THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in DeTai New Energy Group Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy 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.

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



 $(Incorporated\ in\ Bermuda\ with\ limited\ liability)$

(Stock Code: 559)

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE; AND NOTICE OF SGM

Underwriter of the Rights Issue

■ KINGSTON SECURITIES

Joint financial advisers to the Company

KINGSTON CORPORATE FINANCE



Independent Financial Advisor to the Independent Board Committee and Independent Shareholders



Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Independent Board Committee is set out on page 34 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 67 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 11 May 2018. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 24 May 2018 to Thursday, 31 May 2018 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 24 May 2018 to Thursday, 31 May 2018 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages v to vi of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the SGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Hong Kong, at 10:00 a.m. on Wednesday, 9 May 2018 is set out on pages SGM-1 to SGM-3 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in separate announcement(s) by the Company as and when appropriate.

2018

Latest time for lodging transfers of the Shares in order to qualify for attendance and voting at the SGM	4:30 p.m. on Wednesday, 2 May
Closure of register of members for determination of the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive)	Thursday, 3 May to Wednesday, 9 May
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Monday, 7 May
Expected time and date of the SGM	10:00 a.m. on Wednesday, 9 May
Announcement of poll results of the SGM	Wednesday, 9 May
Last day of dealings in the Shares on a cum-rights basis	Thursday, 10 May
First day of dealings in the Shares on an ex-rights basis	Friday, 11 May
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Monday, 14 May
Closure of register of members (both days inclusive)	Γuesday, 15 May to Friday, 18 May
Record Date for determining entitlements to the Rights Issue	Friday, 18 May
Register of member re-opens	. Monday, 21 May
Despatch of Rights Issue Documents (in the case of the Non-Qualifying Shareholders, the Prospectus only)	. Monday, 21 May
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Thursday, 24 May
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Monday, 28 May

EXPECTED TIMETABLE

2018

Last day of dealing in nil-paid Rights Shares
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
Latest Time for Termination and for the Rights Issue to become unconditional
Announcement of results of the Rights Issue
Despatch of certificates for fully-paid Rights Shares Wednesday, 13 June
Despatch of refund cheques for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated Wednesday, 13 June
Commencement of dealings in fully-paid Rights Shares
Effective date of change in board lot size from 10,000 Shares to 30,000 Shares
Designated broker starts to stand in the market to provide matching services for odd lots of Shares
The last day for the designated broker to provide matching services for odd lots of Shares

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

All times in this circular refer to Hong Kong time. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Tuesday, 5 June 2018:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same business day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next 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.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Rights Issue will be announced as and when appropriate.

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 tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue 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 absolute 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 Rights Issue; 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 absolute 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) 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 absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute 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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute 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
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) 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 Rights Issue Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

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.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice of rescission shall be served by the Underwriter prior to the Latest Time for Termination.

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

"acting in concert" has the meaning ascribed to it under the Takeovers Code

"Announcement" the announcement of the Company dated 3 January 2018 in

relation to, among other things, the Rights Issue

"associates" has the meaning ascribed to it under the Listing Rules

"Board" the board of Directors

"Business Day" any day (other than a Saturday or Sunday or public holiday

or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. and 5:00 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 HKSCC

"Company" DeTai New Energy Group Limited, a company incorporated

in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange

"connected person" has the meaning ascribed to it under the Listing Rules

"controlling shareholder(s)" has the meaning ascribed to it under the Listing Rules

"Convertible Preference

Share(s)"

the 491,665,238 unlisted convertible preference shares of the notional value of HK\$0.21 each in the share capital of the Company which are convertible into 491,665,238 Shares upon the exercise of the conversion rights attaching thereto

"Director(s)" the director(s) of the Company

"EAF(s)" the excess application form(s) for use by the Qualifying

Shareholders who wish to apply for excess Rights Shares

"Exercisable Options" the 985,260,000 Shares Options to subscribe for an

aggregate of 985,260,000 Shares granted under the Share Option Schemes, which were outstanding as at the Latest Practicable Date and are capable of being exercised on or

before the Record Date

"Formation of JV Company" the formation of a joint venture company with Zhongke

International Capital Limited as disclosed in the JV

Announcements

"Group" the Company and its subsidiaries "HK\$" Hong Kong dollars, the lawful currency of Hong Kong "HKSCC" the Hong Kong Securities Clearing Company Limited "Hong Kong" the Hong Kong Special Administrative Region of the People's Republic of China "Independent Board the independent board committee, comprising all the Committee" independent non-executive Directors, namely Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, which was established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder "Independent Financial Red Sun Capital Limited, the independent financial adviser Adviser" appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder "Independent Shareholders" Shareholders other than the controlling shareholders and their associates or, where there is no controlling shareholder, the Directors (excluding independent nonexecutive Directors) and the chief executive of the Company and their respective associates "Independent Third Party(ies)" third party(ies) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, are independent of the Company and its connected persons "Irrevocable Undertaking" the irrevocable undertaking dated 3 January 2018 given by Mr. Tong in favour of the Company and the Underwriter to subscribe for, in aggregate, 2,936,434,250 Rights Shares to which Mr. Tong is entitled to under the Rights Issue "JV Announcements" the announcements of the Company dated 5 June 2017, 14 July 2017, 18 August 2017 and 14 November 2017 in relation to, among other things, the Formation of JV Company "JV Company" Zhongke International Finance Limited, a company

incorporated in Hong Kong with limited liability

"Last Trading Day" 3 January 2018, being the last trading day of the Shares on the Stock Exchange prior to the release of the Announcement "Latest Practicable Date" 17 April 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular "Latest Time for Acceptance" 4:00 p.m. on Tuesday, 5 June 2018 or such other time or date as the Company and the Underwriter may agree, being the latest time and/or date for acceptance of, and payment of, Rights Shares "Latest Time for Termination" 4:00 p.m. on Monday, 11 June 2018, being the fourth Business Day after the Latest Time for Acceptance or such later time and/or date as the Company and the Underwriter may agree, being the latest time and/or date for termination of the Underwriting Agreement "Listing Committee" has the meaning ascribed to it under the Listing Rules "Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange "Mr. Tong" Mr. Tong Liang, a substantial shareholder (as defined under the Listing Rules) of the Company "Non-Qualifying Overseas Shareholder(s) in respect of whom the Directors, Shareholder(s)" based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in that place "Overseas Shareholder(s)" Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong "PAL(s)" the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue "Posting Date" Monday, 21 May 2018, or such other day as may be agreed between the Company and the Underwriter, being the date of despatch of the Rights Issue Documents

"Prospectus"

the prospectus to be issued by the Company in relation to the Rights Issue

"Qualifying Shareholder(s)"

Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date, other than the Non-Qualifying Shareholders

"Record Date"

Friday, 18 May 2018 or such other date as may be agreed between the Company and the Underwriter, being the date for the determination of the entitlements of Qualifying Shareholders to participate in the Rights Issue

"Registrar"

the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

"Rights Issue"

the issue of the Rights Shares by way of rights on the basis of two (2) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, pursuant to the terms and conditions to be set out in the Underwriting Agreement and the Rights Issue Documents

"Rights Issue Documents"

the Prospectus, PAL and EAF

"Rights Share(s)"

the new Share(s) to be allotted and issued in respect of the Rights Issue, being not less than 10,463,687,800 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including Record Date) and not more than 13,417,538,276 Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date)

"SFO"

Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

"SGM" the special general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and

the transactions contemplated respectively thereunder

"Share(s)" ordinary share(s) of HK\$0.05 each in the share capital of

the Company

"Shareholder(s)" holder(s) of issued Share(s)

"Share Options" 1,094,610,000 outstanding options to subscribe for

1,094,610,000 Shares granted under the Share Option

Schemes

"Share Option Schemes" the share option schemes of the Company adopted on 4

December 2003 and 13 December 2013 respectively

"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

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"Subscription Price" HK\$0.052 per Rights Share

"Takeovers Code" the Hong Kong Code on Takeovers and Mergers

"Underwriter" Kingston Securities Limited, a corporation licensed to carry

out Type 1 (dealing in securities) regulated activity under

the SFO

"Underwriting Agreement" the underwriting agreement dated 3 January 2018 (as

amended and supplemented by the extension letters dated 24 January 2018, 8 March 2018 and 11 April 2018) entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in

respect of the Rights Issue

"Underwritten Share(s)" the Rights Shares, other than the 2,936,434,250 Rights

Shares undertaken to be taken up by Mr. Tong pursuant to

the Irrevocable Undertaking

"Untaken Shares" all those Underwritten Shares not taken up by the

Qualifying Shareholders on or before the Latest Time for

Acceptance

"%" percentage

德泰新能源集團有限公司 DeTai New Energy Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 559)

Executive Directors:

Mr. Wong Hin Shek (Chairman)
Mr. Chi Chi Hung, Kenneth
(Chief Executive Officer)

Mr. Chan Wai Ki Mr. Shek Yat Him

Non-executive Director: Mr. Chui Kwong Kau

Independent non-executive Directors:

Mr. Chiu Wai On Mr. Man Kwok Leung Dr. Wong Yun Kuen Registered office: Clarendon House 2 Church Street Hamilton HM 11

Bermuda

Head office and principal place of business

in Hong Kong:

Suite 3301, 33/F., The Center, 99 Queen's Road Central,

Hong Kong

20 April 2018

To the Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE; AND

AND NOTICE OF SGM

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that the Company proposed to conduct the Rights Issue to raise not less than approximately HK\$544.1 million and not more than approximately HK\$697.7 million, before expenses, by way of the Rights Issue to the Qualifying Shareholders at a subscription price of HK\$0.052 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders.

The Rights Issue is fully underwritten by the Underwriter. As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent nonexecutive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent nonexecutive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules.

The purpose of this circular is to provide you with (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) financial information and other general information of the Group; and (v) the notice of SGM.

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$544.1 million and not more than approximately HK\$697.7 million, before expenses, by way of the Rights Issue of not less than 10,463,687,800 Rights Shares and not more than 13,417,538,276 Rights Shares to the Qualifying Shareholders at a subscription price of HK\$0.052 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue (subject to the Irrevocable Undertaking) will be fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

Issue statistics

Basis of the Rights Issue Two (2) Rights Shares for every one (1) existing

Share held on the Record Date

Subscription Price HK\$0.052 per Rights Share

:

Number of Shares in issue as at

the Latest Practicable Date

5,231,843,900 Shares

Number of Rights Shares

Not less than 10,463,687,800 Rights Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 13,417,538,276 Rights Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date)

Aggregate nominal value of the Rights Shares

Not less than HK\$523,184,390.00 and not more than HK\$670,876,913.80

Number of Shares as enlarged by the allotment and issue of the Rights Shares Not less than 15,695,531,700 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 20,126,307,414 Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date)

Underwriter : Kingston Securities Limited

Share Options and Exercisable Options

As at the date of the Announcement, the Company had 1,094,810,000 Share Options, of which 985,460,000 were Exercisable Options. 200,000 Share Options with an exercise period between 21 January 2015 and 20 January 2020 lapsed in January 2018 (the "Lapse of Options"). Accordingly, as at the Latest Practicable Date, the number of outstanding Share Options and Exercisable Options are 1,094,610,000 and 985,260,000 respectively. Details of the outstanding Share Options are as follows:

- (i) 202,250,000 Share Options are exercisable from 4 July 2013 to 3 July 2018;
- (ii) 100,000,000 Share Options are exercisable from 19 July 2013 to 18 July 2018;
- (iii) 184,400,000 Share Options are exercisable from 21 January 2015 to 20 January 2020:
- (iv) 444,410,000 Share Options are exercisable from 14 October 2015 to 13 October 2020;
- (v) 54,200,000 Share Options are exercisable from 24 January 2018 to 23 January 2021;
- (vi) 54,200,000 Share Options are exercisable from 24 January 2019 to 23 January 2021; and
- (vii) 55,150,000 Share Options are exercisable from 24 January 2020 to 23 January 2021.

As at the Latest Practicable Date, the Company also has outstanding Convertible Preference Shares which are convertible into 491,665,238 new Shares upon full conversion of such Convertible Preference Shares (subject to adjustment). Save for the foregoing, as at the Latest Practicable Date, the Company does not have any outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

Assuming no exercise of the outstanding Share Options and the conversion rights attaching to the outstanding Convertible Preference Shares and no issue of new Shares (other than the Rights Shares) or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date, the aggregate number of the Rights Shares represents (i) 200% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 66.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Subscription Price

The Subscription Price is HK\$0.052 per Rights Share, payable in full upon acceptance under the PAL(s), and where applicable, application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares which represents:

- (i) a discount of approximately 29.73% to the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 28.77% to the average of the closing prices of approximately HK\$0.073 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 10.64% over the closing price of HK\$0.047 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 11.86% to the theoretical ex-rights price of approximately HK\$0.059 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 63.89% to the net asset value of the Company per Share of approximately HK\$0.144 as at 30 June 2017 (which is calculated based on the total equity attributable to the owners of the Company as at 30 June 2017 of approximately HK\$755.63 million and 5,231,843,900 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 61.19% to the net asset value of the Company per Share of approximately HK\$0.134 as at 31 December 2017 (which is calculated based on the total equity attributable to the owners of the Company as at 31 December 2017 of approximately HK\$701.79 million and 5,231,843,900 Shares in issue as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares prior to and including the Last Trading Day, the prevailing market conditions and the funding needs of the Group as detailed in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" below.

The trading liquidity of the Shares continued to be thin for the six months preceding the Last Trading Day (the "Relevant Period") and the average daily trading volume of the Shares during the Relevant Period was approximately 22,204,333 Shares, representing approximately 0.42% of the total number of issued Shares as at the date of the Underwriting Agreement. In view of the unsatisfactory financial performance and position of the Group, as well as the thin trading volume of the Shares, the Board considers that it is necessary to set the Subscription Price at a discount to the recent market price, so as to attract the Qualifying Shareholders to participate in the Rights Issue.

In addition, the Board has reviewed all rights issue announcements issued by companies listed on the Stock Exchange during the Relevant Period and identified an exhaustive list of 23 rights issues (the "**Reference Transactions**") announced during such period details of which are set out in the table below:

Date of announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the closing price on the last trading day (A) Approximately	Premium/ (Discount) of the subscription price over/to the theoretical ex-entitlement price, based on the Last Trading Day (Note 3) Approximately	Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (Notes 1 & 7) Approximately	Maximum dilution (B) (Note 2) Approximately %	Dilution ratio (A) x (B) (Note 8) Approximately %	Underwriting commission Approximately %
19/7/2017	Beautiful China Holdings Company Limited	706	3 for 4	(29.50)	(19.28)	(19.28)	42.86	(12.64)	1.50
19/7/2017	V.S. International Group Limited	1002	1 for 4	(17.86)	(14.81)	(10.72)	20.00	(3.57)	0.00
21/7/2017	Digital China Holdings Limited	861	1 for 4	(29.58)	(25.09)	(25.13)	20.00	(5.92)	0.00
28/7/2017	Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited)	876	1 for 3	21.25	15.94	67.04	25.00	N/A (Note 9)	0.00
14/8/2017	Roma Group Limited (Note 4)	8072	3 for 2	(34.21)	(17.13)	(60.63)	60.00	(20.53)	7.00
15/8/2017	Carnival Group International Holdings Limited	996	1 for 4	(39.39)	(34.21)	(2.55)	20.00	(7.88)	3.50
18/8/2017	China Polymetallic Mining Limited	2133	1 for 2	(50.82)	(40.89)	(83.40)	33.33	(16.94)	1.50
22/8/2017	China State Construction International Holdings Limited.	3311	1 for 8	(9.36)	(8.41)	80.13	11.11	(1.04)	2.00
31/8/2017	China HKBridge Holdings Limited	2323	1 for 2	(21.43)	(15.38)	171.60 (Note 5)	33.33	(7.14)	1.00
4/9/2017	CircuTech International Holdings Limited	8051	2 for 5	(9.64)	(6.83)	337.58 (Note 5)	28.57	(2.75)	2.00
18/9/2017	The Sincere Company, Limited	244	3 for 5	(28.00)	(19.64)	60.71	37.50	(10.50)	0.00
21/9/2017	eForce Holdings Limited	943	4 for 1	(15.38)	(3.51)	(86.25)	80.00	(12.30)	0.00
22/9/2017	TC Orient Lighting Holdings Limited	515	1 for 1	(48.00)	, ,	(45.83)	50.00	(24.00)	1.50
29/9/2017	China Child Care Corporation Limited	1259	1 for 1	(23.08)	(13.15)	(73.26)	50.00	(11.54)	1.50
4/10/2017	China Agri-Products Exchange Limited	149	5 for 1	(30.16)	(6.38)	(85.01)	83.33	(25.13)	2.50
20/10/2017	The 13 Holdings Limited (Note 4)	577	10 for 1	(87.91)	(39.89)	(98.22)	90.91	(79.92)	3.00
7/11/2017	China Overseas Grand Oceans Group Limited	81	1 for 2	(7.90)	(5.34)	(22.73)	33.33	(2.63)	1.50
8/11/2017	China Power International Development Limited	2380	1 for 3	(27.49)	(22.14)	(55.30)	25.00	(6.87)	2.00

Date of announcement	Company name	Stock code	Basis of entitlement	Premium/ (Discount) of the subscription price over/to the closing price on the last trading day (A) Approximately	price over/to the theoretical ex-entitlement price, based on	Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (Notes 1 & 7) Approximately	Maximum dilution (B) (Note 2) Approximately	Dilution ratio (A) x (B) (Note 8) Approximately %	Underwriting commission Approximately %
19/11/2017	REXLot Holdings Limited	555	1 for 2	(12.07)	(8.38)	(90.55)	33.33	(4.02)	1.00
21/11/2017	National Investments Fund Limited	1227	1 for 2	(41.67)	(32.26)	438.46 (Note 5)	33.33	(13.89)	3.00
28/11/2017	TCL Multimedia Technology Holdings Limited	1070	1 for 3	(25.75)	(20.64)	(10.63)	25.00	(6.44)	2.15 (Note 6)
18/12/2017	China Oceanwide International Financial Limited	952	8 for 3	6.80	1.85	19.57	72.73	N/A (Note 9)	1.50
20/12/2017	Yu Tak International Holdings Limited	8048	1 for 2	5.26	3.45	49.25	33.33	N/A (Note 9)	0.00
	Minimum			(87.91)	(40.89)	(98.22) (Note 5)	11.11	(79.92)	0.00
	Maximum			21.25	15.94	80.13 (Note 5)	90.91	(1.04)	7.00
	Average			(24.17)	(15.81)	, ,	40.96	(13.78)	1.66
Company			2 for 1	(29.73)	(11.86)	1 /	66.67	(19.82)	2.5

Source: The Stock Exchange of Hong Kong Limited and the rights issue announcement/circular issued by the respective listed issuers

Notes:

- 1. For each of the Reference Transactions, the net consolidated net asset value per share was extracted or computed from financial information from the relevant announcement, circular or prospectus of the underlying rights issue, where such information is not available from the above published sources, computed based on the reported consolidated net asset value as shown in the relevant interim report or annual report and the number of shares in issue as at the date of the relevant announcement of the underlying proposed rights issue.
- 2. Maximum dilution effect of each rights issue is calculated as: ((number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares to be issued under the basis of entitlement) x 100%), e.g. for a rights issue with basis of 1 rights share for every two (2) existing shares, the maximum dilution effect is calculated as ((1)/(1+2))*100%) = approximately 33.33%.
- 3. Premium/(Discount) of the subscription price over/to the theoretical ex-entitlement price based on the Last Trading Day is calculated as: ((number of rights shares to be issued under the basis of entitlement x subscription price per rights share)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement x share price on last trading day + number of rights shares to be issued under the basis of entitlement x subscription price per rights share) x 100%)
- 4. Roma Group Limited (stock code: 8072) has conducted share consolidation prior to its underlying rights issue and The 13 Holdings Limited (stock code: 577) proposed to conducted share consolidation, capital reduction and share subdivision prior to its underlying rights issue.

- 5. The net asset value attributable to owners of the company per shares of CircuTech International Holdings Limited (stock code: 8051), China HKBridge Holdings Limited (stock code: 2323) and National Investments Fund Limited (stock code: 1227) are excluded from the calculations as they appear to be extreme outlier as compared to the rest of the Reference Transactions, thus does not provide a meaningful analysis.
- 6. The underwriting commission is fixed at US\$1,432,395, being approximately HK\$11.1 million and for the purpose of our analysis, the commission is expressed in percentage of the aggregate subscription price in respect of the maximum number of the underwritten shares.
- 7. For the purpose of our analysis and illustration purposes only, the exchange rate between the Renminbi and Hong Kong dollar is assumed to be 1.00 to 1.13.
- 8. Dilution ratio of each rights issue is calculated as: ((A) (Discount) of the subscription price over/to the closing price on the last trading day x (B) Maximum dilution /100), (the "**Dilution Ratio**"), e.g. for a rights issue with the subscription price representing a discount of 10% and a maximum dilution effect of 50%, the dilution ratio is calculated as (-10%) x 50% x 100= -5%
- 9. Note applicable to rights issue whereby shares were issued at a premium to the share price as at the respective last trading day.

The subscription prices of the Reference Transactions ranged from a premium of approximately 21.25% to a discount of approximately 87.91% compared to the respective closing prices of their shares on the last trading day prior to the release of the respective announcements of the Reference Transactions (the "LTD Market Range"). The Subscription Price over the closing price per Share on the Last Trading Day represents a discount of approximately 29.73% (the "LTD Discount"), which is at a similar level to the average from the Reference Transactions and falls within the LTD Market Range; and (ii) the subscription prices to the theoretical ex-entitlement prices per share based on the last trading day prior to the respective rights issue announcement of the Reference Transactions ranged from a premium of approximately 15.94% to a discount of approximately 40.89% (the "TERP Market Range"). The discount of the Subscription Price over the theoretical ex-entitlement price per Share of approximately 11.86% (the "TERP Discount") falls within the TERP Market Range. The Board considers that it is common for listed companies in Hong Kong to set the subscription price of rights issues at a discount to the market price, and the discount level of the Subscription Price to the market price falls within the range of that of the Reference Transactions.

Dilution effect and the structure of the Rights Issue

If all the Qualifying Shareholders do not take up the Rights Shares to which they are entitled and the Underwriter takes up all the Rights Shares, the percentage of shareholding (assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) of the existing public Shareholders will be reduced from 100% to 33.33%, representing a dilution effect on the shareholding interests of approximately 66.67% as a result of the Rights Issue.

The Company has not approached other potential underwriters in respect of the Rights Issue as: (a) the Company is mindful of the laws and regulations in Hong Kong pertaining to the need to preserve the confidentiality of inside information and the proposed Rights Issue is considered by the Company to be highly price sensitive and thus the Company is mindful not

to solicit or negotiate with multiple potential underwriters in the market at the same time; (b) the Underwriter has agreed to take up all the Untaken Shares, which ensures that the Company will raise the proceeds to satisfy its expected funding needs without the need to engage any additional underwriter(s) to ensure the Rights Issue is fully underwritten; and (c) the commission rate of 2.5% charged by the Underwriter falls within the range of the Reference Transactions. The Directors consider that, due to the relative high offer ratio (i.e. two Rights Shares for every one existing Share) compared to the Reference Transactions, additional time and efforts will be required in negotiating with other potential underwriters to obtain the best possible terms. Due to the imminent need of the Company to utilise the proceeds from the Right Issue to fund its business needs, the Directors believe that it is in the interests of the Company and its Shareholders to secure the underwriting services for the Rights Issue as soon as practicable and at fair and reasonable terms instead of spending prolonged time and efforts to obtain the best possible terms for underwriting the Rights Shares. Taking into account the above-mentioned factors, the Company considered the terms offered by the Underwriter are fair and reasonable, and therefore had not approached multiple potential underwriters.

The Company has compared the underwriting commission of 2.5% to the underwriting commission of the Reference Transactions. Out of the 23 Reference Transactions, there were three outliners as explained above, 15 out of the remaining 20 Reference Transactions had a discount Price-to-NAV, out of which six Reference Transactions had a higher discount Priceto-NAV than that under the Rights Issue (the "Selected Reference Transactions"), and three of the Selected Reference Transactions had a higher maximum dilution effect than that of the Rights Issue's maximum dilution effect of approximately 66.67%. The underwriting commission of the above-mentioned three transactions was nil, 2.5% and 3%, respectively (the "Reviewed Transactions") compared to the underwriting commission under the Rights Issue of 2.5%. The underwriter of two of the Reviewed Transactions were connected person to the listed issuer and that their underwriting commission was nil and 2.5%, respectively, and the underwriter of the remaining Reviewed Transaction was an independent third party and the relevant underwriting commission charged was 3%. Given the Underwriter under the Rights Issue is an Independent Third Party, the Company considers that it is more appropriate to compare the underwriting commission of the Reviewed Transactions that was underwritten by an independent third party, of which had a higher underwriting commission at 3%. On this basis, having considered that the commission rate of 2.5% charged by the Underwriter (i) falls within the range of the Reference Transactions; (ii) falls within the range of the Reviewed Transactions; and (iii) lower than that of the underwriting commission of 3% charged by the independent underwriter under the Reviewed Transaction, the Company is of the view that the underwriting commission paid to the Underwriter under the Rights Issue is generally in line with the market practice and therefore considered to be fair and reasonable.

Apart from the above, when arriving the current structure of the Rights Issue, the Company has further considered the following factors:

- (i) in view of the funding requirements of the Group of approximately HK\$523.6 million and the need for setting a Subscription Price at a level acceptable to the Underwriter and all of the Qualifying Shareholders;
- (ii) under the Rights Issue, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Company. Furthermore, Shareholders who do not want to participate in the Rights Issue could dispose the nil-paid Rights Shares in the secondary market;
- (iii) while there is an inherent dilutive nature of rights issue in general if the Qualifying Shareholders did not take up their entitlements under the Rights Issue in full, the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Rights Shares; and
- (iv) although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue.

Having considered the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue (including the subscription ratio and the Subscription Price which has been set a discount to the recent closing prices of the Share with an object to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company) to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of provisional allotment

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the Latest Time for Acceptance.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

The Irrevocable Undertaking

As at the date of the Announcement and as at the Latest Practicable Date, Mr. Tong, a substantial shareholder of the Company as defined under the Listing Rules, personally owns 1,468,217,125 Shares, representing approximately 28.06% of the issued share capital of the Company.

Mr. Tong has given an irrevocable undertaking to the Company and the Underwriter that, (i) he would subscribe, or procure his associates to subscribe, for 2,936,434,250 Rights Shares which comprise the full acceptance of his provisional entitlement; (ii) the 1,468,217,125 Shares comprising his current shareholding in the Company would remain beneficially owned by him on the Record Date; and (iii) he would procure that his acceptance of the 2,936,434,250 Rights Shares, which would be provisionally allotted to him in nil-paid form under the Rights Issue, be lodged with the Registrar, with payment in full therefor, by no later than 4:00 p.m. at the Latest Time for Acceptance or otherwise in accordance with the instructions printed on the PAL(s).

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of two (2) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Non-Qualifying Shareholder at the close of business on the Record Date. Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date whom the Company, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place will not be regarded as Qualifying Shareholders.

Based on the register of members of the Company as at the Latest Practicable Date, there is no Overseas Shareholder. Further information in this connection will be set out in the Prospectus to be despatched to the Shareholders.

In order to be registered as members of the Company at the close of business on the Record Date, beneficial owners must lodge any transfers documents of the Shares (together with the relevant share certificates) with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 14 May 2018 (Hong Kong Time).

The Company will send the Rights Issue Documents to the Qualifying Shareholders on or about Monday, 21 May 2018.

Non-Qualifying Shareholders

The Company will send the Prospectus only (without PAL or EAF) to the Non-Qualifying Shareholders, if any, for their information only, on or about Monday, 21 May 2018.

Arrangement will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold on the market in their nilpaid form as soon as practicable after dealings in the nilpaid Rights Shares commence and before dealings in nilpaid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be taken up by the Underwriter.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements of the Non-Qualifying Shareholder(s); and (ii) any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can only be made by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 5 June 2018 (Hong Kong time).

The Directors will, upon consultation with the Underwriter, allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL(s) or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PAL(s) is greater than the aggregate number of excess Rights Shares applied for through EAF(s), the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAF(s).

In applying the above principles, reference will only be made to the number of excess Rights Shares being applied for. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 30,000 Rights Shares. Dealing in the Rights Shares will be subject to the payment of the stamp duty and other applicable fees and charges in Hong Kong.

Share certificates for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Wednesday, 13 June 2018 to those who have accepted and paid for the Rights Shares, by ordinary post at their own risk.

One Share certificate will be issued for all Rights Shares allotted and issued to an applicant.

Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

UNDERWRITING ARRANGEMENT FOR THE RIGHTS ISSUE

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite all the Rights Shares under the Rights Issue, other than those agreed to be taken by Mr. Tong pursuant to the Irrevocable Undertaking.

Date : 3 January 2018 (as amended and supplemented by the extension

letters dated 24 January 2018, 8 March 2018 and 11 April 2018)

Underwriter : Kingston Securities Limited

Total number of Underwritten Shares

: The Rights Issue is, subject to the Irrevocable Undertaking, fully underwritten by the Underwriter.

Pursuant to the Underwriting Agreement, the total number of the Underwritten Shares shall be not less than 7,527,253,550 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 10,481,104,026 Rights Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date), being the total number of the Rights Shares less a total of 2,936,434,250 Rights Shares undertaken to be taken up by Mr. Tong pursuant to the Irrevocable Undertaking.

The maximum number of Underwritten Shares as at the date of the Underwritten Agreement was 10,481,504,026 Rights Shares (taken into account that, among other matters, there was a total of 985,460,000 Exercisable Options as at the date of the Underwriting Agreement). As a result of the Lapse of Options, as at the Latest Practicable Date, the maximum number of Underwritten Shares was reduced to 10,481,104,026 Rights Shares.

Commission

: The Underwriter will receive 2.5% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares (i.e. 10,481,504,026 Rights Shares, being the maximum number of Underwritten Shares as at the date of the Underwriting Agreement)

Kingston Securities Limited is a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to, among other things, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Board considers the terms of the Underwriting Agreement (including the commission rate) are fair and reasonable.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon:

- (1) the passing of the necessary resolution(s) by the Independent Shareholders at the SGM approving and confirming the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder and authorizing the Directors to allot and issue the Rights Shares (in both their nil-paid and fully-paid forms), in accordance with the memorandum of association and bye-laws of the Company and the Listing Rules on or before the Record Date;
- (2) the delivery of the Prospectus to the Stock Exchange and the issue by the Stock Exchange on or before the Posting Date of a certificate authorising registration of the Prospectus with Hong Kong Companies Registry;
- (3) a duly certified copy of the Prospectus (and other required documents) having been lodged with Hong Kong Companies Registry and Hong Kong Companies Registry issuing a confirmation of registration on or before the Posting Date;
- (4) following registration, the posting of the Prospectus to the Qualifying Shareholders and the publication of the Prospectus on the website of the Stock Exchange on or before the Posting Date;
- (5) the grant of listing of the Rights Shares by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the Rights Shares (in both their nil-paid and fully-paid forms) by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked prior to the Latest Time for Termination);
- (6) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof at or before the Latest Time for Termination;
- (7) the compliance with and performance by the Company of all the undertakings and obligations under the terms of the Underwriting Agreement;

- (8) the compliance with and performance of all the undertakings and obligations of Mr. Tong under the Irrevocable Undertaking;
- (9) if necessary, the obtaining of the consent or permission from the Bermuda Monetary Authority in respect of the issue of the Rights Shares;
- (10) the posting of the Rights Issue Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only, on or before the Posting Date;
- (11) there being no Specified Event occurring prior to the Latest Time for Termination;
- (12) the Shares remaining listed on the Stock Exchange at all times prior to the date of despatch of share certificates for fully-paid Rights Shares and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days at any time prior to the Latest Time for Acceptance; and
- (13) compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda.

The conditions set out above are incapable of being waived. If all of the above conditions are not fully satisfied by the Latest Time for Termination, i.e. 4:00 p.m. on Monday, 11 June 2018 (Hong Kong time) (or such later date or dates as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

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 tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue 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 absolute 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 Rights Issue; 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 absolute 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 Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) 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 absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute 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

- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospectus of the Group as a whole; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) 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 Rights Issue Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

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.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (b) any Specified Event comes to the knowledge of the Underwriter.

Any such notice of rescission shall be served by the Underwriter prior to the Latest Time for Termination.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue for illustration purpose only:

(a) assuming no change in the number of issued Shares on or before the Record Date:

	(i) As at the Late Date Number of		(ii) Immedia completion of the assuming full acc Qualifying Share the Rights Number of	e Rights Issue eptance by all holders under	(iii) Immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Mr. Tong) under the Rights Issue Number of Approximate		
	Shares	%	Shares	%	Shares	%	
Ordinary Shares of HK\$0.05 each							
Directors							
Chi Chi Hung, Kenneth	23,000,000	0.40	69,000,000	0.43	23,000,000	0.14	
Chui Kwong Kau	660,000	0.01	1,980,000	0.01	660,000	0.00	
Sub-total	23,660,000	0.41	70,980,000	0.44	23,660,000	0.14	
Mr. Tong	1,468,217,125	25.65	4,404,651,375	27.21	4,404,651,375	27.21	
The Underwriter (Note)	_	_	_	_	3,077,253,550	19.01	
Sub-underwriters procured by the Underwriter							
Ruan Yuan	_	_	_	_	650,000,000	4.02	
Chau Lai Him	_	_	_	_	700,000,000	4.32	
Get Nice Securities Limited	_	_	_	_	700,000,000	4.32	
Global Mastermind Securities					(00,000,000	2.71	
Limited	_	_	_	_	600,000,000	3.71 3.71	
Emperor Securities Limited VMS Securities Limited	131,390,000	2.30	394,170,000	2.43	600,000,000 731,390,000	4.52	
Cornerstone Securities Limited	131,370,000	2.50			600,000,000	3.71	
Other public Shareholders	3,608,576,775	63.05	10,825,730,325	66.88	3,608,576,775	22.29	
Sub-total — ordinary Shares	5,231,843,900	91.41	15,695,531,700	96.96	15,695,531,700	96.96	
and the second s	-,,0.0,200	711	,,,	,,,,,	,,,	, , , , , ,	
Convertible Preference Shares							
The holder(s) of the Convertible Preference Shares	101 665 220	0.50	101 665 220	2 04	101 665 220	2 0.4	
i reference shares	491,665,238	8.59	491,665,238	3.04	491,665,238	3.04	
Total	5,723,509,138	100.00	16,187,196,938	100.00	16,187,196,938	100.00	

(b) assuming no change in number of issued Shares on or before the Record Date other than the issue of new Shares upon the exercise in full of all the Exercisable Options and the conversion rights attaching to the outstanding Convertible Preference Shares:

	(i) As at the Latest Practicable Date Number of Approximate Shares %		(ii) Immediately upon full exercise of all Exercisable Options and the conversion rights attaching to the Convertible Preference Shares before the Record Date Number of Approximate Shares %		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue Number of Approximate Shares %		(iv) Immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Mr. Tong) under the Rights Issue Number of Approximate Shares	
Ordinary Shares of HK\$0.05 each								
Directors								
Chi Chi Hung, Kenneth	23,000,000	0.40	23,000,000	0.34	69,000,000	0.34	23,000,000	0.11
Chui Kwong Kau	660,000	0.01	660,000	0.01	1,980,000	0.01	660,000	0.01
Sub-total	23,660,000	0.41	23,660,000	0.35	70,980,000	0.35	23,660,000	0.12
Mr. Tong	1,468,217,125	25.65	1,468,217,125	21.88	4,404,651,375	21.88	4,404,651,375	21.88
The Underwriter (Note)	_	_	_	_	_	_	6,031,104,026	29.97
Sub-underwriters procured by the Underwriter								
Ruan Yuan Chau Lai Him Get Nice Securities Limited Global Mastermind Securities Limited Emperor Securities Limited VMS Securities Limited							650,000,000 700,000,000 700,000,000 600,000,000 600,000,000 731,390,000	3.23 3.48 3.48 2.98 2.98 3.63
Cornerstone Securities Limited	_	_	_	_		_	600,000,000	2.98
The holders of the Exercisable Options	_	_	985,260,000	14.69	2,955,780,000	14.69	985,260,000	4.90
The holder(s) of the Convertible Preference Shares	_	_	491,665,238	7.33	1,474,995,714	7.33	491,665,238	2.44
Other public Shareholders	3,608,576,775	63.05	3,608,576,775	53.79	10,825,730,325	53.79	3,608,576,775	17.93
Sub-total — ordinary Shares	5,231,843,900	91.41	6,708,769,138	100.00	20,126,307,414	100.00	20,126,307,414	100.00
Convertible Preference Shares								
The holder(s) of the Convertible Preference Shares	491,665,238	8.59				=		
Total	5,723,509,138	100.00	6,708,769,138	100.00	20,126,307,414	100.00	20,126,307,414	100.00

Pursuant to the Underwriting Agreement, if the Underwriter is called upon to take up any Untaken Shares: (1) the Underwriter will not subscribe, for its own account, for such number of Untaken Shares which will result in it (together with parties acting in concert with it and its close associates) holding 30% (or such other percentage which will trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company immediately upon completion of the Rights Issue; (2) unless the Underwriter itself subscribes for all the Untaken Shares, the Underwriter shall use its best endeavours to ensure that the subscribers for the Untaken Shares shall be Independent Third Parties and each of these subscribers (together with parties acting in concert with it and its close associates) will not be holding 30% (or such other percentage which shall trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company immediately upon completion of the Rights Issue; and (3) the Underwriter shall (and shall cause the subunderwriters to) procure subscribers who are Independent Third Parties to take up such number of Untaken Shares as necessary to ensure compliance by the Company of the minimum public float requirements set out under Rule 8.08(1) of the Listing Rules. As at the Latest Practicable Date, the Underwriter had procured seven sub-underwriters who are Independent Third Parties in respect of the sub-underwriting an aggregate of 4,450,000,000 Underwritten Shares. The seven sub-underwriters, namely Ruan Yuan, Chau Lai Him, Get Nice Securities Limited, Global Mastermind Securities Limited, Emperor Securities Limited, VMS Securities Limited and Cornerstone Securities Limited (collectively, the "Sub-underwriters") who had agreed to take up 650,000,000 Underwritten Shares, 700,000,000 Underwritten Shares, 700,000,000 Underwritten Shares, 600,000,000 Underwritten Shares, 600,000,000 Underwritten Shares, 600,000,000 Underwritten Shares and 600,000,000 Underwritten Shares (collectively, the "Subunderwritten Shares"), respectively (collectively, the "Sub-underwriting Agreements"). As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) each of Ruan Yuan, Chau Lai Him is an ordinary investor, Get Nice Securities Limited is principally engaged in securities brokerage services, Global Mastermind Securities Limited is principally engaged in dealing in securities, Emperor Securities Limited is principally engaged in provision of financial services, VMS Securities Limited is principally engaged in securities dealing and brokerage and Cornerstone Securities Limited is a principally engaged in securities dealing and brokerage service; and (ii) save for an affiliated company of VMS Securities Limited being interested in 131,390,000 Shares, none of the Sub-underwriters is interested in any Shares; (iii) the Sub-underwriters are independent of each other; and (iv) save for the Underwriting Agreement and the Sub-underwriting Agreements, there is no other agreements, arrangements, understandings entered into by the Sub-underwriters and the Underwriter.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Group is principally engaged in six business segments, namely (i) new energy business, (ii) hotel hospitality business, (iii) provision of money lending services, (iv) manufacturing and trading of electric cycles, (v) trading and distribution of liquor and wine, and (vi) investments in listed securities and funds.

The net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be not less than approximately HK\$523.6 million and not more than approximately HK\$677.2 million. The estimated net subscription price per Rights Share after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.050. The Company intends to apply net proceeds of approximately HK\$523.6 million (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date and the Underwriting Agreement up to and including the Record Date) from the Rights Issue as to (i) approximately HK\$196.0 million for the contribution to the facility to be made available to the JV Company; (ii) approximately HK\$219.0 million for repayment of

the outstanding corporate bonds and borrowings; (iii) approximately HK\$100.0 million for expansion of the Group's money lending business; and (iv) the remaining balance for general working capital of the Group. Further details of the intended use of the proceeds from the Rights Issue are set out below:

(i) Contribution to the facility to be made available to the JV Company

References are made to the JV Announcements in relation to the Formation of JV Company. As disclosed in the JV Announcements, Rich Express Investment Group Limited, a wholly-owned subsidiary of the Company, shall contribute HK\$196.0 million to the facility to be made available to the JV Company. The JV Company will be engaged in new energy business, financial services and investment and other related business.

(ii) Repayment of corporate bonds and borrowings

The Group has the following outstanding indebtedness:

- (1) Reference is made to the announcement of the Company dated 14 March 2014 in relation to the issue of corporate bonds. Up to the date of the Announcement, the Group had outstanding bonds at the aggregate principal amount of approximately HK\$35 million bearing interest at 8% per annum. The interest of the corporate bonds had been paid in advance. The corporate bonds were issued by a wholly-owned subsidiary of the Company and are guaranteed by the Company. HK\$25 million of the corporate bonds was due in March 2018 which was replaced by a term loan of HK\$40 million. The term loan will become due in June 2018 and bears interest rate of 18% per annum. Up to the Latest Practicable Date, the Group has outstanding corporate bonds at the aggregate principal amount of approximately HK\$10 million which will be due in April 2018.
- (2) A secured bank loan of approximately HK\$144.2 million will be due in December 2021 which bears the floating interest rate of approximately 0.85% per annum. The Group intends to repay this indebtedness. With early repayment, approximately HK\$1.2 million finance costs per annum would be saved and the pledges of property and equity interest of a subsidiary would be released by the bank accordingly.
- (3) An indebtedness owed to an Independent Third Party of approximately HK\$14 million due in January 2018 which bears interest rate of 14% per annum had been replaced by a term loan of HK\$26 million which will become due in May 2018 and bears interest rate of 18% per annum. The maturity date of this indebtedness can be extended to later date if consent could be reached by both parties in writing. With repayment of this indebtedness, the Group expects that approximately HK\$4.7 million finance costs per annum would be saved accordingly.

(iii) Expansion of money lending business

The Group has continued to explore opportunities to diversify its businesses in order to enhance the income stream and continue to improve Shareholders' return. As disclosed in the interim report of the Company for the six months ended 31 December 2017, the Group generated interest income of approximately HK\$5.2 million and recorded a segment profit of approximately HK\$1.2 million. As at 31 December 2017, the loans receivable with gross principal amount of approximately HK\$103.9 million in aggregate with interest bearing at rates ranging from 7% to 20% per annum were due from Independent Third Parties. Up to the Latest Practicable Date, the Group has loans receivable with gross principal amount of approximately HK\$105.4 million in aggregate. The Group is of the view that the money lending business has relatively stable income as compared with other segments and would invest more resources to expand the money lending business.

(iv) General working capital of the Group

The remaining proceeds of the Rights Issue (of approximately HK\$8.5 million) will be retained for the expected working capital requirements of the Group including staff costs and Directors' remuneration for the next 12 months.

The Directors have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of Shares and open offer. The Directors are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in term affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

The Board considers that the Rights Issue will increase the capital base of the Company and give the Qualifying Shareholders equal opportunity to maintain their respective pro-rata shareholding interests in the Company. Hence, the Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings will be diluted.

CHANGE IN BOARD LOT SIZE

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 30,000 Shares with effect from 9:00 a.m. on Thursday, 14 June 2018. The change in board lot size will not result in any change in the relative rights of the Shareholders.

Based on the theoretical ex-rights price of approximately HK\$0.059 per Share (calculated based on the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK\$590 and the estimated market value of each proposed new board lot is HK\$1,770.

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company will appoint an agent to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Thursday, 14 June 2018 to 4:00 p.m. on Tuesday, 10 July 2018 (both dates inclusive). Further details in respect of the matching services will be set out in the Prospectus.

All existing share certificates in board lot of 10,000 shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size 10,000 shares to new share certificate in board lot size of 30,000 shares is necessary.

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Fund raising activity Net proceeds raised Intended use of proceeds Actual use of proceeds The successful transfers The Company intended to Approximately HK\$85.6 Approximately (the "Transfers") of (i) HK\$160.8 million use the net proceeds from million had been used for 571,430,000 Convertible the Transfers to settle settlement of the Preference Shares to part of the consideration consideration for the EPS Jumbo Grand Enterprise of the acquisition of Acquisition which Development Limited as Emission Particle Solution completed on 22 disclosed in the Sweden AB as set out in December 2016, and announcements of the approximately HK\$75.2 the announcements of the Company dated 13 Company dated 29 July million had been applied September 2016 and 22 2016 and 22 December as general working capital December 2016; and (ii) 2016 (the "EPS of the new energy 175,000,000 Convertible Acquisition"), and the business of the Group. Preference Shares to remaining net proceeds (if Wolfview Limited as any) as general working disclosed in the capital of the Group. announcements of the Company dated 28 October 2016 and 22 March 2017.

Save as disclosed above, the Company had not conducted any equity fund raising activities in the past 12 months immediately preceding the date of the Announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 May 2018 to Wednesday, 9 May 2018 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. The register of members of the Company will be closed from Tuesday, 15 May 2018 to Friday, 18 May 2018 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS AND THE CONVERTIBLE PREFERENCE SHARES

As at the Latest Practicable Date, the Company has (i) outstanding Share Options under the Share Option Schemes carrying rights for the holders thereof to subscribe for an aggregate of 1,094,610,000 new Shares; and (ii) outstanding Convertible Preference Shares which are convertible into 491,665,238 new Shares upon full conversion of such Convertible Preference Shares (subject to adjustment). As a result of the Rights Issue, there may be adjustments to the exercise prices and/or the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Schemes and the notional price and/or the number of Shares to be issued upon conversion of the outstanding Convertible Preference Shares. The Company will appoint its auditor or an independent financial adviser to certify in writing the adjustments to the Share Options and/or the Convertible Preference Shares and that such adjustments are in accordance with the terms and conditions of the Share Option Schemes and the terms of the Convertible Preference Shares. Further announcement(s) will be made by the Company in relation thereof as and when appropriate.

LISTING RULES IMPLICATIONS

The Rights Issue is fully underwritten by the Underwriter. As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules.

As at the Latest Practicable Date, an affiliate of VMS Securities Limited, being one of the sub-underwriters to the Rights Issue, is interested in 131,390,000 Shares. Save as aforesaid, none of the Underwriter, the sub-underwriters and their respective ultimate beneficial owners has any shareholding interest in the Company. VMS Securities Limited and its associates shall

abstain from voting in favour of the Rights Issue. In the event that the Underwriter and any other sub-underwriters have shareholding interest in the Company, it/they is/are required to abstain from voting on the resolution(s) approving the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder at the SGM.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is subject to, among other things, the fulfillment of the conditions set out in the paragraph headed "Conditions of the Rights Issue" above. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from Friday, 11 May 2018 and that dealings in the Rights Shares in the nilpaid form will take place while the conditions to which the Underwriting Agreement is subject to remaining unfulfilled. Any dealings by the Shareholders and other persons in the Shares between the date of this circular and the date on which the Rights Issue becomes unconditional (which is expected to be at 4:00 p.m. on Monday, 11 June 2018), and any dealings in the Rights Shares in their nil-paid form from Thursday, 24 May 2018 to Thursday, 31 May 2018 (both dates inclusive), will be at their own risk and if they are in any doubt about their position, they should consult their own professional advisers.

SGM

A notice of the SGM to be held at 10:00 a.m. on Wednesday, 9 May 2018 at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular for the purpose of considering and, if thought fit, approving the Underwriting Agreement, the Rights Issue and the transactions contemplated respectively thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

Subject to the Rights Issue being approved at the SGM, the Rights Issue Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 34 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 35 to 67 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors believe that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

By order of the Board

DeTai New Energy Group Limited

Wong Hin Shek

Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



(Incorporated in Bermuda with limited liability)

(Stock Code: 559)

20 April 2018

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 20 April 2018 (the "Circular") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue and the Underwriting Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the Rights Issue and the Underwriting Agreement are on normal commercial terms, in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully, Independent Board Committee

Mr. Chiu Wai On

Mr. Man Kwok Leung

Dr. Wong Yun Kuen

Independent non-executive Directors

Set out below is the text of a letter received from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, for the purpose of inclusion in this circular.



20 April 2018

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 20 April 2018 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Circular in relation to, among others, the Rights Issue and the Underwriting Agreement, the Board proposed to raise not less than approximately HK\$544.1 million and not more than approximately HK\$697.7 million, before expenses, by way of the Rights Issue to the Qualifying Shareholders at a subscription price of HK\$0.052 per Rights Share on the basis of two (2) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue will be fully underwritten by the Underwriter on the terms and conditions set out in the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Underwriter has agreed to fully underwrite all the Rights Shares under the Rights Issue, other than those agreed to be taken by Mr. Tong pursuant to the Irrevocable Undertaking. The total number of the Underwritten Shares shall be not less than 7,527,253,550 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date and the Underwriting Agreement up to and including the Record Date) and not more than 10,481,104,026 Rights Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date and the Underwriting Agreement up to and including the Record Date), being the total number of the Rights Shares less a total of 2,936,434,250 Rights Shares undertaken to be taken up by Mr. Tong pursuant to the Irrevocable Undertaking.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to approval of the Independent Shareholders at the SGM by a resolution on which any controlling Shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Since there is no controlling Shareholder as at the Latest Practicable Date, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6) of the Listing Rules.

As at the Latest Practicable Date, none of the Underwriter and its close associates has any shareholding interest in the Company. In the event that the Underwriter and any of the sub-underwriters have shareholding interest in the Company, it/they is/are required to abstain from voting on the resolution(s) approving the Rights Issue, the Underwriting Agreement and the transactions contemplated respectively thereunder at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, and the transactions contemplated thereunder, are fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM.

We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement, and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Group, its advisers, its management team (the "Management") and/or the Directors. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Group, its advisers, the Management and/or the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Group, its advisers, the Management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Company, the JV Company, the Underwriter, and their respective shareholder(s) and subsidiaries or affiliates, and their respective histories, experience and track records, or the prospects of the markets in which they respectively operate, or its future prospects. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us at the Latest Practicable Date. This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely for their consideration of the Rights Issue, the Underwriting Agreement, and the transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue and the Underwriting Agreement, we have taken into consideration the following principal factors and reasons:

1. BACKGROUND OF THE GROUP

1.1 Business and financial overview of the Group

As set out in the Letter from the Board, the Group is principally engaged in six business segments, namely (i) new energy business; (ii) hotel hospitality business, (iii) provision of money lending services; (iv) manufacturing and trading of electric cycles; (v) trading and distribution of liquor and wine; and (vi) investments in listed securities and funds.

Set out below are (i) the audited consolidated financial results and positions of the Group for each of the two years ended 30 June 2016 and 2017 as extracted from the Company's annual report for the year ended 30 June 2017 (the "2016/17 Annual Report") and (ii) the unaudited consolidated financial results and positions of the Group for the six months ended 31 December 2016 and 2017 as extracted from the Company's interim report for the six months ended 31 December 2017 (the "2017/18 Interim Report"):

Table 1: Consolidated statement of profit or loss

	For the yea		Year-on- year	For the si	Period-on- period change	
	2017	2016	change	2017	2016	vg.
	(audited)	(audited)		(unaudited)	(unaudited)	
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Turnover	44,179	16,434	168.8	26,827	12,988	106.6
Gross profit	15,675	5,403	190.1	10,739	7,708	39.3
Loss before income tax	(150, 138)	(556,617)	(73.0)	(92,656)	(9,801)	845.4
Loss for the year/period	(146,266)	(531,597)	(72.5)	(65,051)	(9,783)	564.9
Loss for the year/period attributable to:						
— Owners of the Company	(144,426)	(494,057)	(70.8)	(65,516)	(8,197)	699.3
 Non-controlling interests 	(1,840)	(37,540)	(95.1)	465	(1,586)	(129.3)

Financial performance for six months ended 31 December 2017

As set out in the 2017/18 Interim Report, the Group recorded revenue of approximately HK\$26.8 million for the six months ended 31 December 2017, representing an increase of approximately 106.2% as compared to approximately HK\$13.0 million recorded for the six months ended 31 December 2016. Such increase was mainly attributable to the increase in revenue derived from its hotel hospitality business and new energy business.

For the six months ended 31 December 2017, the Group recorded a net loss of approximately HK\$65.1 million compared to a net loss of approximately HK\$9.8 million recorded for the six months ended 31 December 2016. Based on the 2017/18 Interim Report, the increase in net loss of the Group for the six months ended 31 December 2017 was mainly attributable to the net effect of (i) the impairment loss on goodwill and intangible asset of the new energy business; (ii) the increase in general and administrative expenses for the newly acquired business; and (iii) the absence of gain on derecognition of available-for-sale investments, for the six months ended 31 December 2017 as compared to that for the six months ended 31 December 2016.

Financial performance for the year ended 30 June 2017

As set out in the 2016/17 Annual Report, the Group recorded revenue of approximately HK\$44.2 million for the year ended 30 June 2017, representing an increase of approximately 168.8% as compared to approximately HK\$16.4 million recorded for the year ended 30 June 2016. Such increase was mainly attributable to the revenue derived from hotel hospitality business.

For the year ended 30 June 2017, the Group recorded a net loss of approximately HK\$146.3 million compared to a net loss of approximately HK\$531.6 million recorded for the year ended 30 June 2016. Based on the 2016/17 Annual Report, the improvement in the financial performance of the Group for the year ended 30 June 2017 was mainly attributable to (i) the decrease in impairment loss on goodwill and intangible assets of approximately HK\$363.0 million and HK\$91.3 million, respectively; and (ii) the decrease in share-based payment expenses of approximately HK\$39.5 million as compared to that of the corresponding prior year.

Table 2: Consolidated statement of financial position

	As at			
	31 December	As a	at 30 June	Year-on-year
	2017	2017	2016	change
	(unaudited)	(audited)	(audited)	
	HK\$'000	HK\$'000	HK\$'000	%
Non-current assets	722,194	908,670	504,309	80.2
 Property, plant and equipment 	486,890	489,426	19,787	2,373.5
— Intangible assets	62,496	192,164	_	_
— Goodwill	54,773	113,462		_
— Available-for-sales investments	107,855	103,728	262,671	(60.5)
Current assets	289,447	396,198	509,191	(22.2)
 Loans receivable 	104,384	107,323	70,133	53.0
— Financial assets at fair value				
through profit or loss	30,000	80,000	204,526	(60.9)
 Pledged bank balances 	3,817	3,003	· —	
— Bank balances and cash	14,494	92,919	63,846	45.5
Current liabilities	82,871	294,006	100,000	194.0
Borrowings	22,928	9,140	1,558	486.6
— Corporate bonds	35,000	112,749	71,963	56.7
— Financial liabilities at fair value	,	•	ŕ	
through profit or loss	_	127,431	_	_
Non-current liabilities	225,126	256,638	110,858	131.5
— Borrowings	136,847	141,729	_	_
— Corporate bonds	_	_	110,858	(100.0)
 Deferred tax liabilities 	88,279	114,909	_	
Equity	703,644	754,224	802,642	(6.0)
- attributable to owners of the				
Company	701,791	755,631	803,262	(5.9)
 non-controlling interests 	1,853	(1,407)	(620)	126.9

Financial position as at 31 December 2017

As at 31 December 2017, the Group's (i) total assets amounted to approximately HK\$1,011.6 million, representing an decrease of approximately 22.5% as compared to approximately HK\$1,304.9 million as at 30 June 2017; (ii) net assets amounted to approximately HK\$703.6 million, representing a decrease of approximately 6.7% as compared to approximately HK\$754.2 million as at 30 June 2017; and (iii) cash and bank balances (including pledged bank balances) amounted to approximately HK\$18.3 million, representing an decrease of approximately 80.9% as compared to approximately HK\$95.9 million as at 30 June 2017.

Property, plant and equipment accounted for approximately 67.4% of the non-current assets of the Group, which amounted to approximately HK\$486.9 million as at 31 December 2017, representing a decrease of approximately 0.5% as compared to approximately HK\$489.4 million as at 30 June 2017, such decrease was mainly attributable to depreciation and the disposal of a property, plant and equipment.

As at 31 December 2017, the Group had (i) borrowings of approximately HK\$159.8 million; (ii) corporate bonds of approximately HK\$35.0 million; and (iii) bank balances and cash, and pledged bank balances of approximately HK\$18.3 million. On this basis, the Group was in a net debt position of approximately HK\$176.5 million.

Financial position as at 30 June 2017

As at 30 June 2017, the Group's (i) total assets amounted to approximately HK\$1,304.9 million, representing an increase of approximately 28.8% as compared to approximately HK\$1,013.5 million as at 30 June 2016; (ii) net assets amounted to approximately HK\$754.2 million, representing a decrease of approximately 6.0% as compared to approximately HK\$802.6 million as at 30 June 2016; and (iii) cash and bank balances (including pledged bank balances) amounted to approximately HK\$95.9 million, representing an increase of approximately 50.2% as compared to approximately HK\$63.8 million as at 30 June 2016.

Property, plant and equipment accounted for approximately 53.9% of the non-current assets of the Group, which amounted to approximately HK\$908.7 million as at 30 June 2017, representing an increase of approximately 2,373.5% as compared to approximately HK\$19.8 million as at 30 June 2016, such increase was mainly attributable to freehold land and buildings acquired through acquisition of subsidiaries.

As at 30 June 2017, the Group had (i) borrowings of approximately HK\$150.9 million; (ii) corporate bonds of approximately HK\$112.7 million; and (iii) bank balances and cash, and pledged bank balances of approximately HK\$95.9 million. On this basis, the Group was in a net debt position of approximately HK\$167.7 million.

Development on events on or after 31 December 2017

As set out in the announcement of the Company dated 15 February 2018 (the "2018 February Announcement"), among others, (i) the Board announced that based on the signed agreements and/or orders determined by the subject purchaser (the "EPS Purchaser"), Emission Particle Solution Sweden AB (the "Target Company") would record a net loss after tax for the year ended 31 December 2017. Pursuant to the terms of the subject sale and purchase agreement (as amended and supplemented by the subject supplemental agreement), neither the EPS Purchaser nor the Company shall be obligated to pay the balance or the adjusted balance or any part thereof in accordance with the terms of the subject sale and purchase agreement (as amended and supplemented by the subject supplemental agreement); and (ii) at the relevant time, the Company was in the course of negotiation with a connected person of the Company at subsidiary level for the possible disposal of all or part of the equity interests in the Target Company and its subsidiaries. If a formal sale and purchase agreement is entered into between the Group and the potential purchaser, further announcement(s) will be made by the Company in accordance with the Listing Rules as and when appropriate. For further information, please refer to the 2018 February Announcement.

Subsequent to the 2018 February Announcement, the Company issued an setting out, among others, made to the announcement of the Company dated 4 April 2018 (the "2018 April Announcement"), the Board announced that the Company as vendor, Excellent Point Asia Limited (the "Perfect Essential Purchaser") as purchaser and Mr. Zhu Yongjun as the purchaser's guarantor entered into a sale and purchase agreement (the "Perfect Essential SPA"), pursuant to which the Company has conditionally agreed to sell and the Perfect Essential Purchaser has conditionally agreed to purchase 49 shares of US\$1.00 each in the share capital of Perfect Essential Holdings Limited ("Perfect Essential"), representing 49% of the issued share capital of Perfect Essential, and part of the shareholder's loan in the aggregate amount of HK\$64,484,000 owing by Perfect Essential to the Company, subject to the terms and conditions of the Perfect Essential SPA at a total consideration of HK\$64,484,382.2. For further information, please refer to the 2018 April Announcement.

As set out in the announcement of the Company dated 6 April 2018 (the "2018 April Second Announcement"), the Board announced that the Company had entered into a share transfer agreement with an independent third party as purchaser, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of 國豐友立(無錫)車業有限公司 (Guofeng Youli (Wuxi) Vehicles Ltd.*), a wholly-owned subsidiary of the Company, which engages in the manufacturing and trading of electric cycles. Thereafter, manufacturing and trading of electric cycles would ease to be one of the business segments the Group engaged in. For further information, please refer to the 2018 April Second Announcement.

Other matters

In addition to the above, we would like to draw Shareholders' attention to the qualified opinion (the "Opinion") expressed by BDO Limited, the independent auditor of the Company (the "Auditor"), on the consolidated financial statements of the Group for the year ended 30 June 2017, details of which are set out on page 65 to 75 of the 2016/2017 Annual Report. As stated in the Opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of its report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. We noted that the Opinion was related to the following balances in connection with the acquisition of Emission Particle Solution Sweden AB ("EPS"), namely (i) fair value of intangible assets acquired at the date of the acquisition; (ii) fair value of financial liabilities at fair value through profit or loss at the date of acquisition; (iii) impairment assessment of goodwill as at 30 June 2017; and (iv) fair value of financial liabilities at fair value through profit or loss as at 30 June 2017.

In connection with the Opinion, we have discussed with the Management and the Management has advised that having considered the terms of the Perfect Essential SPA and the relevant information of EPS as at the Latest Practicable Date, and assuming that there will be no material changes to the financial and operational conditions of EPS, the Management is of the view that no further material impairment and/or provision is required as at the Latest Practicable Date which may in turn have an impact on the financial performance and/or position of the Group. Based on the information available to the Directors and as set out under paragraph headed "4. Material Adverse Change" under Appendix I "Financial Information of the Group" in this Circular, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 30 June 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

Our Analysis

Having considered the historical financial information of the Group, in particular, (i) the Group has recorded losses for each of the years ended 30 June 2016 and 30 June 2017, which ranged from approximately HK\$531.6 million to HK\$146.3 million; (ii) the Group recorded losses for the six months ended 31 December 2017 of approximately HK\$65.1 million, which included impairment losses on intangible assets and goodwill totaling to approximately HK\$182.2 million; (iii) if the Group continues to record losses, such will exert pressure on the working capital position of the Group; and (iv) the net debt position of approximately HK\$167.7 million and HK\$176.5 million as at 30 June 2017 and 31 December 2017,

respectively, thus the Group needs to maintain a sufficient cash level for its ongoing operations as well as its expansion plans. In this connection, the Company has considered different financing methods as further set out under section headed "2.2 Other financing alternatives available to the Group" in this letter.

2. RIGHTS ISSUE

2.1 Reasons for the Rights Issue and Use of Proceeds

As stated in the Letter from the Board, the net proceeds from the Rights Issue (after deducting the estimated expenses) are estimated to be not less than approximately HK\$523.6 million and not more than approximately HK\$677.2 million. The Company intends to apply net proceeds of approximately HK\$523.6 million (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date and the Underwriting Agreement up to and including the Record Date) from the Rights Issue in the following manner:

- (i) approximately HK\$196.0 million for the contribution to the facility to be made available to the JV Company. Reference is made to the JV Announcements in relation to the Formation of JV Company. As disclosed in the JV Announcements, Rich Express Investment Group Limited, a wholly-owned subsidiary of the Company, shall contribute HK\$196.0 million to the facility to be made available to the JV Company;
- (ii) approximately HK\$219.0 million for repayment of the outstanding corporate bonds and borrowings. As set out in the Letter from the Board, the Group had (a) two outstanding corporate bonds at the aggregate principal amount of approximately HK\$35 million as at date of the Announcement, bearing interest at 8% per annum. The interest of the corporate bonds has been paid in advance. The bonds were issued by a wholly-owned subsidiary of the Company and are guaranteed by the Company. HK\$25 million of the corporate bonds was due in March 2018 which was replaced by a term loan of HK\$40 million. The term loan will become due in June 2018 and bears interest rate of 18% per annum. Up to the Latest Practicable Date, the Group has outstanding corporate bonds at the aggregate principal amount of approximately HK\$10 million which will be due in April 2018; (b) a secured bank loan of approximately HK\$144.2 million will be due in December 2021 which bears the floating interest rate of approximately 0.85% per annum. The Group intends to repay this indebtedness. With early repayment, approximately HK\$1.2 million finance costs per annum would be saved and the pledges of property and equity interest of a subsidiary would be released by the bank accordingly; and (c) an indebtedness owed to an Independent Third Party of approximately HK\$14 million due in January 2018 which bears interest rate of 14% per annum had been replaced by a term loan of HK\$26 million which will become due in May 2018 and bears interest rate of 18% per annum. The maturity date of this indebtedness can be extended to later

date if consent could be reached by both parties in writing. With repayment of this indebtedness, the Group expects that approximately HK\$4.7 million finance costs per annum would be saved accordingly;

- (iii) approximately HK\$100.0 million for expansion of the Group's money lending business. The Group has continued to explore opportunities to diversify its businesses in order to enhance the income stream and continue to improve Shareholders' return; and
- (iv) the remaining balance for general working capital of the Group.

In connection with the use of proceeds as set out above and in the Letter from the Board, we have conducted background research, primarily based on published information by the Company, into the respective areas, namely the JV Company, the indebtedness and gearing of the Group, and the Group's money lending business.

Our analysis

(i) JV Company and its recent development

Based on the Letter from the Board and the JV Announcements, the JV Company will be engaged in new energy business, financial services and investment and other related business. The Company, via Rich Express Investment Group Limited, being a wholly-owned subsidiary of the Company, was interested in 49% equity interest of the JV Company as at the Latest Practicable Date. As the Company did not have control of the board of the JV Company, the JV Company will not be recognised as a subsidiary of the Company. As a result, the financial results, assets and liabilities of the JV Company will not be consolidated into the accounts of the Group. The remaining 51% equity interest of the JV Company was owned as to by Zhongke International Capital Limited ("Zhongke International") (中科國際資本 有限公司) as at the Latest Practicable Date. As set out in the announcement of the Company dated 5 June 2017 (the "June Announcement"), the holding company of Zhongke International Capital is 中科建設開發總公司 (Bureau of Construction and Development Company*) (the "Bureau"). Nonetheless, the Management advised that the usage of JV Company's funding to be raised from the joint venture partners in 2017 following the establishment of the JV Company shall be applied under the principle that it shall increase the JV Company's profitability, market competitiveness and create better value for its shareholders. As set out in the June Announcement, the Bureau is a national enterprise in the PRC, from 1999, the Bureau was assigned to be under the management of 中國科學院 (the Chinese Academy of Sciences*). The Bureau started from 北京中關村中國科學院 (Beijing Zhongguancun Chinese Academy of Sciences*), and later moved its headquarters to Shanghai in 2004. We further noted from the June Announcement that the Bureau has more than 60 branches and subsidiaries throughout the PRC and the core business of the Bureau together with its subsidiaries and branches focuses on construction and engineering. In recent years, the Bureau has expanded its scope

into, including not limited to, investment and financing, domestic and foreign trade, mining, new energy, auto parts and to provide an overall program of integrated services, such as large-scale state-owned investment and construction.

In light of the background and the business network of holding company of Zhongke International in the PRC market, the Board expects the JV Company to be a useful platform which would foster mutual business opportunities to the Group's growing new energy and renewable energy business segments in the PRC. In addition, with the commitment of Zhongke International to the JV Company and the Group shall contribute a facility in proportion to its shareholding interest in the JV Company pursuant to the JV Agreement, the Management is of the view that the collaboration will be beneficial to the Group's new energy segment in the long run.

Based on discussion with the Management and the information provided by the Management, including the joint venture agreement dated 5 June 2017 and the supplemental joint venture agreement dated 14 July 2017 (together the "JV **Agreement**"), as at the Latest Practicable Date, the JV Company was still at an infancy stage and has yet to commit itself to any material investments. Although the Management considers that the JV Company to be a useful platform for the Group's new energy and renewable energy business, the JV Company may also pursue opportunities in other sectors, subject to the availability and feasibility of such opportunities at the relevant time. Given the ongoing events, such as (i) the Group's agreed contribution towards the JV Company pursuant to the JV Agreement has not yet been made; and (ii) the Management advised that the JV Company has not committed itself to any material investments as at the Latest Practicable Date, the Management advised that the outlook to the Group's new energy and renewable energy business are subject to the outcome of the aforesaid ongoing events and the Company shall made announcement(s) in accordance to the relevant Listing Rules as and when appropriate.

(ii) Repayment of the outstanding corporate bonds and borrowings

As set out under paragraph headed "Indebtedness" in Appendix I to the Circular, as at 28 February 2018, the Group had outstanding borrowings and corporate bonds of approximately HK\$212.9 million. Based on the 2016/17 Annual Report, the finance costs for the year ended 30 June 2017 amounted to approximately HK\$17.7 million, of which approximately HK\$16.4 million was attributable to the interest on outstanding corporate bonds, which bears interest at 8% per annum. As set out in the Letter from the Board, HK\$25 million of the corporate bonds was due in March 2018 which was replaced by a term loan of HK\$40 million. The term loan will become due in June 2018 and bears interest rate of 18% per annum. Up to the Latest Practicable Date, the Group has outstanding corporate bonds at the aggregate principal amount of approximately HK\$10 million which will be due in April 2018. The repayment of the aforesaid corporate bonds, together with repayment of certain secured bank loan and an indebtedness owed to an Independent Third Party, shall reduce the overall gearing and ongoing interest expenses of the Group.

(iii) Expansion of the Group's money lending business

As set out in 2016/17 Annual Report and the 2017/18 Interim Report, the turnover derived from the Group's money lending business was relatively stable, being at approximately HK\$13.2 million and HK\$12.3 million for the year ended 30 June 2016 and 2017, respectively, and approximately HK\$5.3 million and HK\$5.2 million for the six months ended 31 December 2016 and 2017, respectively. Segment profit of approximately HK\$16.6 million and HK\$5.5 million was recorded for the year ended 30 June 2016 and 2017, respectively. The Management advised that the decrease in segment profit was largely attributable to a provision for impairment loss of approximately HK\$5.2 million. In connection with the segment profit recorded for the six months ended 31 December 2016 and 2017, such amounted to approximately HK\$4.6 million and HK\$1.2 million, respectively.

Based on the Letter from the Board, as at 31 December 2017, the loans receivable with gross principal amount of approximately HK\$103.9 million in aggregate with interest bearing at rates ranging from 7% to 20% per annum were due from Independent Third Parties. As set out in the Letter from the Board, up to the Latest Practicable Date, the Group has loans receivable with gross principal amount of approximately HK\$105.4 million in aggregate.

(iv) Conclusion

Given the recent financial performance of the Group, in particular, the Group recorded losses in four out of five most recent completed financial years, namely for the five years ended 30 June 2013, 2014, 2015, 2016 and 2017. Furthermore, should the profit from discontinued operations be excluded for analysis purposes, the Group would have recorded losses in all five most recent completed financial years. In view of above, the Management recognised the importance of the continued improvement to its operations and to strengthen the Group's income streams with a view to improve Shareholders' return. Based on the intended use of the proceeds by the Company, namely (a) the repayment of borrowings should reduce the overall gearing, thus enhancing the capital base of the Group and lower the ongoing interest burden of the Group; (b) the planned expansion of the Group's money lending business should broaden the relevant income streams of the Group; and (c) the contribution to the facility to be made available to the JV Company should facilitate the development of the JV Company which will be beneficial to the Group in the long run. The Management's intention of utilising the fund raised from the Rights Issue to broaden its income base and reduce its interest expenses going forward is in the interests of the Company. On this basis, despite the downward trend of the closing Share price during the Review Period (defined hereafter) which is further analysed under the paragraph headed "Historical Share price performance" in this letter, we concur with the Director's view that the Rights Issue is in the interests of the Company and its Shareholders as a whole.

2.2 Other financing alternatives available to the Group

The Directors advised that in addition to the Rights Issues, other financing alternatives were also considered, including (i) additional debt financing; and (ii) equity fund raising such as placement of Shares and open offer. The Directors are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in term affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market. On this basis, we concur with the Directors' view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Having taken the above into account, including, (i) despite the potential dilution effect of the Rights Issue on the shareholding interests of the Shareholders (as discussed under the paragraph headed "2.7 Possible dilution of the shareholding interests of the existing public Shareholders" in this letter below) if such Shareholder(s) does not take up their provisional allotments under the Rights Issue in full; (ii) the Rights Issue is the preferred option of the Management over the other alternatives since it would strengthen the capital base of the Company, enhance its net asset position without additional ongoing burden of interest expenses while allowing the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholdings in the Company and therefore avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full; and (iii) the reasons for the Rights Issue as discussed above, we concur with the Directors that the Rights Issue are in the interests of the Company and the Independent Shareholders as a whole. Furthermore, when we assess the fairness and reasonableness of the terms of the Rights Issue, in addition to the above factors, we have also considered the principal terms of the Rights Issue as further set out below.

2.3 Principal terms of the Rights Issue

Major terms of the Rights Issue are summarised as below:

Basis of the Rights Issue : Two (2) Rights Shares for every one (1) existing Share

held on the Record Date

Subscription Price : HK\$0.052 per Rights Share

Number of Shares in issue as at the Latest Practicable Date

5,231,843,900 Shares

Number of Rights Shares:

Not less than 10,463,687,800 Rights Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 13,417,538,276 Rights Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date)

Aggregate nominal value : of the Rights Shares

Not less than HK\$523,184,390.00 and not more than HK\$670,876,913.80

Number of Shares as enlarged by the allotment and issue of the Rights Shares : Not less than 15,695,531,700 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 20,126,307,414 Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date)

Underwriter : Kingston Securities Limited

As at the Latest Practicable Date, the Company has (i) outstanding Share Options and Exercisable Options of 1,094,610,000 and 985,260,000, respectively; and (ii) outstanding Convertible Preference Shares which are convertible into 491,665,238 new Shares upon full conversion of such Convertible Preference Shares (subject to adjustment). As set out in the Letter from the Board, save for the foregoing, as at Latest Practicable Date, the Company does not have any outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. We also noted from the Letter from the Board that the Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

Assuming no exercise of the outstanding Share Options and the conversion rights attaching to the outstanding Convertible Preference Shares and no issue of new Shares (other than the Rights Shares) or repurchase of Shares by the Company from the Latest Practicable Date and the Underwriting Agreement up to and including the Record Date, the aggregate number of the Rights Shares represents:

- (i) 200% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 66.67% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

2.4 The Subscription Price

As set out in the Letter from the Board, the Subscription Price of HK\$0.052 per Rights Share is payable in full upon acceptance under the PAL(s), and where applicable, application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 29.73% to the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 28.77% to the average of the closing prices of approximately HK\$0.073 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 10.64% to the closing price of HK\$0.047 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 11.86% to the theoretical ex-rights price of approximately HK\$0.059 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.074 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a discount of approximately 63.89% to the net asset value of the Company per Share of approximately HK\$0.144 as at 30 June 2017 (which is calculated based on the total equity attributable to the owners of the Company as at 30 June 2017 of approximately HK\$755.63 million and 5,231,843,900 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of approximately 61.19% to the net asset value of the Company per Share of approximately HK\$0.134 at 31 December 2017 (which is calculated based on the total equity attributable to the owners of the Company as at 31 December 2017 of approximately HK\$ 701.79 million and 5,231,843,900 Shares in issue as at the Latest Practicable Date).

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the market price of the Shares prior to and including the Last Trading Day, the prevailing market conditions and the funding needs of the Group as detailed in the section headed "Reasons for and benefits of the Rights Issue and intended use of proceeds" in the Letter from the Board.

The Management advised that the prevailing market conditions as set out in the preceding paragraph (as extracted from the Letter from the Board) were referring to the trading liquidity of the Shares, which continued to be thin for the six months preceding the Last Trading Day (i.e. the Relevant Period) and the average daily trading volume of the Shares during the Relevant Period was approximately 22,204,333 Shares, representing approximately 0.42% of the total number of issued Shares as at the date of the Underwriting Agreement. In view of the unsatisfactory financial performance and position of the Group, as well as the thin trading volume of the Shares, the Board considers that it is necessary to set the Subscription Price at a discount to the recent market price, so as to attract the Qualifying Shareholders to participate in the Rights Issue.

2.5 Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes:

Historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange for the period from 4 January 2017 (being the trading day of the 12-month period prior to the Last Trading Day) to the Last Trading Day (the "Pre-Announcement Period") up to and including the Latest Practicable Date (the "Review Period"). We consider that the Review Period which covers a full year prior to the Last Trading Day, represents a reasonable period to provide a general overview of the recent price performance of the Shares for the purpose of our analysis on the historical closing prices of the Shares and the Subscription Price.

0.40 Announcement of interim Announcement of MOU in Announcement of Announcement of formation relation to the possible appointment of new CEO of joint venture with Zhongke 0.35 ended 31 December 2016 acquisition of biofuel business for new energy business International Capital Limited 0.30 Announcement of disposal of shares by Mr. Choy and a wholly owned company of Mr. Choy closed price of shares (HK\$ per Share) 0.25 0.20 Announcement of annual results for the year ended 30 June 2017 0.15 Announcement of Rights Issue 0.10 Announcement of profit warning for the year ended 30 June 2017 0.00 4/1/2017 4/2/2017 4/3/2017 4/4/2017 4/5/2017 4/6/2017 4/7/2017 4/8/2017 4/9/2017 4/10/2017 4/11/2017 4/12/2017 4/1/2018 4/2/2018 4/3/2018 4/4/2018 — Closed Price - - - Subscription Price

Chart 1: Share price performance against the Subscription Price during the Review Period

Source: Announcements of the Company and information from the website of the Stock Exchange

The Pre-Announcement Period

Based on our analysis of the closing Share price during the Pre-Announcement Period, since the commencement of the Pre-Announcement Period up to and including 24 February 2017, being the date of the announcement of the Group's interim results for the six months ended 31 December 2016 (the "2016/17 Interim Results Announcement"), the closing Share price was generally in a declining trend as the closing Share price ranged between HK\$0.340 on 4 January 2017 and HK\$0.194 on 21 February 2017. As per the 2016/17 Interim Results Announcement, the Group recorded a loss for the period of approximately HK\$9.8 million for the six months ended 31 December 2016. The closing Share price on the trading day immediately following the publication of the 2016/17 Interim Results Announcement was HK\$0.202 and was further decreased to HK\$0.131 around mid-May 2017.

The Company issued an announcement in relation to the appointment of the chief executive officer of its new energy business dated 8 May 2017 and subsequently issued another announcement on the memorandum of understanding (the "MOU") in relation to the possible acquisition of biofuel business dated 26 May 2017. On the following trading day, being 29 May 2017, the closing Share Price was HK\$0.270.

However, the closing Share price has been in a general downward trend since 29 May 2017 and the closing Share price on the Last Trading Day was at HK\$0.074, During this period, the Company announced, among others, (i) Mr. Choy Shiu Tim ("Mr. Choy") disposed of 180,000,000 Shares and a company wholly-owned by Mr. Choy disposed 1,120,007,125 Shares to Mr. Tong, respectively, in June 2017;

(ii) the development in respect of the formation of the JV Company with Zhongke International Capital Limited in June 2017 and July 2017; (iii) the lapse of the MOU on 31 August 2017; (iv) the profit warning announcement in September 2017 and the subsequent publication of the annual results announcement for the year ended 30 June 2017 which set out that the Group recorded a loss for the year of approximately HK\$146.3 million for the year ended 30 June 2017.

During the Pre-Announcement Period, the daily closing price of the Shares ranged from the lowest of HK\$0.072 per Share on 13 December 2017, 20 December 2017, 21 December 2017, 22 December 2017, 27 December 2017 and 28 December 2017, respectively, to the highest of HK\$0.340 per Share on 4 January 2017. The average closing price of Shares during the Pre-Announcement Period was approximately HK\$0.159 per Share, and the Subscription Price represents a discount of approximately 67.4% to the average closing price of Shares within the Pre-Announcement Period.

The Post-Announcement Period

During the trading day immediately followed the publication of the Announcement (i.e. 4 January 2018) and up to and including the Latest Practicable Date (the "Post-Announcement Period"), the daily closing price of the Shares during the Post-Announcement Period ranged from the lowest of HK\$0.043 per Share on 10 April and 11 April 2018 to the highest of HK\$0.061 per Share on 8 January 2018, with the average of the closing price of the Shares of approximately HK\$0.054 per Share. The Subscription Price represents a discount of approximately 3.7% to the average closing price of Shares during the Post-Announcement Period.

In general, the Subscription Price is at a discount to the closing Share price during the Review Period. In this connection, to assess the fair and reasonableness of the Subscription Price, we have conducted further analysis with a view to analyses the recent market trend of rights issues, in particular, the subscription price under the respective rights issues as compared to the relevant prevailing market share price, theoretical ex-rights price, consolidated net asset value per share.

Comparison with other rights issue exercise

For comparison purposes, we have based on the information available from the Stock Exchange's website, on a best effort basis, identified all rights issue conducted by other companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange for the six-month period immediately before the date of the Last Trading Day, i.e. 3 July 2017 up to the Last Trading Day, a list of 23 of the rights issues (the "Reference Transactions"), details of which are set out in the table below. Despite that the industry, sector, business model, financial status and reasons for the respective rights issue of the listed companies are unique and may differ from that of the Group, we consider that the Reference Transactions can serve as a reference for recent market trend in relation to subscription price under the

respective rights issues as compared to the relevant prevailing market share price, theoretical ex-entitlement price, consolidated net asset value per share, and provides an insight into the prevailing market practice.

Table 3: Reference Transactions

Date of announcement	Company name	Stock code	Basis of entitlem		price over/to the theoretical ex-entitlement price, based on the Last	Premium/ (Discount) of the subscription price over/to the consolidated net asset value per share (Notes 1 & 7) Approximately	Maximum dilution (B) (Note 2) Approximately %	Dilution ratio (A) x (B) (Note 8) Approximately %	Underwriting commission Approximately %
19/7/2017	Beautiful China Holdings Company Limited	706	3 for 4	(29.50)	(19.28)	(19.28)	42.86	(12.64)	1.50
19/7/2017	V.S. International Group Limited	1002	1 for 4	(17.86)	(14.81)	(10.72)	20.00	(3.57)	0.00
21/7/2017	Digital China Holdings Limited	861	1 for 4	(29.58)	(25.09)	(25.13)	20.00	(5.92)	0.00
28/7/2017	Kaisa Health Group Holdings Limited (formerly known as Mega Medical Technology Limited)	876	1 for 3	21.25	15.94	67.04	25.00	N/A (Note 9)	0.00
14/8/2017	Roma Group Limited (Note 4)	8072	3 for 2	(34.21)	(17.13)	(60.63)	60.00	(20.53)	7.00
15/8/2017	Carnival Group International Holdings Limited	996	1 for 4	(39.39)	(34.21)	(2.55)	20.00	(7.88)	3.50
18/8/2017	China Polymetallic Mining Limited	2133	1 for 2	(50.82)	(40.89)	(83.40)	33.33	(16.94)	1.50
22/8/2017	China State Construction International Holdings Limited.	3311	1 for 8	(9.36)	(8.41)	80.13	11.11	(1.04)	2.00
31/8/2017	China HKBridge Holdings Limited	2323	1 for 2	(21.43)	(15.38)	171.60 (Note 5)	33.33	(7.14)	1.00

				(Discount) of the subscription price over/to	Premium/ (Discount) of the subscription price over/to the theoretical ex-entitlement price, based on the Last		Maximum	Dilution ratio	
Date of announcement	Company name	Stock code	Basis of entitlement	on the last trading day (A) Approximately %	Trading Day (Note 3) Approximately %	per share (Notes 1 & 7) Approximately %	dilution (B) (Note 2) Approximately %	(A) x (B) (Note 8) Approximately %	Underwriting commission Approximately %
4/9/2017	CircuTech International Holdings Limited	8051	2 for 5	(9.64)	(6.83)	337.58 (Note 5)	28.57	(2.75)	2.00
18/9/2017	The Sincere Company, Limited	244	3 for 5	(28.00)	(19.64)	60.71	37.50	(10.50)	0.00
21/9/2017	eForce Holdings Limited	943	4 for 1	(15.38)	(3.51)	(86.25)	80.00	(12.30)	0.00
22/9/2017	TC Orient Lighting Holdings Limited	515	1 for 1	(48.00)	(31.58)	(45.83)	50.00	(24.00)	1.50
29/9/2017	China Child Care Corporation Limited	1259	1 for 1	(23.08)	(13.15)	(73.26)	50.00	(11.54)	1.50
4/10/2017	China Agri- Products Exchange Limited	149	5 for 1	(30.16)	(6.38)	(85.01)	83.33	(25.13)	2.50
20/10/2017	The 13 Holdings Limited (Note 4)	577	10 for 1	(87.91)	(39.89)	(98.22)	90.91	(79.92)	3.00
7/11/2017	China Overseas Grand Oceans Group Limited	81	1 for 2	(7.90)	(5.34)	(22.73)	33.33	(2.63)	1.50
8/11/2017	China Power International Development Limited	2380	1 for 3	(27.49)	(22.14)	(55.30)	25.00	(6.87)	2.00
19/11/2017	REXLot Holdings Limited	555	1 for 2	(12.07)	(8.38)	(90.55)	33.33	(4.02)	1.00
21/11/2017	National Investments Fund Limited	1227	1 for 2	(41.67)	(32.26)	438.46 (Note 5)	33.33	(13.89)	3.00
28/11/2017	TCL Multimedia Technology Holdings Limited	1070	1 for 3	(25.75)	(20.64)	(10.63)	25.00	(6.44)	2.15 (Note 6)

Date of announcement	Company name	Stock code	Basis of entitlement	(Discount) of the subscription price over/to	(Discount) of the subscription price over/to the theoretical ex-entitlement price, based on the Last Trading Day (Note 3) Approximately		Maximum dilution (B) (Note 2) Approximately	Dilution ratio (A) x (B) (Note 8) Approximately %	Underwriting commission Approximately %
18/12/2017	China Oceanwide International Financial Limited	952	8 for 3	6.80	1.85	19.57	72.73	N/A (Note 9)	1.50
20/12/2017	Yu Tak International Holdings Limited	8048	1 for 2	5.26	3.45	49.25	33.33	N/A (Note 9)	0.00
	Minimum			(87.91)	(40.89)	(98.22) (Note 5)	11.11	(79.92)	0.00
	Maximum			21.25	15.94	80.13 (Note 5)	90.91	(1.04)	7.00
	Average			(24.17)	(15.81)	, ,	40.96	(13.78)	1.66
Company			2 for 1	(29.73)	(11.86)	,	66.67	(19.82)	2.5

Source: The Stock Exchange of Hong Kong Limited and the rights issue announcement/circular issued by the respective listed issuers

Notes:

- 1. For each of the Reference Transactions, the net consolidated net asset value per share was extracted or computed from financial information from the relevant announcement, circular or prospectus of the underlying rights issue, where such information is not available from the above published sources, computed based on the reported consolidated net asset value as shown in the relevant interim report or annual report and the number of shares in issue as at the date of the relevant announcement of the underlying proposed rights issue.
- 2. Maximum dilution effect of each rights issue is calculated as: ((number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares to be issued under the basis of entitlement) x 100%), e.g. for a rights issue with basis of 1 rights share for every two (2) existing shares, the maximum dilution effect is calculated as ((1)/(1+2)) *100%) = approximately 33.33%.
- 3. Premium/(Discount) of the subscription price over/to the theoretical ex-entitlement price based on the Last Trading Day is calculated as: ((number of rights shares to be issued under the basis of entitlement x subscription price per rights share)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement x share price on last trading day + number of rights shares to be issued under the basis of entitlement x subscription price per rights share) x 100%)
- 4. Roma Group Limited (stock code: 8072) has conducted share consolidation prior to its underlying rights issue and The 13 Holdings Limited (stock code: 577) proposed to conducted share consolidation, capital reduction and share subdivision prior to its underlying rights issue.

- 5. The net asset value attributable to owners of the company per shares of CircuTech International Holdings Limited (stock code:8051), China HKBridge Holdings Limited (stock code: 2323) and National Investments Fund Limited (stock code:1227) are excluded from the calculations as they appear to be extreme outlier as compared to the rest of the Reference Transactions, thus does not provide a meaningful analysis.
- 6. The underwriting commission is fixed at US\$1,432,395, being approximately HK\$11.1 million and for the purpose of our analysis, the commission is expressed in percentage of the aggregate subscription price in respect of the maximum number of the underwritten shares.
- 7. For the purpose of our analysis and illustration purposes only, the exchange rate between the Renminbi and Hong Kong dollar is assumed to be 1.00 to 1.13.
- 8. Dilution ratio of each rights issue is calculated as: ((A) (Discount) of the subscription price over/to the closing price on the last trading day x (B) Maximum dilution /100), (the "**Dilution Ratio**"), e.g. for a rights issue with the subscription price representing a discount of 10% and a maximum dilution effect of 50%, the dilution ratio is calculated as (-10%) x 50% x 100= -5%.
- 9. Not applicable to rights issue whereby shares were issued at a premium to the share price as at the respective last trading day.

As set out in the table above, (i) the subscription price to the closing price on the respective last trading day prior to the rights issue announcement of the Reference Transactions¹ ranged from a premium of approximately 21.25% to a discount of approximately 87.91% (the "LTD Market Range"). The Subscription Price over the closing price per Share on the Last Trading Day represents a discount of approximately 29.73% (the "LTD Discount"), which is at a similar level to the average from the Reference Transactions and falls within the LTD Market Range; (ii) the subscription prices to the theoretical ex-entitlement prices per share based on the last trading day prior to the respective rights issue announcement of the Reference Transactions (see Note 3 to Table 3 above for explanation on detailed calculations) ranged from a premium of approximately 15.94% to a discount of approximately 40.89% (the "TERP Market Range"). The discount of the Subscription Price over the theoretical ex-entitlement price per Share of approximately 11.86% (the "TERP Discount") is at a similar level to that of the average from the Reference Transactions and falls within the TERP Market Range; (iii) the Dilution Ratio of the Rights Issue is within range of the Dilution Ratio of the Reference Transactions; and (iv) the subscription prices to the consolidated net asset value (the "Price-to-NAV") per share ranged from a premium of approximately 80.13% to a discount of approximately 98.22% (the "Price-to-NAV Market Range"). Based on the Letter from the Board, the Subscription Price as compared to the NAV per Share is at a discount of approximately 61.19%, which falls within the Price-to-NAV Market Range. As the aforesaid discount of approximately 61.19% is below the average Price-to-NAV Market Range, being a discount of approximately 24.23%, we conducted further analysis on the Reference Transactions. Out of the 23 Reference Transactions, there were three outliners as

¹ For avoidance of doubt, where applicable, Reference Transactions hereafter refer to Reference Transactions excluding the outlier ratios of rights issues as specified under note (5) to Table 3: Reference Transactions under section headed "2.5 Analysis on the Subscription Price"

explained above, 15 out of the remaining 20 Reference Transactions had a discount Price-to-NAV, out of which six Reference Transactions had a higher discount Priceto-NAV than that under the Rights Issue (the "Selected Reference Transactions"). The expected proceeds raised from the Selected Reference Transactions as per their respective announcement and/or circular ranged from approximately HK\$140 million to HK\$1,153 million, of which the expected proceeds of not less than approximately HK\$544.1 million and not more than approximately HK\$697.7 million, before expenses, under the Rights Issue, falls within the range thereof. Furthermore, we also noted that the published net asset value attributable to Shareholders at the relevant time of the respective Rights Issue as per the respective published information ranged from approximately HK\$577.4 million to HK\$5,683.2 million, of which the Group's net asset value attributable to Shareholders of approximately HK\$755.6 million and approximately HK\$701.8 million as at 30 June 2017 and 31 December 2017, respectively, fall within the range thereof. Having considered (i) our further analysis conducted on the Selected Reference Transactions, all of which had a higher Price-to-NAV discount compared to that of the Rights Issue, and that the expected proceeds to be raised under the Rights Issue is within the range of the Selected Reference Transactions as well as the size of the net asset value attributable to the shareholders of the Company is also within range of the Selected Reference Transactions; and (ii) the discount of approximately 61.19% under the Rights Issue is within the Price-to-NAV Market Range, despite being below the average of approximately 24.23%, we are of the view that the Price-to-NAV discount under the Rights Issue is in line with market practice.

Notwithstanding the differences in reasons behind the Reference Transactions as well as the uniqueness of each of the respective listed companies which conducted the Reference Transactions, our analysis on the Reference Transactions and the Rights Issue, including the historical closing prices of the Shares, the various ratios related to the Reference Transactions, such as the LTD Market Range, the TERP Market Range and the Price-to-NAV Market Range as discussed above, indicated that the discount of the Subscription Price to the closing price on the last trading day, the discount of the Subscription Price to the theoretical ex-entitlement price per Share, the discount of the Subscription Price to the NAV per Share are in line with common market practice as evidenced by the Reference Transactions. On this basis, we are of the view that the Subscription Price is fair and reasonable.

2.6 Underwriting Agreement

The principal terms of the Underwriting Agreement are set out as follows:

Date : 3 January 2018 (as amended and supplemented by the

extension letters dated 24 January 2018, 8 March 2018

and 11 April 2018)

Underwriter : Kingston Securities Limited

Total number of Underwritten Shares

The Rights Issue is, subject to the Irrevocable Undertaking, fully underwritten by the Underwriter. The total number of the Underwritten Shares shall be not less than 7,527,253,550 Shares (assuming no Exercisable Options being exercised, no conversion of the outstanding Convertible Preference Shares and no issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date) and not more than 10,481,104,026 Rights Shares (assuming all Exercisable Options having been exercised and the conversion rights attaching to all outstanding Convertible Preference Shares having been exercised in full but no further issue of new Shares or repurchase of Shares by the Company from the date of the Announcement and the Underwriting Agreement up to and including the Record Date), being the total number of the Rights Shares less a total of 2,936,434,250 Rights Shares undertaken to be taken up by Mr. Tong pursuant to the Irrevocable Undertaking.

The maximum number of Underwritten Shares as at the date of the Underwritten Agreement was 10,481,504,026 Rights Shares (taken into account that, among other matters, there was a total of 985,460,000 Exercisable Options as at the date of the Underwriting Agreement). As a result of the Lapse of Options, as at the Latest Practicable Date, the maximum number of Underwritten Shares was reduced to 10,481,104,026 Rights Shares.

Commission

The Underwriter will receive 2.5% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares (i.e. 10,481,104,026 Rights Shares, being the maximum number of Underwritten Shares as at the date of the Underwriting Agreement)

For a more detailed summary of the terms of the Underwriting Agreement, please refer to the section headed "Underwriting Arrangement for the Rights Issue" of the Letter from Board.

With reference to Table 3 under the sub-section "Comparison with other rights issue exercise" in this letter above, we noted the range of underwriting commissions charged by the respective underwriters of the Reference Transactions ranges from nil to 7.0%, with an average of 1.66%. We noted that the underwriting commission under the Rights Issue of 2.5% is within range of the underwriting commission of the Reference Transactions. Nonetheless, we conducted further analysis by reviewing the Selected Reference Transactions. In this connection, we noted that three of the Selected Reference Transactions had a higher maximum dilution effect than that of the Rights Issue's maximum dilution effect of approximately 66.67%. The underwriting commission of the above-mentioned three transactions was nil, 2.5% and 3%, respectively (the "Reviewed Transactions") compared to the underwriting commission under the Rights Issue of 2.5%. We further noted that the underwriter of two of the Reviewed Transactions were connected person to the listed issuer and that their underwriting commission was nil and 2.5%, respectively, and the underwriter of the remaining Reviewed Transaction was an independent third party and the relevant underwriting commission charged was 3%. Given the Underwriter under the Rights Issue is an independent third party, we consider that it is more appropriate to compare the underwriting commission of the Reviewed Transactions that was underwritten by an independent third party, of which had a higher underwriting commission at 3%. On this basis, having considered that the commission rate of 2.5% charged by the Underwriter (i) falls within the range of the Reference Transactions; (ii) falls within the range of the Reviewed Transactions; and (iii) lower than that of the underwriting commission of 3% charged by the independent underwriter under the Reviewed Transaction, we are of the view that the underwriting commission paid to the Underwriter by the Company is generally in line with the market practice and therefore considered to be fair and reasonable.

We have obtained a copy of the Underwriting Agreement from the Company and reviewed other major terms of the Underwriting Agreement including, (i) the maximum number of Underwritten Shares, being 10,481,104,026 Rights Shares, compared to the total issued share capital prior to the Rights Issue; (ii) the termination of the Underwriting Agreement, including (a) the Underwriter became aware of the fact that, or shall have reasonable cause to believe that, any of the warranties given by the Company under the Underwriting Agreement was untrue, inaccurate, misleading or breached; and (b) events as detailed under section headed "Termination of the Underwriting Agreement" in the Letter from the Board having taken place prior to 4:00 p.m. on the forth Business Day following the Latest Time for Acceptance; and (iii) conditions of the Underwriting Agreement, including the passing of the necessary resolution(s) in the SGM by the Independent Shareholders, the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Rights Shares, the Underwriting Agreement not being terminated by the Underwriter pursuant to its terms prior to the Latest Time for Termination, further details of which are set out in the Letter from the Board and having reviewed the relevant underwriting agreement (where available publicly) and/or the relevant announcement(s), we considered that the principal terms are in line with market

practice. As such, we are of the view that the terms of the Underwriting Agreement, including the underwriting commission, are fair and reasonable so far as the Independent Shareholders are concerned.

2.7 Possible dilution of the shareholding interests of the existing public Shareholders

For illustration purposes only, set out below was the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue, as extracted from the Letter from the Board:

(i) assuming no change in the number of issued Shares on or before the Record Date:

	(i) As at the Late		(ii) Immedia completion of the assuming full acc Qualifying Share the Rights	e Rights Issue eptance by all holders under	(iii) Immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Mr. Tong) under the Rights Issue		
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	
Ordinary Shares of HK\$0.05 each							
Directors							
Chi Chi Hung, Kenneth	23,000,000	0.40	69,000,000	0.43	23,000,000	0.14	
Chui Kwong Kau	660,000	0.01	1,980,000	0.01	660,000	0.00	
Sub-total	23,660,000	0.41	70,980,000	0.44	23,660,000	0.14	
Mr. Tong	1,468,217,125	25.65	4,404,651,375	27.21	4,404,651,375	27.21	
The Underwriter (Note)	_	_	_	_	3,077,253,550	19.01	
Sub-underwriters procured by the Underwriter							
Ruan Yuan Chau Lai Him Get Nice Securities Limited	_ _ _	_ _ _	_ _ _	_ _ _	650,000,000 700,000,000 700,000,000	4.02 4.32 4.32	
Global Mastermind Securities Limited Emperor Securities Limited VMS Securities Limited	 131,390,000	2.30	394,170,000	2.43	600,000,000 600,000,000 731,390,000	3.71 3.71 4.52	
Cornerstone Securities Limited Other public Shareholders	3,608,576,775	63.05	10,825,730,325	66.88	600,000,000 3,608,576,775	3.71 22.29	
Sub-total — ordinary Shares	5,231,843,900	91.41	15,695,531,700	96.96	15,695,531,700	96.96	
Convertible Preference Shares							
The holder(s) of the Convertible Preference Shares	491,665,238	8.59	491,665,238	3.04	491,665,238	3.04	
Total	5,723,509,138	100.00	16,187,196,938	100.00	16,187,196,938	100.00	

(ii) assuming no change in number of issued Shares on or before the Record Date other than the issue of new Shares upon the exercise in full of all the Exercisable Options and the conversion rights attaching to the outstanding Convertible Preference Shares:

	(i) As at the Latest Practicable Date Number of Approximate Shares %		(ii) Immediately upon full exercise of all Exercisable Options and the conversion rights attaching to the Convertible Preference Shares before the Record Date Number of Approximate Shares %		(iii) Immedia completion of the assuming full acc Qualifying Sharel the Rights Number of Shares	Rights Issue eptance by all holders under	(iv) Immediately upon completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Mr. Tong) under the Rights Issue Number of Approximate Shares %	
Ordinary Shares of HK\$0.05 each								
Directors								
Chi Chi Hung, Kenneth	23,000,000	0.40	23,000,000	0.34	69,000,000	0.34	23,000,000	0.11
Chui Kwong Kau	660,000	0.01	660,000	0.01	1,980,000	0.01	660,000	0.01
Sub-total	23,660,000	0.41	23,660,000	0.35	70,980,000	0.35	23,660,000	0.12
Mr. Tong	1,468,217,125	25.65	1,468,217,125	21.88	4,404,651,375	21.88	4,404,651,375	21.88
The Underwriter (Note)	_	_	_	_	_	_	6,031,104,026	29.97
Sub-underwriters procured by the Underwriter								
Ruan Yuan Chau Lai Him Get Nice Securities Limited Global Mastermind Securities Limited Emperor Securities Limited	- - - -	- - - -	- - - -	- - -	- - - -	- - -	650,000,000 700,000,000 700,000,000 600,000,000 600,000,000	3.23 3.48 3.48 2.98 2.98
VMS Securities Limited Cornerstone Securities Limited	131,390,000	2.30	131,390,000	1.96	394,170,000 —	1.96	731,390,000 600,000,000	3.63 2.98
The holders of the Exercisable Options	_	_	985,260,000	14.69	2,955,780,000	14.69	985,260,000	4.90
The holder(s) of the Convertible Preference Shares	_	_	491,665,238	7.33	1,474,995,714	7.33	491,665,238	2.44
Other public Shareholders	3,608,576,775	63.05	3,608,576,775	53.79	10,825,730,325	53.79	3,608,576,775	17.93
Sub-total — ordinary Shares	5,231,843,900	91.41	6,708,769,138	100.00	20,126,307,414	100.00	20,126,307,414	100.00
Convertible Preference Shares								
The holder(s) of the Convertible Preference Shares	491,665,238	8.59						
Total	5,723,509,138	100.00	6,708,769,138	100.00	20,126,307,414	100.00	20,126,307,414	100.00

Pursuant to the Underwriting Agreement, if the Underwriter is called upon to take up any Untaken Shares: (1) the Underwriter will not subscribe, for its own account, for such number of Untaken Shares which will result in it (together with parties acting in concert with it and its close associates) holding 30% (or such other percentage which will trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company immediately upon completion of the Rights Issue; (2) unless the Underwriter itself subscribes for all the Untaken Shares, the Underwriter shall use its best endeavours to ensure that the subscribers for the Untaken Shares shall be Independent Third Parties and each of these subscribers (together with parties acting in concert with it and its close associates) will not be holding 30% (or such other percentage which shall trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company immediately upon completion of the Rights Issue; and (3) the Underwriter shall (and shall cause the subunderwriters to) procure subscribers who are Independent Third Parties to take up such number of Untaken Shares as necessary to ensure compliance by the Company of the minimum public float requirements set out under Rule 8.08(1) of the Listing Rules. As at the Latest Practicable Date, the Underwriter had procured seven sub-underwriters who are Independent Third Parties in respect of the sub-underwriting an aggregate of 4,450,000,000 Underwritten Shares. The seven sub-underwriters, namely Ruan Yuan, Chau Lai Him, Get Nice Securities Limited, Global Mastermind Securities Limited, Emperor Securities Limited, VMS Securities Limited and Cornerstone Securities Limited (collectively, the "Sub-underwriters") who had agreed to take up 650,000,000 Underwritten Shares, 700,000,000 Underwritten Shares, 700,000,000 Underwritten Shares, 600,000,000 Underwritten Shares, 600,000,000 Underwritten Shares, 600,000,000 Underwritten Shares and 600,000,000 Underwritten Shares (collectively, the "Subunderwritten Shares"), respectively (collectively, the "Sub-underwriting Agreements"). As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, (i) each of Ruan Yuan, Chau Lai Him is an ordinary investor, Get Nice Securities Limited is principally engaged in securities brokerage services, Global Mastermind Securities Limited is principally engaged in dealing in securities, Emperor Securities Limited is principally engaged in provision of financial services, VMS Securities Limited is principally engaged in securities dealing and brokerage and Cornerstone Securities Limited is a principally engaged in securities dealing and brokerage service; and (ii) save for an affiliated company of VMS Securities Limited being interested in 131,390,000 Shares, none of the Sub-underwriters is interested in any Shares; (iii) the Sub-underwriters are independent of each other; and (iv) save for the Underwriting Agreement and the Sub-underwriting Agreements, there is no other agreements, arrangements, understandings entered into by the Sub-underwriters and the Underwriter.

The shareholding interests of the Qualifying Shareholders who take up their provisional allotments of the Rights Shares in full will not suffer any dilution, while the shareholding interests of those who decide not to take up any of their provisional allotments of the Rights Shares will be diluted to a maximum extent of approximately 66.67% (which is calculated by dividing the number of Rights Shares to be issued by the summation of the number of existing Shares in issue as at the Latest Practicable Date and the number of Rights Shares to be issued). With reference to our analysis on the Reference Transactions under paragraph headed "Comparison with other rights issue exercise" in this letter above, the maximum dilution of the Reference Transactions ranged from a minimum of approximately 11.11% to a maximum of approximately 90.91%, with an average of 40.96%, while the Dilution Ratio of the Reference Transactions ranged from a minimum of approximately -79.92% to a maximum of approximately -1.04%, with an average of -13.78%. Accordingly, the maximum dilution effect of the Rights Issue of approximately 66.67% and the Dilution Ratio of the Rights Issue of approximately -19.82% are within the aforesaid market range, respectively. As all Qualifying Shareholders are offered with an equal opportunity to participate in the Rights Issue, their respective interests shall not be prejudiced by the dilution effect. We also noted from the Letter from the Board that the Subscription Price is at a discount to the relevant closing Share price and consolidated net asset value of the Group to attract Qualifying Shareholders to participate in the Rights Issue. Furthermore, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market and receive economic benefits accordingly. In view of the above and our analysis as set out under the paragraph headed "2.1 Reasons for the Rights Issue and Use of Proceeds" in this letter, we are of the view that the possible maximum dilution effect is reasonable.

2.8 Application for excess Rights Shares

With reference to the Letter from the Board, Qualifying Shareholders may apply, by way of excess application, for (i) any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholder(s); and (ii) any Rights Shares provisionally allotted but not accepted. The Directors will, upon consultation with the Underwriter, allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL(s) or the existing number of Shares held by Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PAL(s) is greater than the aggregate number of excess Rights Shares applied for through EAF(s), the Directors will allocate in full to each Qualifying Shareholder the number of excess Rights Shares applied for under the EAF(s).

In applying the above principles, reference will only be made to the number of excess Rights Shares being applied for. No preference will be given to top up odd lots to whole board lots.

Taking into account the above principal terms of the Rights Issue, including the Subscription Price, basis of the Rights Issue, the potential maximum dilution to the Shareholders, and the Underwriting Agreement, having considered factors including (i) the Subscription Price and the respective discounts it represents are in line with market practice based on our analysis; (ii) the maximum possible dilution effect to the Qualifying Shareholders as a result of the Rights Issue, whom do not take up its entitlement under the Rights Issue in full, is justifiable; (iii) the expected financial effects attributable to the Rights Issue as set out under the paragraph headed "2.9 Possible financial effects of the Rights Issue" in this letter below; and (iv) the proposed use of proceeds from the Rights Issue by the Company as set out in the Letter from the Board and under paragraph headed "2.1 Reasons for the Rights Issue and Use of Proceeds" in this letter, we are of the view that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.9 Possible financial effects of the Rights Issue

Effect on net tangible assets

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company ("NTAV") as if the Rights Issue had taken place on 31 December 2017 is set out in Appendix II to the Circular (the "Statement").

Based on the Statement, the unaudited consolidated NTAV of the Group attributable to owners of the Company was approximately HK\$584.5 million and approximately HK\$0.11 per Share as at 31 December 2017. Upon completion of the Rights Issue and assuming no other changes in the issued share capital of the Company, the unaudited pro forma adjusted consolidated NTAV of the Group attributable to owners of the Company would increase to approximately HK\$1,108.1 million, representing a NTAV per Share of approximately HK\$0.071 based on the Statement.

Effect on working capital

As advised by the Management, as part of the net proceeds from the Rights Issue will be used as working capital of the Group. On this basis, as a result of the Rights Issue and without taking into account other factors, the working capital position of the Group would be improved upon completion of the Rights Issue.

Effect on gearing ratio

As set out in the 2017/18 Interim Report, the Group had bank balances and cash (including pledged bank balances) of approximately HK\$18.3 million and total debt borrowings of approximately HK\$194.8 million (consisted of corporate bonds and borrowings). On this basis, the Group was in a net debt position as at 31 December 2017 of approximately HK\$176.5 million and its gearing ratio was approximately 0.28 based on the Group's total debt borrowings of approximately HK\$194.8 million and total equity of approximately HK\$703.6 million as at 31 December 2017, respectively.

The bank balances and cash of the Group shall increase by the estimated net proceeds from the Rights Issue, which is expected to be not less than approximately HK\$523.6 million and not more than approximately HK\$677.2 million. Given the expected increase in the Group's total equity as a result of the Rights Issue, approximately HK\$195.6 million is to be utilised for the repayment of the outstanding corporate bonds and borrowings, and a portion of the net proceeds will be used as general working capital of the Group as per the Letter from the Board, on this basis, the gearing ratio of the Group is expected to improve as a result of the Rights Issue.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

Having considered the aforesaid possible financial effects, in particular, the increase in NTAV, the improvement in working capital and that the gearing ratio of the Group shall improve as a result of the Rights Issue (assuming all other factors remained the same), we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, having considered the above principal factors and reasons, in particular, the following:

- (i) the Subscription Price and the respective discounts it represents are in line with market practice based on our comparable analysis;
- (ii) the maximum possible dilution effect to the Qualifying Shareholders as a result of the Rights Issue is justifiable which the Rights Issue enables the Qualifying Shareholders to participate in the future growth of the Company and the shareholding dilution is inherent in rights issue in general as discussed under the section headed "2.7 Possible dilution of the shareholding interests of the existing public Shareholders" in this letter above;
- (iii) the expected financial effects attributable to the Rights Issue, in particular the increase in NTAV, the improvement in working capital and that the gearing ratio of the Group shall improve as a result of the Rights Issue (assuming all other factors remained the same); and
- (iv) the net proceeds from the Rights Issue will primarily be applied towards (a) the contribution to the facility to be made available to the JV Company; (b) repayment of the outstanding corporate bonds and borrowings; (c) expansion of the Group's money lending business; and (d) general working capital of the Group, with a view to enhance the existing operations and/or facilitate expansion of the Group's business with a view to expand the Group's income streams,

we are of the view that the terms of the Rights Issue, including the Subscription Price, basis of the Rights Issue (i.e. two (2) Rights Shares for every one (1) existing Share held on the Record Date), the potential maximum dilution to the Shareholders, and the Underwriting Agreement, are in the interests of the Company and the Shareholders as a whole, although the entering into of the Underwriting Agreement and the Rights Issue are not in the ordinary and usual course of business of the Company, but such are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Having also taken into consideration the reasons for and possible benefits of the Rights Issue, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, and the underlying transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a Responsible Officer of Red Sun Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 10 years, and has been involved in and completed various corporate finance advisory transactions.

^{*} for identification purposes only

1. FINANCIAL INFORMATION

Details of the financial information of the Group for (i) each of the three years ended 30 June 2015, 2016 and 2017; and (ii) the six months ended 31 December 2017 are disclosed in the annual reports of the Company for the years ended 30 June 2015, 2016 and 2017 and the interim report of the Company for the six months ended 31 December 2017, respectively. These annual reports and the interim report are published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.detai-group.com).

2. INDEBTEDNESS

As at the close of business on 28 February 2018, being the latest practicable date for the purpose of preparing the indebtedness statement prior to the printing of this Circular, the Group had outstanding borrowings and corporate bonds of totalling approximately HK\$212,885,000, details of which are set out below:

Approximately
HK\$'000

Bank borrowings, secured	151,885
Corporate bonds, unsecured	35,000
Other borrowings, unsecured	26,000

As at 28 February 2018, the Group's bank borrowings were secured by freehold land and buildings in Japan, certain bank balances, the entire equity interest of a subsidiary of the Group and the corporate guarantees executed by certain subsidiaries within the Group.

As at 28 February 2018, the Group's unsecured corporate bonds with principal amount of HK\$35,000,000, which bear interest at 8% per annum, were guaranteed by the Company.

As at 28 February 2018, the Group's unsecured other borrowings with principal amount of HK\$26,000,000, which bear interest at 18% per annum, were guaranteed by the Company.

Save as disclosed above and apart from intra-group liabilities and normal trade and other payables, at the close of the business on 28 February 2018, the Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, bank overdrafts or loans or term loans, other borrowings or other similar indebtedness, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or contingent liabilities.

The Directors confirm that, save as disclosed therein, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Group since 28 February 2018.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 30 June 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in six business segments, (i) new energy business; (ii) hotel hospitality business; (iii) provision of money lending services; (iv) manufacturing and trading of electric cycles; (v) trading and distribution of liquor and wine; and (vi) investments in securities and funds.

On 6 April 2018, the Company entered into a share transfer agreement with an independent third party as purchaser (the "**Purchaser**"), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire equity interest of 國豐友立(無錫)車業有限公司 (Guofeng Youli (Wuxi) Vehicles Ltd), a whollyowned subsidiary of the Company, which engages in the manufacturing and trading of electric cycles (the "**Disposal**").

Following the completion of the Disposal, the remaining Group will continue to be principally engaged in the (i) new energy business; (ii) hotel hospitality business; (iii) provision of money lending services; (iv) trading and distribution of liquor and wine; and (v) investments in listed securities and funds.

For the period ended 31 December 2017, the Group recorded a revenue of approximately HK\$26.8 million, representing an increase of about 106% over the last period. Loss for the year attributable to owners of the Company was approximately HK\$65.5 million, representing a decrease of about 22% compared to the last year. The increase in the net loss was mainly attributable to (i) the impairment loss on goodwill and intangible asset of the new energy business; (ii) the increase in general and administrative expenses for the newly acquired business; and (iii) the absence of gain on derecognition of available-for-sale investments as compared to that for the corresponding period of 2016.

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio.

Saving energy and minimising environmental impact have become the recent trend all over the world, the Group has expanded into new energy business to combat against climate changes and global warming. The development and worldwide distribution of a biofuel product namely EuroAd, a biodegradable vegetable additive which catalyzes the combustion process in both fossil and bio fuels to achieve fuller fuel efficiency and cost savings with increased fuel performance, is one of the actions taken by the Group.

On 4 April 2018 (after trading hours), the Company as vendor, Excellent Point Asia Limited (the "**Purchaser**") as purchaser and Mr. Zhu Yongjun as the purchaser's guarantor entered into a sale and purchase agreement (the "**SPA**"), pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 49 shares of US\$1.00 each in the share capital of Perfect Essential Holdings Limited (the "**Target Company**"), representing 49% of the issued share capital of the Target Company, and part of the shareholder's loan in the aggregate amount of HK\$64,484,000 owing by the Target Company to the Company, subject to the terms and conditions of the SPA at a total consideration of HK\$64,484,382.2 (the "**Disposal**").

Pursuant to the SPA, the Purchaser and the Company shall enter into an option deed upon the first completion of the Disposal, pursuant to which the Company shall grant the Purchaser the right to acquire all but not part of the 51 shares of US\$1.00 each in the share capital of the Target Company, representing 51% of the issued share capital of the Target Company, and part of the shareholder's loan in the aggregate amount of HK\$67,116,000 owing by the Target Company to the Company, within six months from the date of the first completion of the Disposal (the "Call Option").

Product testing with potential customers is a prerequisite for entering the energy markets in different regions. However, the time taken to carry out product testing on the customers' plants and premises was much longer than expectation due to the constraints presented in the customers' own facilities and political influences in certain countries. The prolonged product testing phase resulted in delays in placing of sales orders from the targeted potential customers. Sales was therefore unsatisfactory and did not meet the original expectation when the new energy business was acquired in 2016. In view of the loss-making records of the Target Company and its subsidiaries for the year ended 30 June 2017 and for the period ended 31 December 2017, the Directors consider that the Disposal can bring cash inflow to the Company and lower the working capital required on the part of the Company. The Call Option also enables the Company to get back the investment cost used in the original acquisition of the new energy business should it be exercised. Therefore, the Directors believe that the SPA would strengthen the financial position of the Group and enhance Shareholders' values.

Hotel hospitality business is another core business of the Group which generates satisfactory income to the Group. The hotel, One Niseko Resort Towers, is located in the famous Japanese skiing destination of Niseko, Hokkaido, Japan. Niseko is one of the famous ski resort areas in Japan and is well known for its heavy light powder snow and spectacular backcountry. In recent years, Niseko has become a year round resort destination and is experiencing a rapid increase in foreign visitors and interest especially from China and South East Asia who have been responsible for popularising the resort area with the skiing/snowboarding community outside Japan. In view of the large potential growth in tourism in

Japan driven by the Tokyo Olympics 2020 and the enactment of the Integrated Resort Laws in Japan, the Group is confident that the resort towers will allow the Group to achieve further diversification in our business portfolio and manage a steady income stream.

References are made to the JV Announcements in relation to the Formation of JV Company. The principal activities of the JV Company are research and development, production and distribution of new energy and renewable energy, corporate management, financial services and investment and related business. The another shareholder of the JV Company is Zhongke International Capital Limited whose holding company is 中科建設開發總公司 (Bureau of Construction and Development Company) (the "Bureau", together with its subsidiaries, the "Zhongke Group"), which is a leading national enterprise in China. In recent years, the Bureau has expanded its scope from construction and engineering into, including but not limited to, investment and financing and new energy. Given the experience of the Zhongke Group in investment and financing together with its reputation and vast business network in China market, the Group could leverage these advantages to step into financial services and investment sectors in both Hong Kong and China. It is expected that Zhongke Group will contribute more on the operation of the JV Company which will give greater flexibility in future development of the JV Company.

The money lending business provides a relatively stable income to the Group and the Group would invest more resources to expand this business in the future.

The Group will continue to identify investment and business development opportunities conservatively and seriously, to better utilise its capital to expand the scope of business, to explore potential projects and to acquire good quality assets so as to enhance its long-term return of the shareholders of the Company.

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

The following unaudited pro forms statement of consolidated net tangible assets of the Group is prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules and is set out to illustrate the effects of Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2017.

The unaudited pro forma statement of consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, may not give a true picture of the unaudited consolidated net tangible assets of the Group had the Rights Issue been completed as at 31 December 2017 or at any future date.

The following statement of unaudited pro forma consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017, as extracted from the published interim report of the Group for the six months ended 31 December 2017, adjusted as described below:

Scenario 1: Assuming there is no change in the number of issued Shares:

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 HK\$'000 (Note 1)	Estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 December 2017 HK\$'000
Based on the issue of 10,463,687,800 Rights Shares at the Subscription Price of HK\$0.052 per Rights Share	584,522	523,576	1,108,098
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2017 (<i>Note 3</i>)	HK\$0.11		
Unaudited pro forma consolidated net tangible assets of the Company per Share immediately after completion of the been completed on 31 December 2017 (<i>Note 4</i>)			HK\$0.071

Notes:

- 1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 are based on the unaudited consolidated net assets of the Group as at 31 December 2017 of approximately HK\$703,644,000 as extracted from the published interim report of the Group for the six months ended 31 December 2017, less goodwill of approximately HK\$54,773,000, intangible assets of approximately HK\$62,496,000 and non-controlling interest of approximately HK\$1,853,000 as at that date as extracted from the published interim report of the Group for the six months ended 31 December 2017.
- 2. The estimated net proceeds from the Rights Issue of approximately HK\$523,576,000 are based on the estimated gross proceeds to be raised by the issue of 10,463,687,800 Rights Shares at the subscription price of HK\$0.052 per Rights Share, after deduction of the estimated underwriting commission and related expenses incurred incidental to the Rights Issue of approximately HK\$20,536,000.
- 3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2017 is calculated based on the unaudited consolidated net tangible assets of the Group of approximately HK\$584,522,000 and 5,231,843,900 Shares in issue as at 31 December 2017.
- 4. The unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company per Share after completion of the Rights Issue is based on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$1,108,098,000 and 15,695,531,700 Shares in issue, which comprise (i) 5,231,843,900 Shares in issue as at 31 December 2017; and (ii) 10,463,687,800 Rights Shares to be issued.
- 5. No adjustment has been made to the unaudited pro forma financial information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

Scenario 2: Assuming there is no change in the number of issued Shares other than the issue of new Shares upon the exercise in full of all the Exercisable Options:

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 HK\$'000 (Note 1)	Full exercise of the Exercisable Options HK\$'000 (Note 2)	Estimated net proceeds from the Rights Issue HK\$'000 (Note 3)	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 December 2017 HK\$'000
Based on the issue of 12,434,207,800 Rights Shares at the Subscription Price of HK\$0.052 per Rights Share	584,522	344,841	626,043	1,555,406
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2017 (Note 4)	HK\$0.11			
Unaudited pro forma consolidated net tan the Group attributable to owners of the Rights Issue as if the Rights Issue had	Company per Share	•	-	HK\$0.083

Notes:

- 1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 are based on the unaudited consolidated net assets of the Group as at 31 December 2017 of approximately HK\$703,644,000 as extracted from the published interim report of the Group for the six months ended 31 December 2017, less goodwill of approximately HK\$54,773,000, intangible assets of approximately HK\$62,496,000 and non-controlling interest of approximately HK\$1,853,000 as at that date as extracted from the published interim report of the Group for the six months ended 31 December 2017.
- 2. For the illustration purpose of the unaudited pro forma financial information, the number of Exercisable Options as at 31 December 2017 is 985,260,000, which represented outstanding shares options with the exercise period starting before the Record Date stated in the expected timetable in this circular. Assuming the Exercisable Options are exercised in full, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 would be increased by approximately HK\$344,841,000, being the proceeds from 985,260,000 Exercisable Options to be exercised in full.

The outstanding Convertible Preference Shares were issued as a contingent consideration for the acquisition of liquor and wine business by the Company in prior years. Since the profit target of that business was not met in the specified period, the Convertible Preference Shares were not ultimately released to the vendor by the Company. For the illustration purpose of the unaudited pro forma financial information, the outstanding Convertible Preference Shares have not been assumed to be converted as at 31 December 2017 as the Company does not have any plan to issue or cancel the Convertible Preference Shares before the Record Date stated in the expected timetable in this circular.

- 3. The estimated net proceeds from the Rights Issue of approximately HK\$626,043,000 are based on the estimated gross proceeds to be raised by the issue of 12,434,207,800 Rights Shares at the subscription price of HK\$0.052 per Rights Share, after deduction of the estimated underwriting commission and related expenses incurred incidental to the Rights Issue of approximately HK\$20,536,000.
- 4. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2017 is calculated based on the unaudited consolidated net tangible assets of the Group of approximately HK\$584,522,000 and 5,231,843,900 Shares in issue as at 31 December 2017.
- 5. The unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company per Share after completion of the Rights Issue is based on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$1,555,406,000 and 18,651,311,700 Shares in issue, which comprise (i) 5,231,843,900 Shares in issue as at 31 December 2017; (ii) 985,260,000 Exercisable Options stated in note 2 having been exercised; and (iii) 12,434,207,800 Rights Shares to be issued.
- 6. No adjustment has been made to the unaudited pro forma financial information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

В. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF DETAI NEW ENERGY GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of DeTai New Energy Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 and related notes as set out in Section A of Appendix II to the circular issued by the Company dated 20 April 2018 (the "Circular") in connection with the proposed rights issue on the basis of two rights shares for every one existing share of the Company (the "Rights Issue"). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets attributable to owners of the Company as at 31 December 2017 as if the Rights Issue had taken place at 31 December 2017. As part of this process, information about the Group's financial position as at 31 December 2017 has been extracted by the directors of the Company from the Group's published interim report for the six months ended 31 December 2017. The interim results have not been audited or reviewed and no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited proforma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company 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 4.29(1) of the Listing Rules.

BDO Limited

Certified Public Accountants
Hong Kong

20 April 2018

HK\$

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

Authorised:

(I) The authorised and issued share capital of the Company

(i) As at the Latest Practicable Date

minorisea.		$HK\psi$
30,000,000,000	Shares of HK\$0.05 each	1,500,000,000.00
1,238,095,238	Convertible Preference Shares of HK\$0.05 each	61,904,761.90
Issued and fully-paid		
5,231,843,900	Shares of HK\$0.05 each	261,592,195.00
491,665,238	Convertible Preference Shares	24,583,261.90
there	liately following the allotment and issue of the Rights is no change in the issued share capital of the Compacable Date up to the completion of the Rights Issue)	
Authorised:		HK\$
30,000,000,000	Shares of HK\$0.05 each	1,500,000,000.00
1,238,095,238	Convertible Preference Shares of HK\$0.05 each	61,904,761.90
Issued and fully-paid.	:	
5,231,843,900	Shares in issue as at the Latest Practicable Date	261,592,195.00
10,463,687,800	Rights Shares to be allotted and issued under the Rights Issue	523,184,390.00
15,695,531,700	Total	784,776,585.00
491,665,238	Convertible Preference Shares in issue as at the Latest Practicable Date	24,583,261.90

(iii) Immediately following the allotment and issue of the Rights Shares (assuming full exercise of all Exercisable Options and the conversion rights attaching to the Convertible Preference Shares were exercised in full but no other change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue)

Authorised:		HK\$
30,000,000,000	Shares of HK\$0.05 each	1,500,000,000.00
1,238,095,238	Convertible Preference Shares of HK\$0.05 each	61,904,761.90
Issued and fully-paid.	•	
5,231,843,900	Shares in issue as at the Latest Practicable Date	261,592,195.00
985,260,000	Shares to be allotted and issued upon full exercise of all Exercisable Options	49,263,000.00
491,665,238	Shares to be allotted and issued upon conversion of the Convertible Preference Shares in full	24,583,261.90
13,417,538,276	Rights Shares to be allotted and issued under the Rights Issue	670,876,913.80
20,126,307,414	Total	1,006,315,370.70

All the existing Shares in issue are fully-paid and rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares then in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares.

The Rights 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 Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights 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, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

(II) Share Options and Convertible Preference Shares

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Schemes carrying rights for the holders thereof to subscribe for an aggregate of 1,094,610,000 new Shares. Details of which are set out below:

Date of grant	Exercise period	Exercise price (HK\$)	Number of underlying Shares
4 July 2013	4 July 2013 to 3 July 2018	0.435	202,250,000
19 July 2013	19 July 2013 to 18 July 2018	0.433	100,000,000
21 January 2015	21 January 2015 to 20 January 2020	0.320	184,400,000
13 October 2015	14 October 2015 to 13 October 2020	0.320	444,410,000
24 January 2017	24 January 2018 to 23 January 2021	0.235	54,200,000
24 January 2017	24 January 2019 to 23 January 2021	0.235	54,200,000
24 January 2017	24 January 2020 to 23 January 2021	0.235	55,150,000

As at the Latest Practicable Date, the Company has outstanding Convertible Preference Shares which are convertible into 491,665,238 new Shares upon full conversion of such Convertible Preference Shares (subject to adjustment).

Save for the Share Options and the Convertible Preference Shares, the Company had no other outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares as at the Latest Practicable Date.

Save for the 1,094,610,000 Share Options and the 491,665,238 Convertible Preference Shares, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in shares and underlying shares

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Name of Director	Capacity in which Shares/underlying Shares are held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of aggregate interest to total number of Shares in issue %
Mr. Wong Hin Shek	Beneficial owner	_	40,000,000	40,000,000	0.76
Mr. Chi Chi Hung,	Beneficial owner	23,000,000	_	23,000,000	0.44
Kenneth					
Mr. Chiu Wai On	Beneficial owner	_	1,000,000	1,000,000	0.02
Mr. Man Kwok Leung	Beneficial owner	_	1,000,000	1,000,000	0.02
Dr. Wong Yun Kuen	Beneficial owner	_	1,000,000	1,000,000	0.02
Mr. Chui Kwong Kau	Beneficial owner	660,000	_	660,000	0.01

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Annrovimate

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group were as follows:

Long and short positions in Shares and underlying Shares of the Company

	Capacity in which Shares/underlying	Number of	Number of underlying Shares held under equity		Approximate percentage of aggregate interest to total number of Shares in issue
Name of Shareholder	Shares are held	Shares held	derivatives	Total	%
					(Note 3)
The Underwriter (Note 1)	Underwriter	_	10,481,104,026	10,481,104,026	52.07
Galaxy Sky Investments Limited (Note 1)	Interest of controlled corporation	_	10,481,104,026	10,481,104,026	52.07
Kingston Capital Asia Limited (Note 1)	Interest of controlled corporation	_	10,481,104,026	10,481,104,026	52.07
Kingston Financial Group Limited (Note 1)	Interest of controlled corporation	_	10,481,104,026	10,481,104,026	52.07
Active Dynamic Limited (Note 1)	Interest of controlled corporation	_	10,481,104,026	10,481,104,026	52.07
Chu Yuet Wah (Note 1)	Interest of controlled corporation	_	10,481,104,026	10,481,104,026	52.07
Mr. Tong Liang	Beneficial owner	1,468,217,125	_	1,468,217,125	28.06
Goldsure Limited (Note 2)	Beneficial owner	_	491,665,238	491,665,238	9.40
Mr. Tang Tong (Note 2)	Interest of controlled corporation	_	491,665,238	491,665,238	9.40

Notes:

- 1. The 10,481,104,026 underlying Shares are the Rights Shares which the Underwriter is interested under the Underwriting Agreement assuming no Qualifying Shareholders (other than Mr. Tong) take up their respective entitlements under the Rights Issue. The Underwriter is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 40.24% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.
- 2. The 491,665,238 Convertible Preference Shares are held by Goldsure Limited, which is whollyowned by Mr. Tang Tong. Thus, he is deemed to be interested in the 491,665,238 Convertible Preference Shares held by Goldsure Limited pursuant to the SFO.

3. The percentage is calculated on the basis of 5,231,843,900 Shares in issue as at the Latest Practicable Date.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 30 June 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) 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.

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name Qualifications

BDO Limited Certified Public Accountants

Red Sun Capital Limited a corporation licensed to carry out Type 1 (dealing in

securities) and Type 6 (advising on corporate finance)

regulated activities under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 30 June 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up) 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.

9. 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 date of this circular and are or may be material:

(a) the investment agreement dated 1 March 2016 and entered into between 湖北秦龍投資集團有限公司 (in English, for identification purpose only, Hubei Qinlong Investment Group Limited) as the vendor and Able Zone International Limited (興域國際有限公司), an indirectly wholly-owned subsidiary of the Company, as the purchaser in relation to the acquisition of 60% equity interest in 孝感中石油昆侖燃氣有限公司 (in English, for identification purpose only, Xiaogan Petrochina Kunlun Gas Co., Limited) at a total consideration of RMB43,873,000;

- (b) the sale and purchase agreement (the "EPS Acquisition Agreement") dated 29 July 2016 entered into between (i) Perfect Essential Holdings Limited ("Perfect Essential"), a wholly-owned subsidiary of the Company, as the purchaser and (ii) Quondino, Mr. Leslie, Juralen, Lestan, Xerigue, Rem Tene AB, Perfero AB and Per Pedes AB as the vendors (the "EPS Vendors") in relation to the acquisition of the entire issued share capital of Emission Particle Solution Sweden AB, at a total consideration of SEK239,000,000;
- (c) the deed of settlement dated 26 September 2016 entered into between Mr. Lee Man Bun ("Mr. Lee") and the Company, pursuant to which Mr. Lee agreed to settle his payment obligation with respect to the shortfall in the after-tax audited consolidated net profit (including net profit attributable to non-controlling interests) of Delta Prestige Holdings Limited and its subsidiaries for the financial year ended 30 June 2016 as compared to the guaranteed profit of HK\$100,000,000 pursuant to the sale and purchase agreement dated 26 April 2015 entered into between the Company and Mr. Lee by payment of an aggregate amount of HK\$100,850,000 on or before 31 March 2018;
- (d) the sale and purchase agreement dated 16 November 2016 entered into between Advanced System Group Limited, an indirectly wholly-owned subsidiary of the Company, as the purchaser and Beautiking Investments Limited as the vendor in relation to the acquisition of the entire issued share capital of Miracle True Investment Limited and its subsidiaries and the shareholder's loan at a consideration of HK\$10,000,000;
- (e) the supplemental agreement dated 22 December 2016 entered into between Perfect Essential and the EPS Vendors to vary certain terms of the EPS Acquisition Agreement;
- (f) the agreement for the transfer of 651,430,000 Convertible Preference Shares dated 13 September 2016 (the "First CPS Transfer Agreement") and entered into between the Company of the one part and Mr. Zhu Yongjun ("Mr. Zhu") and Jumbo Grand Enterprise Development Limited ("Jumbo Grand") of the other part, pursuant to which (i) the Company has agreed to procure the sale of and Mr. Zhu has agreed to purchase 80,000,000 Convertible Preference Shares at the transfer price of HK\$0.21 per Convertible Preference Share; and (ii) the Company has agreed to procure the sale of and Jumbo Grand has agreed to purchase 571,430,000 Convertible Preference Shares at the transfer price of HK\$0.21 per Convertible Preference Share;
- (g) the placing agreement dated 6 October 2016 entered into among Castle Stream Limited, a direct wholly-owned subsidiary of the Company, as issuer, Jun Yang Securities Company Limited as the placing agent and the Company as the guarantor in relation to the placing of the three-year 5% coupon unlisted straight guaranteed bonds with an aggregate principal amount of up to HK\$100,000,000;
- (h) the agreement for the transfer of 100,000,000 Convertible Preference Shares dated 7 October 2016 and entered into between the Company of the one part and Capital Farm Limited ("Capital Farm") and Jovial Sky Investments Limited ("Jovial")

Sky") of the other part, pursuant to which (i) the Company has agreed to procure the sale of and Capital Farm has agreed to purchase 50,000,000 Convertible Preference Shares at the transfer price of HK\$0.24 per Convertible Preference Share; and (ii) the Company has agreed to procure the sale of and Jovial Sky has agreed to purchase 50,000,000 Convertible Preference Shares at the transfer price of HK\$0.24 per Convertible Preference Share;

- (i) the agreement for the transfer of 136,665,238 Convertible Preference Shares dated 28 October 2016 and entered into between the Company of the one part and Capital Farm and Jovial Sky of the other part, pursuant to which (i) the Company has agreed to procure the sale of and Capital Farm has agreed to purchase 68,332,619 Convertible Preference Shares at the transfer price of HK\$0.233 per Convertible Preference Share; and (ii) the Company has agreed to procure the sale of and Jovial Sky has agreed to purchase 68,332,619 Convertible Preference Shares at the transfer price of HK\$0.233 per Convertible Preference Share;
- (j) the agreement for the transfer of 350,000,000 Convertible Preference Shares dated 28 October 2016 and entered into between the Company of the one part and New Hyde Investments Limited ("New Hyde") and Wolfview Limited ("Wolfview") of the other part, pursuant to which (i) the Company has agreed to procure the sale of and New Hyde has agreed to purchase 175,000,000 Convertible Preference Shares at the transfer price of HK\$0.233 per Convertible Preference Share; and (ii) the Company has agreed to procure the sale of and Wolfview has agreed to purchase 175,000,000 Convertible Preference Shares at the transfer price of HK\$0.233 per Convertible Preference Share;
- (k) the loan agreement dated 20 January 2017 entered into between DeTai Finance Limited ("**DeTai Finance**"), an indirect wholly-owned subsidiary of the Company, as the lender and a corporate borrower who is an Independent Third Party relating to the granting of the term loan in the amount of HK\$20,000,000;
- (1) the sale and purchase agreement dated 25 January 2017 entered into between Noble Advantage Limited, a wholly-owned subsidiary of the Company, as the purchaser and Key Vision Holdings Limited as the vendor in relation to the acquisition of 5% equity interest of Integrated Capital Investments Limited at a consideration of HK\$35,600,000;
- (m) the deed of settlement (the "**Deed**") dated 22 March 2017 entered into between Mr. Zhu and the Company for the repudiatory breach of the First CPS Transfer Agreement by Mr. Zhu, pursuant to which: (i) Mr. Zhu shall pay HK\$125,000 to the Company within 10 business days from the date of the Deed; and (ii) the Company shall release and discharge Mr. Zhu from all his obligations and liabilities in respect of the repudiatory breach of First CPS Transfer Agreement and from all claims and demands whatsoever arising out of or in respect of the repudiatory breach of First CPS Transfer Agreement as from the date on which Mr. Zhu has fully performed and discharged his obligations in (f) above;

- (n) the joint venture agreement dated 21 April 2017 entered into between 北京中聯光採科技有限公司 (in English, for identification purpose only, Beijing ZhongLian GuangCai Technology Co. Ltd) and Emission Particle Solution Sweden AB in relation to the formation of joint venture company with registered capital of RMB20,000,000;
- (o) the loan agreement dated 31 May 2017 entered into between DeTai Finance as the lender and a natural person who is an Independent Third Party as the borrower relating to the granting of the term loan in the amount of HK\$16,800,000;
- (p) the joint venture agreement dated 5 June 2017 entered into between Rich Express Investment Group Limited ("Rich Express") and Zhongke International Capital Limited ("Zhongke International Capital") in relation to the formation of a joint venture company (the "JV Company");
- (q) the amended and restated joint venture agreement (the "Amended and Restated JV Agreement") dated 14 July 2017 entered into between Rich Express and Zhongke International Capital in relation to the formation of the JV Company;
- (r) the supplemental agreement dated 14 November 2017 entered into between Rich Express and Zhongke International Capital to amend the Amended and Restated JV Agreement;
- (s) the loan agreement dated 5 December 2017 entered into between DeTai Finance as the lender and a company incorporated in the British Virgin Islands who is an Independent Third Party as the borrower relating to the granting of the term loan in the amount of HK\$40,000,000;
- (t) the Underwriting Agreement; and
- (u) the sale and purchase agreement dated 4 April 2018 and entered into between the Company as vendor, Excellent Point Asia Limited as purchaser and Mr. Zhu Yongjun as the purchaser's guarantor in relation to the disposal of 49% equity interest in Perfect Essential Holdings Limited (the "Target") and part of the shareholder's loan due from the Target to the Company in the aggregate amount of HK\$64,484,000 at a total consideration of HK\$64,484,382.2.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$20.5 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office Clarendon House

2 Church Street Hamilton HM 11

Bermuda

Head office and principal place of business in Hong Kong

Suite 3301, 33/F., The Center 99 Queen's Road Central

Hong Kong

Authorised representatives Ms. Tsang Kwai Ping

Suite 3301, 33/F., The Center 99 Queen's Road Central

Hong Kong

Mr. Wong Hin Shek

Suite 3301, 33/F., The Center 99 Queen's Road Central

Hong Kong

Company secretary Ms. Tsang Kwai Ping

(member of the Hong Kong Institute of Chartered Secretaries, the Institute of

Chartered Secretaries and Administrators in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the

Institute of Chartered Accountants in England

and Wales)

Underwriter Kingston Securities Limited

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28/F One International Finance Centre

1 Harbour View Street

Central Hong Kong

Financial advisers to the Company Kingston Corporate Finance Limited

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28/F One International Finance Centre

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Central Hong Kong Grand Harbour Corporate Finance Limited

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Sheung Wan Hong Kong

Legal adviser to the Company Michael Li & Co.

19/F Prosperity Tower

No. 39 Queen's Road Central

Central Hong Kong

Independent Financial Adviser to the Independent Board Committee and the

Independent Shareholders

Red Sun Capital Limited Unit 3303, 33/F, West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Auditor BDO Limited

Certified Public Accountants 25th Floor, Wing On Centre 111 Connaught Road Central

Hong Kong

Principal bankersBank of Communications Co., Ltd.

China CITIC Bank International Limited Sumitomo Mitsui Banking Corporation Canadian Imperial Bank of Commerce

Bank of Tianjin Swedbank AB

Principal share registrar MUFG Fund Services (Bermuda) Limited

The Belvedere Building 69 Pitts Bay Road Pembroke HM08

Bermuda

Hong Kong branch share registrar and

transfer office

Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East

Hong Kong

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wong Hin Shek ("Mr. Wong"), aged 48, has been appointed as the chairman and executive director of the Company since July 2009. Besides having over 23 years of experience in the investment banking industry, Mr. Wong has been involved in the management, business development and strategic investment of Hong Kong listed companies, which engage in the business of environmental protection, hotel, manufacturing and software industries. Mr. Wong holds a Master of Science degree in Financial Management from University of London in the United Kingdom and a Bachelor of Commerce degree from the University of Toronto in Canada. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong is currently an executive director and the chief executive officer of Bisu Technology Group International Limited (stock code: 1372) (Mr. Wong has ceased to be the chairman of the board of directors and has been appointed as the chief executive officer of that company with effect from 1 March 2017), an executive director of GET Holdings Limited (stock code: 8100) (Mr. Wong was appointed as an executive director of that company with effect from 1 September 2017) and a non-executive director of Sino Golf Holdings Limited (stock code: 361). Mr. Wong was an executive director of Dongwu Cement International Limited (stock code: 695) from November 2016 to August 2017 (Mr. Wong resigned as executive director of that company with effect from 28 August 2017).

Mr. Chi Chi Hung, Kenneth ("Mr. Chi"), aged 49, has been appointed as the chief executive officer and executive director of the Company since January 2010. Mr. Chi has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an independent non-executive director of each of Perfect Shape Beauty Technology Limited (stock code: 1830), Noble Century Investment Holdings Limited (stock code: 2322) and Greentech Technology International Limited (stock code: 195). Mr. Chi was an executive director of each of Ceneric (Holdings) Limited (now known as "TFG International Group Limited") (stock code: 542) from October 2010 to June 2017 (Mr. Chi resigned as executive director of that company with effect from 22 June 2017) and e-Kong Group Limited (stock code: 524) from September 2014 to July 2015. Mr. Chi was an executive director and a non-executive director of China Sandi Holdings Limited (stock code: 910) from May 2010 to January 2015 and from January 2015 to August 2015 respectively. Mr. Chi was also an independent non-executive director of each of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from January 2010 to August 2015, Aurum Pacific (China) Group Limited (stock code: 8148) from March 2010 to October 2015 and Silk Road Energy Services Group Limited (stock code: 8250) from December 2011 to November 2015.

Mr. Shek Yat Him ("Mr. Shek"), aged 29, has been appointed as an executive Director since November 2017. Mr. Shek obtained a Bachelor's degree in Business Administration in Corporate Administration from The Open University of Hong Kong. Mr. Shek has over 8 years of experience in corporate secretarial matters.

Mr. Chan Wai Ki ("Mr. Chan"), aged 33, has been appointed as an executive Director since November 2017. Mr. Chan obtained a Bachelor's degree of Arts with Honours in Accounting from the University of Bedfordshire. Mr. Chan has extensive experience in accounting, audit and money lending business.

Non-executive Director

Mr. Chui Kwong Kau ("Mr. Chui"), aged 51, has been appointed as a non-executive director of the Company since December 2015. He is a non-executive director of each of Hsin Chong Group Holdings Limited (stock code: 404) and Boill Healthcare Holdings Limited (stock code: 1246). He is also an executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085). Mr. Chui was an executive director of China Energy Development Holdings Limited (stock code: 228) from October 2005 to June 2016 and an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) from March 2010 to March 2016. He has over 20 years' experiences in accounting and auditing fields.

Independent Non-executive Directors

Mr. Chiu Wai On ("Mr. Chiu"), aged 48, joined the Company since June 2009. Mr. Chiu is also the chairman of each of the audit committee, remuneration committee and nomination committee of the Company. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses over 10 years of professional experience in accounting and auditing services. Mr. Chiu is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166).

Mr. Man Kwok Leung ("Mr. Man"), aged 71, joined the Company since May 2009. Mr. Man is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of Noble Century Investment Holdings Limited (stock code: 2322). He was an independent non-executive director of Kong Sun Holdings Limited (stock code: 295) from June 2009 to September 2014.

Dr. Wong Yun Kuen ("Dr. Wong"), aged 60, joined the Company since June 2009. Dr. Wong is also the member of each of the audit committee, remuneration committee and nomination committee of the Company. He received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is the chairman of the board and an executive director of each of UBA Investments Limited (stock code: 768) and Far East Holdings International Limited (stock code: 36) (Dr. Wong has been re-designated from independent non-executive director to executive director and he has been appointed as the chairman of the board of that company with effect from 18 July 2017), an executive director of Boill Healthcare Holdings Limited (stock code: 1246), a non-executive director of China Sandi Holdings Limited (stock code: 910) and an independent non-executive director of each of Kaisun Energy Group Limited (stock code: 8203), GT Group Holdings Limited (stock code: 263), Kingston Financial Group Limited (stock code: 1031), Synergis Holdings Limited (stock code: 2340) and Tech Pro Technology Development Limited (stock code: 3823) (Dr. Wong has been appointed as an independent non-executive director of that company with effect from 27 September 2017). Dr. Wong was an independent non-executive director of each of Bauhaus International (Holdings) Limited (stock code: 483) from October 2004 to December 2016, Huge China Holdings Limited (formerly known as "Harmony Asset Limited") (stock code: 428) from September 2004 to January 2015, Kong Sun Holdings Limited (stock code: 295) from April 2007 to November 2014 and Sincere Watch (Hong Kong) Limited (stock code: 444) from September 2012 to December 2017.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Tsang Kwai Ping, who is a member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.
- (b) The business address of the Directors, senior management and the company secretary of the Company is the same as the head office and principal place of business of the Company in Hong Kong at Suite 3301, 33/F., The Center, 99 Queen's Road Central, Hong Kong.
- (c) The Company's Hong Kong branch share registrar is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for Saturday, Sunday and public holidays) at the head office and principal place of business in Hong Kong of the Company at Suite 3301, 33/F., The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the last three years ended 30 June 2017;
- (c) the unaudited pro forma financial information of the Group, the text of which is set out on pages II-1 to II-7 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 34 of this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 35 to 67 of this circular;
- (f) the written consents of the experts as referred to in the section headed "Qualification and consents of experts" in this appendix;
- (g) the material contracts referred to in the section headed "Material contracts" in this appendix; and
- (h) this circular.

NOTICE OF SGM

德泰新能源集團有限公司 DeTai New Energy Group Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 559)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of the shareholders of DeTai New Energy Group Limited (the "Company") will be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Hong Kong, on Wednesday, 9 May 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the "Shareholders") pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) the Underwriting Agreement (as defined below) becoming unconditional and not being terminated in accordance with its terms:

- the issue by way of rights (the "**Rights Issue**") of not less than 10,463,687,800 new shares of HK\$0.05 each (each a "Share") in the share capital of the Company and not more than 13,417,538,276 new Shares (each a "Rights Share") to the Shareholders (the "Qualifying Shareholders") whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the "Record Date") (excluding those shareholders (the "Non-Qualifying Shareholders") of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the board (the "Board") of directors (the "Directors") of the Company consider it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places), in the proportion of two (2) Rights Shares for every one (1) Share then held on the Record Date at the subscription price of HK\$0.052 per Rights Share and otherwise on the terms and conditions set out in the circular of the Company dated 20 April 2018 be and is hereby approved;
- (b) the underwriting agreement (the "Underwriting Agreement") dated 3 January 2018 (as amended and supplemented by the extension letters dated 24 January 2018, 8 March 2018 and 11 April 2018) and entered into among the Company and Kingston Securities Limited (a copy of which has been produced to the SGM marked "A" and

NOTICE OF SGM

signed by the chairman of the SGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

- (c) the Board or a committee thereof be and is hereby authorised to allot and issue the Rights Shares (in both nil-paid form and fully-paid form) pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company; and
- (d) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things in connection with the Rights Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder."

By order of the Board

DeTai New Energy Group Limited

Wong Hin Shek

Chairman and Executive Director

Hong Kong, 20 April 2018

Registered office: Clarendon House 2 Church Street Hamilton HM 11 Bermuda Head office and principal place of business in Hong Kong:Suite 3301, 33/F., The Center,99 Queen's Road Central,Hong Kong

Notes:

- 1. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
- 2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- 3. To be valid, the instrument appointing a proxy and (if required by the board of the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

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- 4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting in cases where the SGM was originally held within 12 months from such date.
- 5. Where there are joint holders of any shares, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the SGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
- 7. The Company's register of members will be closed during the period from Thursday, 3 May 2018 to Wednesday, 9 May 2018, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 2 May 2018.
- 8. The voting at the SGM (or any adjournment thereof) shall be taken by way of poll.