (unofficial English name as Beijing Reese Compaq Technology Company Limited[#]) (“**Reese Compaq**”) in relation to an interest free loan in the aggregate amount of not more than RMB12 million for a term of 5 years;
- (v) the share charge dated 30 December 2011 (as supplemented by supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among the shareholders of Outwitting Huanyu and Reese Compaq, pursuant to which the shareholders pledged their entire equity interests in Outwitting Huanyu to Reese Compaq for securing the repayment obligations of the shareholders of Outwitting Huanyu under the loan agreement as mentioned in (iv) above;
- (vi) the exclusive share purchase agreement dated 30 December 2011 (as supplemented by supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among Reese Compaq and the shareholders of Outwitting Huanyu in relation to the purchase of all (or part) of the shareholders’ equity interest in Outwitting Huanyu for a period of 5 years (extendable at the option of Reese Compaq), for a consideration which will be determined based on the higher of the outstanding loan amount under the loan agreement as mentioned in (iv) above and the minimum amount of consideration as permissible under the then PRC laws and regulations;
- (vii) the conditional agreement dated 13 January 2012 entered into among Power Chance Holdings Limited a wholly-owned subsidiary of the Group, as purchaser, Brilliant Bloom Investments Limited as vendor, Mr. Ng Yui Wah Sonny and Mr. Wu Zhi Nan, as guarantors in relation to the acquisition of the 55% equity interests in Boomtech Limited for a total consideration of HK\$60,400,000;
- (viii) the sale and purchase agreement dated 2 March 2012 entered into between Upper Power Limited, a wholly-owned subsidiary of the Company, as vendor and Richwheel Investments Limited, as purchaser in relation to the disposal of 55% equity interests in and loan indebted by Great Plan Group Limited to the Group at an aggregate consideration of HK\$123,000;
- (ix) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Advantage Horizon Limited as subscriber and Mr. Ong Chor Wei as guarantor for the subscription of 80,000,000 non-listed warrants at HK\$0.005 each, which entitle the holders to subscribe for 80,000,000 Share at the subscription price of HK\$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;

- (x) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Total Accord Investments Limited as subscriber and Mr. Lam Chi Chung Tommy as guarantor for the subscription of 80,000,000 non-listed warrants at HK\$0.005 each, which entitle the holders to subscribe for 80,000,000 Shares at the subscription price of HK\$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;
- (xi) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Precise Gains Limited as subscriber and Mr. So Kui Kuen Peter as guarantor for the subscription of 60,000,000 non-listed warrants at HK\$0.005 each, which entitle the holders to subscribe for 60,000,000 Shares at the subscription price of HK\$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;
- (xii) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Greenmile Developments Limited as subscriber and Mr. Lee Chun Kun Gary as guarantor for the subscription of 50,000,000 non-listed warrants at HK\$0.005 each which entitle the holders to subscribe for 50,000,000 Shares at the subscription price of HK\$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;
- (xiii) the subscription agreement dated 12 September 2012 entered into between China Optic as issuer, Millennium Eagle Limited as investor and Mr. Yip Yung Kan as guarantor in relation to the subscription of the approximately 4.78% equity interests in China Optic for a total consideration of HK\$7,000,000; and
- (xiv) the Underwriting Agreement.

13. CORPORATE INFORMATION

Board of Directors	<i>Executive Directors</i>	<i>Address:</i>
	Mr. Chan Francis Ping Kuen	Unit 1601, 16/F, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	Mr. Chan Hin Wing, James	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	<i>Independent non-executive Directors</i>	
	Mr. Kwok Chi Sun, Vincent	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	Mr. Yeung Kam Yan	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	Mr. Cheung Chi Hwa, Justin	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	<i>Audit Committee</i>	
	Mr. Kwok Chi Sun, Vincent	
	Mr. Yeung Kam Yan	
	Mr. Cheung Chi Hwa, Justin	
	<i>Remuneration Committee</i>	
	Mr. Kwok Chi Sun, Vincent	
	Mr. Yeung Kam Yan	
	Mr. Cheung Chi Hwa, Justin	
	Mr. Chan Francis Ping Kuen	
Authorised representatives	Mr. Chan Francis Ping Kuen	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
	Mr. Law Ho Ming	Unit 1601, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong

Compliance officer	Mr. Chan Francis Ping Kuen An associate member of the Institute of Chartered Accountants in Australia and a member of the Hong Kong Institute of Certified Public Accountants.
Company secretary	Mr. Law Ho Ming
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
Principal share registrar and transfer office in Bermuda	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Auditors	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited 4 Des Voeux Road, Standard Chartered Bank Building, Central, Hong Kong
Stock code	8047
Website	www.nengxiao.com.hk

14. PARTIES INVOLVED IN THE OPEN OFFER

Underwriter	Colors Securities Limited Room 603, 6th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong
Legal advisers to the Company in relation to the Open Offer	As to Hong Kong law: Michael Li & Co. 19/F., Prosperity Tower, No. 39 Queen's Road Central, Central, Hong Kong As to Bermuda law: Conyers Dill & Pearman 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Reporting accountants	Mazars CPA Limited Certified Public Accountants 42nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Financial advisors to the Company	INCU Corporate Finance Limited Unit 1602, 16/F., Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26 Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

15. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1.98 million, which are payable by the Company.

16. PROFILES OF DIRECTORS**Executive Directors**

Chan Francis Ping Kuen, aged 53, the executive director and deputy chairman of the Company, who is also a member of the remuneration committee and the nomination committee, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and financial management and previously worked for an international accounting firm and a number of companies listed in Hong Kong and the United States. He was appointed as an executive director and the deputy chairman on 22 May 2007. He is an independent non-executive director of Sinocop Resources (Holdings) Limited (Stock Code: 476) and Earnest Investments Holdings Limited (Stock Code: 339). The two companies are listed on main board of the Stock Exchange.

Chan Hin Wing, James, aged 63, was appointed as an executive director of the Company on 1 November 2006, graduated from Hong Kong Polytechnic University majoring in marketing, economics and finance. Mr. Chan is also a member of American Marketing Association, British Institute of Management and Chartered Institute of Marketing. Mr. Chan has over 37 years of experience in sales, marketing, franchising, and chain store establishments in the Asia Pacific region. Mr. Chan is currently the managing director of a company principally engaging in the field of nanotechnology.

Independent non-executive Directors and audit committee members

Kwok Chi Sun, Vincent, aged 49, who was appointed as an independent non-executive Director and as an audit committee member on 16 August 2005, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited (stock code: 253), Shun Ho Technology Holdings Limited (stock code: 219), Magnificent Estates Limited (stock code: 201), Emperor Capital Group Limited (stock code: 717), Evergreen International Holdings Limited (stock code: 238) and China Digital Licensing (Group) Limited (stock code: 8175), the former five named companies are listed on main board of the Stock Exchange while the last named company is listed on GEM in the last three years.

Yeung Kam Yan, aged 59, who was appointed as an independent non-executive Director and as an audit committee member on 16 August 2005, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 9 years of experience in accounting, sales and marketing indifferent international companies including Olivetti (Hong Kong) Ltd. From 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Cheung Chi Hwa, Justin, aged 58, who was appointed as an independent non-executive Director and as an audit committee member on 15 January 2010, holds a bachelor degree of laws from the Manchester Metropolitan University in the United Kingdom, a master degree of laws from University of London in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an executive director of Ming Kei Holdings Limited (stock code: 8239) and an independent non-executive director of Richfield Group Holdings Limited (stock code: 183) respectively. The former named company is listed on GEM while the last named company is listed on the main board of the Stock Exchange.

The Company set up an audit committee on 18 October 2001, with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group.

17. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents and the consent letter referred to in the paragraph headed "Expert and consent" in this appendix, has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has been or, will as soon as practicable be, filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

18. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 1601, Ruttonjee House, Rnttonjee Centre, 11 Duddell Street, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the Latest Time for Acceptance at 4:00 p.m. on Friday, 25 January 2013:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the financial years ended 31 March 2010, 2011 and 2012 and the interim report for the 6-month period ended 30 September 2012;
- (c) the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;
- (d) the letter from Mazars on the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this Prospectus;
- (e) the written consents referred to in the paragraph headed "Expert and consent" to this Appendix;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" to this Appendix;
- (g) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules since 31 March 2012, being the date of the latest published audited consolidated financial statements of the Group; and
- (h) this Prospectus.