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

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

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綠能國際

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED

中國綠能國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

**(1) PROPOSED CAPITAL REORGANISATION;
(2) CONDITIONAL SUBSCRIPTION AGREEMENT
IN RELATION TO
(A) ISSUE OF NEW SHARES OF
SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED
TO THE SUBSCRIBERS;
AND
(B) ISSUE OF CONVERTIBLE NOTES TO
REACH LUCK INTERNATIONAL LIMITED;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular. A letter from the Board is set out on pages 9 to 28 of this circular. A notice convening the SGM to be held at Empire Room 1, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 11 September 2014 at 10:00 a.m. is set out on pages 29 to 32 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend the SGM, please complete and return the relevant form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM (or any adjournment, as the case may be) to the Hong Kong branch share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

18 August 2014

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EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation is set out below:

2014

Latest time for lodging form of proxy for the SGM

(not less than 48 hours prior to time of SGM) 10:00 a.m. on Tuesday,
9 September

Expected date and time of SGM. 10:00 a.m. on Thursday, 11 September

Announcement of the result of SGM Thursday, 11 September

Effective date of the Capital Reorganisation Friday, 12 September

Commencement of dealings in New Shares 9:00 a.m. on Friday, 12 September

Original counter for trading in the Shares

in board lot of 4,000 Shares (in the form of
existing share certificate) temporarily closes 9:00 a.m. on Friday, 12 September

Temporary counter for trading in the New Shares

in board lot of 800 New Shares (in the form of
existing share certificates) opens 9:00 a.m. on Friday, 12 September

Free exchange of existing certificates for the Shares

for new certificates for the New Shares 9:00 a.m. on Friday, 12 September

Original counter for trading in the New Shares

in board lot size of 4,000 New Shares (in the form of
new certificates for the New Shares) re-opens 9:00 a.m. on Friday, 26 September

Parallel trading in the New Shares in the form of

new certificates for the New Shares and existing
certificates for the Shares commences 9:00 a.m. on Friday, 26 September

EXPECTED TIMETABLE

2014

Designated broker starts to stand in the market
to provide matching services for odd lots of
the New Shares 9:00 a.m. on Friday, 26 September

Parallel trading in the New Shares in the form of
new certificates for the New Shares and existing
certificates for the Shares ends 4:00 p.m. on Monday, 20 October

Temporary counter for trading in the New Shares
in board lot of 800 New Shares (in the form of
existing share certificates) closes 4:00 p.m. on Monday, 20 October

Designated broker ceases to stand in the market
to provide matching services for odd lots of
the New Shares 4:00 p.m. on Monday, 20 October

Last day of free exchange of existing certificates
for the Shares for new certificates for the New Shares Wednesday, 22 October

All the times and dates above refer to Hong Kong local times and dates. Any changes to the
above expected timetable will be published or notified to the Shareholders as and when appropriate.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate”	has the meaning ascribed to it under the Listing Rules, unless otherwise specified
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is issued in Hong Kong at any time 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
“Capital Reduction”	the proposed reduction of the issued share capital of the Company whereby the par value of each Consolidated Share will be reduced from HK\$0.50 to HK\$0.10 by cancelling HK\$0.40 of the paid-up capital on each Consolidated Share and elimination of any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Share Premium Reduction; and (iv) the Transfer
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate”	has the meaning ascribed to it under the Listing Rules, unless otherwise specified
“CN Subscription”	the subscription of the Convertible Notes by the Offeror

DEFINITIONS

“Company”	Sinogreen Energy International Group Limited (stock code: 1159), a company incorporated in Bermuda with limited liability, the Shares of which are listed and traded on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	issued share(s) of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction
“Controller” or “Dr. Lam”	Dr. Lam Yin Lok, the ultimate legal and beneficial owner of the entire issued share capital of the Offeror
“Conversion Price”	HK\$0.35 per Conversion Share
“Conversion Shares”	assuming the conversion rights attaching to the Convertible Notes are exercised in full at the Conversion Price, a maximum of 159,000,000 New Shares to be allotted and issued, representing approximately 94.33% of the entire issued share capital of the Company as at the Latest Practicable Date (assuming the Capital Reorganisation having taken effect) and approximately 24.37% of the entire issued share capital as enlarged by the Subscription Shares and the Conversion Shares
“Convertible Notes”	three (3) years to maturity, zero coupon convertible notes with principal amounts and initial conversion prices per New Share described in the section headed “Key terms relating to the CN Subscription” to be issued by the Company on the Subscription Completion Date to the Offeror pursuant to the terms and conditions as set out in the Subscription Agreement
“Creative Cosmo”	Creative Cosmo Limited, a company incorporated in the British Virgin Islands with limited liability
“Deed of Non-Competition”	deed of non-competition to be executed by the Offeror and the Controller both as covenantors in favour of the Group as covenantee

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the announcement dated 25 July 2014, jointly issued by the Company and the Offeror in relation to, among others, the Capital Reorganisation, the Subscriptions, and the Possible Offer
“Latest Practicable Date”	13 August 2014, being the latest practicable date prior to the despatch of this circular for the purpose of ascertaining certain information contained herein
“Last Trading Date”	11 July 2014, being the last trading date of the Shares on the Stock Exchange prior to the entering into of the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Material Adverse Change”	<p>any change, event, circumstance or other matter that has, or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on:</p> <p>(a) the ability of the Company to perform its obligations under the Subscription Agreement; or</p> <p>(b) the business, assets and liabilities, financial condition, results of operations of the Group as a whole</p>
“New Elect”	New Elect International Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

“New Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Offer Share(s)”	all the New Shares in issue upon completion of the Subscriptions, other than (i) the New Shares which will be owned or agreed to be acquired by the Offeror, Dr. Lam and parties acting in concert with any of them as at the date of the composite offer document with respect to the Possible Offer for compliance with the Takeovers Code; and (ii) an aggregate of 67,882,400 New Shares held by Mega Start Limited and Fount Holdings Limited, each of the Substantial Shareholders who has confirmed and undertaken to the Company and the Offeror that (a) it will not dispose of all or any Shares or New Shares prior to completion of the Possible Offer; (b) it shall not accept the Possible Offer to transfer to the Offeror all or any of the New Shares; (c) it has not created any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share or New Shares held in its name; (d) it will not create any lien, charges, encumbrances, claims, equities, rights of pre-emption and/or any other form of encumbrance or third party right of any nature against the Share or New Shares held in its name prior to completion of the Possible Offer; and (e) it shall not make available for acceptance all or any Shares or New Shares held in its name for the Possible Offer
“Offeror” or “Reach Luck”	Reach Luck International Limited, a company incorporated in the British Virgin Islands with limited liability and as at the Latest Practicable Date was wholly-owned by Dr. Lam
“Possible Offer”	the possible unconditional mandatory cash offer to be made by Fortune (HK) Securities Limited on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve (i) the Capital Reorganisation; and (ii) the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every five (5) issued Shares into one (1) Consolidated Share of par value of HK\$0.50
“Share Premium Reduction”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Share Subscription”	the subscription of the Subscription Shares by the Subscribers
“Shareholder(s)”	holder(s) of the Share(s) or the New Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Reach Luck, Creative Cosmo and New Elect
“Subscription Agreement”	the subscription agreement dated 11 July 2014 entered into among the Company and the Subscribers in relation to, among other things, (i) the subscription of the Subscription Shares by the Subscribers; and (ii) the subscription of the Convertible Notes by the Offeror
“Subscription Completion Date”	being the 5th Business Day from and excluding the day on which the last of the conditions precedent to completion of the Subscriptions has been fulfilled or waived (as the case may be) (or such other date as the parties to the Subscription Agreement may agree in writing)
“Subscription Price”	HK\$0.35 per Subscription Share

DEFINITIONS

“Subscription Share(s)”	325,000,000 New Shares to be subscribed by the Subscribers, representing (i) approximately 192.80% of the entire issued share capital of the Company as at the Latest Practicable Date (assuming the Capital Reorganisation having taken effect); (ii) approximately 65.85% of the entire issued share capital of the Company as enlarged by the Subscription Shares; and (iii) approximately 49.80% of the entire issued share capital of the Company as enlarged by the Subscription Shares and the Conversion Shares
“Subscriptions”	the Share Subscription and the CN Subscription
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transfer”	the transfer of the entire amount of the credit arising from the Capital Reduction and the Share Premium Reduction to the contributed surplus account of the Company and the application of the entire amount standing to the contributed surplus account of the Company to set off against part of the accumulated losses of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



綠能國際

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED

中國綠能國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

Executive Directors:

Mr. Chau Chit

Mr. Tang Hao

Independent non-executive Directors:

Mr. Lum Pak Sum

Mr. Wong Wai Kwan

Ms. Zhou Jianhong

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in Hong Kong:

Room 703-704, 7th Floor

Shanghai Industrial Investment Building

48-62 Hennessy Road, Wanchai

Hong Kong

18 August 2014

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CAPITAL REORGANISATION;
AND
(2) CONDITIONAL SUBSCRIPTION AGREEMENT
IN RELATION TO
(A) ISSUE OF NEW SHARES OF
SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED
TO THE SUBSCRIBERS;
AND
(B) ISSUE OF CONVERTIBLE NOTES TO
REACH LUCK INTERNATIONAL LIMITED**

INTRODUCTION

On 25 July 2014, the Company announced that the Board proposed to put forward to the Shareholders the proposal for the Capital Reorganisation which would involve the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Transfer.

LETTER FROM THE BOARD

In addition, as set out in the Joint Announcement, on 11 July 2014, the Company and the Subscribers entered into the Subscription Agreement pursuant to which (i) the Company has conditionally agreed to issue to each Subscriber, and each Subscriber has conditionally agreed to subscribe for the Subscription Shares; and (ii) the Company has conditionally agreed to issue to the Offeror, and the Offeror has conditionally agreed to subscribe for, the Convertible Notes.

The purpose of this circular is to provide you with further information on the Capital Reorganisation and the Subscriptions and to set out the notice of the SGM at which resolutions will be proposed to consider and, if thought fit, approve the Capital Reorganisation and the Subscription Agreement and the transactions contemplated thereunder.

THE CAPITAL REORGANISATION

The Directors propose the Capital Reorganisation which will involve the following:

- (i) the Share Consolidation, whereby every five (5) issued Shares of HK\$0.10 each will be consolidated into one (1) Consolidated Share of HK\$0.50;
- (ii) the Capital Reduction, whereby the paid-up capital of the Consolidated Shares will be cancelled to the extent of HK\$0.40 per Consolidated Share so as to form a New Share of HK\$0.10 and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation be eliminated in order to round down the total number of Consolidated Shares to a whole number;
- (iii) the Share Premium Reduction, whereby the entire amount standing to the credit of the Company's share premium account will be cancelled; and
- (iv) the Transfer, whereby the entire amount of the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the contributed surplus account of the Company and the entire amount standing to the credit of the contributed surplus account of the Company will be applied to set off against part of the accumulated losses of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;

LETTER FROM THE BOARD

- (ii) the compliance with the relevant procedures and requirements under Bermuda law to effect the Capital Reorganisation; and
- (iii) the Stock Exchange granting the approval for the listing of, and permission to deal in, the New Shares.

Assuming all of the conditions above are fulfilled, it is expected that the Capital Reorganisation will become effective on the Business Day immediately following the date of passing of the special resolution approving the Capital Reorganisation at the SGM.

Application for listing

Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the New Shares to be in issue upon the Capital Reorganisation becoming effective.

No part of the share capital of the Company is listed or dealt in on any other stock exchanges and no such listing or permission to deal is being or is proposed to be sought. All necessary arrangement will be made for the New Shares to be admitted into CCASS established and operated by HKSCC.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$2,000,000,000 divided into 20,000,000,000 Shares of HK\$0.10 each, of which 842,824,000 Shares were issued and credited as fully paid. Upon the Capital Reorganisation becoming effective and assuming no further Shares will be issued or repurchased between the Latest Practicable Date and the effective date of the Capital Reorganisation, the issued share capital of the Company will become HK\$16,856,480 divided into 168,564,800 New Shares of HK\$0.10 each.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid.

Any fractional New Shares to which an individual Shareholder is entitled will not be issued to the Shareholders but will be aggregated, sold and retained for the benefit of the Company.

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operation, management or financial position of the Group or the interests of the Company and the Shareholders as a whole, save for any fractional Consolidated Shares (if any) to which the Shareholders would otherwise be entitled.

LETTER FROM THE BOARD

Reasons for the Capital Reorganisation

The Capital Reorganisation will reduce the total number of the Shares currently in issue and is expected to bring about a corresponding upward adjustment in the trading price of the New Shares on the Stock Exchange, which will reduce the overall transaction costs for dealings in the New Shares. In addition, based on (i) the credit amount of approximately HK\$67,425,920 arising from the Capital Reduction; and (ii) the share premium account of the Company amounted to HK\$117,712,000 based on the audited financial statements of the Company for the year ended 31 December 2013, a total credit amount of approximately HK\$185,137,920 will be credited to the contributed surplus account of the Company for the purpose of the Transfer. The Company will then apply the amount standing to the contributed surplus account of the Company to set off against part of the accumulated loss of the Company (i.e. HK\$408,346,000 as at 31 December 2013) and to facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

The Directors are of the view that the Capital Reorganisation is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the New Shares, the Company has appointed Fulbright Securities Limited as an agent to provide matching service to the Shareholders on a best effort basis. Holders of odd lots of the New Shares who wish to take advantage of this trading facility either to dispose of their odd lots or to top up their odd lots to a full board lot of the New Shares should contact Ms. May Tong of Fulbright Securities Limited at 25/F-26/F, LHT Tower, 31 Queen's Road Central, Hong Kong at telephone no. (852) 2805 0727/ 2805 0757 during office hours during the period from Friday, 26 September 2014 to Monday, 20 October 2014, both dates inclusive.

Holders of the New Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the New Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above facility.

CCASS eligibility

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

LETTER FROM THE BOARD

Free exchange of certificates for the New Shares and trading arrangements

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during the prescribed period, submit their existing certificates for the Shares (in blue colour) held by them to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong, in exchange for new certificates for the New Shares (in red colour) at the expense of the Company. Thereafter, share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate for the New Shares issued or each share certificate for the Shares submitted for cancellation, whichever the number of certificates involved is higher.

Certificates for the Shares will continue to be good evidence of legal title on the basis of every five (5) Shares for one (1) New Share and may be exchanged for certificates of the New Shares at any time. Nevertheless, they will not be acceptable for delivery, trading and settlement purpose after the Capital Reorganisation becomes effective (except in a temporary counter after the commencement of dealings in the New Shares until parallel trading ends as detailed in the section headed "Expected timetable" above).

THE SUBSCRIPTION AGREEMENT

Date: 11 July 2014 (after trading hours)

Parties: (1) the Company, as the issuer of the Subscription Shares and the Convertible Notes; and

(2) the Subscribers.

The Controller is the ultimate legal and beneficial owner of the Offeror. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscribers and their respective ultimate beneficial owners and the Controller are third parties independent of, and not connected with, the Company and its connected persons as at the date of the Subscription Agreement.

LETTER FROM THE BOARD

Key terms relating to the Share Subscription

The number of Subscription Shares and the Subscription Price at which such Subscription Shares will be issued by the Company on the Subscription Completion Date are as follows:

Subscribers	Number of Subscription Shares	Subscription Price	Consideration (HK\$)
Reach Luck (the Offeror)	295,000,000	HK\$0.35	103,250,000
Creative Cosmo	23,500,000	HK\$0.35	8,225,000
New Elect	6,500,000	HK\$0.35	2,275,000
	<u>325,000,000</u>		<u>113,750,000</u>
Total:	<u><u>325,000,000</u></u>		<u><u>113,750,000</u></u>

The aggregate nominal value of the Subscription Shares will be HK\$32,500,000.

Number of Subscription Shares to be issued: 325,000,000 Subscription Shares, representing (i) approximately 192.80% of the entire issued share capital of the Company as at the Latest Practicable Date (assuming the Capital Reorganisation having taken effect); (ii) approximately 65.85% of the entire issued share capital of the Company as enlarged by the Subscription Shares; and (iii) approximately 49.80% of the entire issued share capital of the Company as enlarged by the Subscription Shares and the Conversion Shares.

Listing: An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Ranking of the Subscription Shares: The Subscription Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares and the New Shares then in issue.

LETTER FROM THE BOARD

Key terms relating to the CN Subscription

The Convertible Notes will be issued by the Company on the Subscription Completion Date. The principal amount, the initial Conversion Price and maximum number of Conversion Shares convertible at the initial Conversion Price in respect of the Convertible Notes are as follows:

	Principal amount	Initial Conversion Price	Maximum Conversion Shares
The Offeror	HK\$55,650,000	HK\$0.35	159,000,000

The maximum aggregate nominal value of the Conversion Shares will be HK\$15,900,000.

Interest: The Convertible Notes bear no interest.

Maturity Date: The third anniversary date of the first date of issue of the Convertible Notes.

Conversion rights: The holder of the Convertible Notes shall have the right to convert on any Business Day during the conversion period, the whole or any part(s) of the relevant principal amount of the Convertible Notes into Conversion Shares at any time and from time to time at the Conversion Price provided that:

- (a) such part of the principal amount of the Convertible Notes has not previously been converted or redeemed or purchased or cancelled; and
- (b) such part of the principal amount of the Convertible Notes to be converted shall not be less than HK\$1,000,000 and in integral multiples of HK\$1,000,000 at any one time, save that if at any time the outstanding principal amount of the Convertible Notes is less than HK\$1,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Notes may be converted.

LETTER FROM THE BOARD

The conversion rights shall not be exercised by the holder of the Convertible Notes, or if exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid, if it comes to the notice of the Company that immediately following such conversion:

- (a) the Company will be unable to meet the public float requirement under the Listing Rules; or
- (b) a mandatory general offer obligation under the Takeovers Code will be triggered on the part of the holder of the Convertible Notes together with the parties acting in concert with it.

Conversion Shares: Assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price, a maximum of 159,000,000 Conversion Shares will be allotted and issued, representing approximately 94.33% of the entire issued share capital of the Company as at the Latest Practicable Date (assuming the Capital Reorganisation having taken effect) and approximately 24.37% of the entire issued share capital as enlarged by the Subscription Shares and the Conversion Shares.

Initial Conversion Price: HK\$0.35 per Conversion Share

The initial Conversion Price is subject to adjustment(s) upon the occurrence of, among other things, (i) consolidation or subdivision or reclassification or otherwise resulted in the New Shares become of a different nominal amount; (ii) capitalisation of profits or reserves; (iii) capital distribution or grant to the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries; (iv) rights issues, grant of options, warrants or other rights to subscribe for or purchase the New Shares or issue of the New Shares or convertible or exchangeable securities or modification of rights of conversion, exchange or subscription attaching thereto at less than 90% of the then current market price of the New Shares.

LETTER FROM THE BOARD

No adjustment shall be made to the Conversion Price as a result of the issue of the Convertible Notes and the issue of the Conversion Shares upon conversion of the Convertible Notes.

Conversion period: The period commences on the first date of issue of the Convertible Notes and expires on the date which is five (5) Business Days preceding the Maturity Date.

Redemption: The Convertible Notes are not redeemable by the Company at any time prior to the Maturity Date.

Unless previously converted, redeemed, purchased or cancelled in accordance with the conditions under the terms of the Convertible Notes, the Convertible Notes will be redeemed by the Company on the Maturity Date at its principal amount outstanding.

Transferability: The Convertible Notes or any part(s) thereof may be assigned or transferred at any time provided that such assignment or transfer shall be in compliance with the conditions under the terms and conditions of the Convertible Notes and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under:

- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) and the SFC or its rules and regulations; and
- (b) the Listing Rules, the Takeovers Code and all applicable laws and regulations

The permitted assignment or transfer of the Convertible Notes may be in respect of the whole or any part(s) of the outstanding principal amount of the Convertible Notes and may only be made to person(s) which are not connected persons of the Company except in accordance with the Listing Rules.

LETTER FROM THE BOARD

Listing:	No application will be made for the listing of the Convertible Notes. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Notes.
Ranking of Conversion Shares:	The Conversion Shares will rank <i>pari passu</i> in all respects among themselves and with other New Shares in issue on the conversion date of the Convertible Notes.

Conditions precedent to the completion of the Subscriptions

The completion of the Subscriptions is subject to the satisfaction of the following conditions precedent:

- (a) the current listing of the Shares not having been withdrawn, the Shares or the New Shares, as the case may be, continuing to be traded on the Stock Exchange prior to the Subscription Completion Date (save for any temporary suspension for no longer than seven (7) trading days or such other period as the Subscribers may agree, or the temporary suspension in connection with transactions contemplated under the Subscription Agreement) and neither the Stock Exchange nor the SFC having indicated that either one of them will object to such continued listing for reasons related to or arising from the transactions contemplated under the Subscription Agreement;
- (b) the passing by the Shareholders (other than those who are required by the Listing Rules to abstain from voting) in a general meeting of resolution(s) approving, among other things, (i) the execution, the consummation and the completion of the Subscriptions; (ii) the Capital Reorganisation; (iii) the allotment and issue of the Subscription Shares to the Subscribers by the Company in accordance with the requirements of the Listing Rules, its bye-laws and as required by law; (iv) the issue of the Convertible Notes; and (v) the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes, in accordance with the Listing Rules and applicable laws;
- (c) the granting of the approval of the Stock Exchange for the listing of, and permission to deal in, the New Shares, the Subscription Shares and the Conversion Shares;

LETTER FROM THE BOARD

- (d) the Company having obtained all consent or approval from the relevant governmental or regulatory authorities or other third parties which are necessary to be obtained for the execution and performance of the Subscription Agreement by the Company, the Capital Reorganisation and any of the transactions contemplated under the Subscription Agreement, including but not limited to (where required) the Bermuda Monetary Authority granting its permission to (i) the Capital Reorganisation (if required); (ii) the allotment and issue of the Subscription Shares; (iii) the issue of the Convertible Notes; and (iv) the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes;
- (e) each of the warranties given by the Company remaining true and accurate and not misleading at the completion of the Subscriptions as if repeated at the completion of the Subscriptions and at all times between the date of the Subscription Agreement and the completion of the Subscriptions;
- (f) there having been no Material Adverse Change of any member of the Group prior to the Subscription Completion Date;
- (g) there having been made available for inspection by the Subscribers a legal opinion dated the Subscription Completion Date, of the Company's Bermuda counsel addressed to the Company as to the Bermuda law on (i) the capacity of the Company entering into the Subscription Agreement; (ii) the performance of the rights and obligations in respect of the Company under the Subscription Agreement; and (iii) the transactions contemplated under the Subscription Agreement and other matters customary for transactions of this nature;
- (h) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to the Subscription Completion Date under the Subscription Agreement;
- (i) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint or prohibition preventing the consummation of the transactions contemplated under the Subscription Agreement shall be in effect, nor shall any action have been taken by any person seeking any of the foregoing, and no statute, rule, regulation or order shall have been enacted, enforced or deemed applicable to the transactions contemplated under the Subscription Agreement, which makes the consummation of which illegal;
- (j) no statute, regulation or decision which would prohibit or restrict or materially affect the operation of the Group after the completion of the Subscriptions having been proposed, enacted or taken by any governmental or official authority;

LETTER FROM THE BOARD

- (k) the Capital Reorganisation having become effective;
- (l) the Controller remaining as the sole ultimate legal and beneficial owner of and the sole director of the Offeror up to completion of the Subscriptions; and
- (m) the Offeror and the Controller having entered into the Deed of Non-Competition.

The Subscribers, may jointly but not severally, waive the conditions precedent to completion of the Subscriptions set out in (a), (e), (f), (g) and (h) above at any time by notice in writing to the Company.

If any of the conditions precedent set out above has not been fulfilled or waived (as the case may be) on or prior to 31 December 2014 (and for conditions precedent to completion of the Subscriptions set out in (e), (f), (h), (i), (j) and (l) failed to remain fulfilled prior to completion of the Subscriptions or waived prior to completion of the Subscriptions), then none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall cease to be of any effect except certain clauses as specified therein, which shall remain in force and save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Completion

The completion of the Subscriptions shall take place on the fifth Business Day from and excluding the day on which the last of the conditions precedent above has been fulfilled or waived (or such other date as the Company and the Subscribers may agree in writing).

Use of proceeds

The net proceeds from Subscriptions are expected to be approximately HK\$164.4 million. The Company intends to apply the net proceeds (i) as to approximately HK\$96.9 million for establishing its gaming promotion business in Macau (in particular, (a) as to approximately HK\$10.0 million for professional fees for establishing the legal structure of gaming promotion business; (b) as to approximately HK\$20.0 million for operating expenditures including but not limited to office leasing, administrative expenses, staff overheads and marketing; and (c) as to approximately HK\$66.9 million for gaming credit facilities and working capital); (ii) as to approximately HK\$37.5 million for repayment of the loans; and (iii) as to approximately HK\$30.0 million for purchasing goods for use in its trading of chemical products and energy conservation and environmental protection products.

LETTER FROM THE BOARD

On the basis of 325,000,000 New Shares to be allotted and issued under the Share Subscription and 159,000,000 New Shares to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Notes in full at the initial Conversion Price, the net price per Subscription Share or Conversion Share is approximately HK\$0.34 based on the net proceeds of approximately HK\$164.4 million.

Comparison of value

Assuming the Capital Reorganisation having taken effect, the Subscription Price and the Conversion Price are both substantially lower than the recent market prices of the Shares. The Company experienced operating loss-making results for a number of years. Besides, the trading volume of the Shares in the 12 months preceding the Last Trading Date was relatively low. The average daily trading volume only represented approximately 0.43% of the total Shares in issue as at the Latest Practicable Date. Taking the continuous operating loss-making results and the illiquidity of the Shares into account, the Directors consider that the prevailing market prices of the Shares are not supported by the fundamentals of the Group and therefore are not appropriate benchmarks for assessing the Subscription Price and the Conversion Price. Furthermore, price-earnings multiple is not applicable for assessing the pricing in view of the operating loss-making results of the Group in the last two financial years. In the circumstances, the Directors are of the view that the net asset value attributable to owners of the Group is more reflective of the Group's underlying value and therefore is relevant in assessing the Subscription Price and the Conversion Price. The Subscription Price and the Conversion Price are both higher than the audited consolidated net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK\$0.198 per New Share (taking into account the effect of the Capital Reorganisation).

The Subscription Price and the Conversion Price of HK\$0.35 represent:

- (a) a premium of approximately 76.77% over the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK\$0.198 per New Share (taking into account the effect of the Capital Reorganisation and based on the audited net asset value attributable to owners of the Company as at 31 December 2013 of approximately HK\$0.0396 per Share);
- (b) a discount of approximately 94.31% to the closing price of HK\$6.150 per New Share (taking into account the effect of the Capital Reorganisation and based on the closing price of the Share as quoted on the Stock Exchange on the Last Trading Date of HK\$1.230 per Share);

LETTER FROM THE BOARD

- (c) a discount of approximately 94.40% to the average of the closing prices of the New Shares for the last 5 trading days up to and including the Last Trading Date of approximately HK\$6.250 per New Share (taking into account the effect of the Capital Reorganisation and based on the average of the closing prices of Shares as quoted on the Stock Exchange of last 5 trading days up to and including the Last Trading Date of approximately HK\$1.250 per Share);
- (d) a discount of approximately 93.98% to the average of the closing prices of the New Shares for the last 10 trading days up to and including the Last Trading Date of approximately HK\$5.810 per New Share (taking into account the effect of the Capital Reorganisation and based on the average of the closing prices of Shares as quoted on the Stock Exchange of last 10 trading days up to and including the Last Trading Date of approximately HK\$1.162 per Share);
- (e) a discount of approximately 92.19% to the average of the closing prices of the New Shares for the last 30 trading days up to and including the Last Trading Date of approximately HK\$4.483 per New Share (taking into account the effect of the Capital Reorganisation and based on the average of the closing prices of Shares as quoted on the Stock Exchange of last 30 trading days up to and including the Last Trading Date of approximately HK\$0.896 per Share);
- (f) a discount of approximately 90.25% to the average of the closing prices of the New Shares for the last 90 trading days up to and including the Last Trading Date of approximately HK\$3.589 per New Share (taking into account the effect of the Capital Reorganisation and based on the average of the closing prices of Shares as quoted on the Stock Exchange of last 90 trading days up to and including the Last Trading Date of approximately HK\$0.718 per Share); and
- (g) a discount of approximately 97.38% to the closing price of HK\$13.35 per New Share (taking into account the effect of the Capital Reorganisation and based on the closing price of the Share as quoted on the Stock Exchange on the Latest Practicable Date of HK\$2.670 per Share).

In view of the continuous operating loss-making results of the Group and the illiquidity of the Shares, the Directors are of the view that the net asset value attributable to owners of the Group is more reflective of the Group's underlying value. Given that the Controller has extensive experience and business network in the gaming industry, the Directors consider that the lower Subscription Price and Conversion Price, as compared with the prevailing market price of the Company, are commercially justified having considered the Controller may bring about the potential business opportunities to the Company which may create strategic value to the future development of the Company and broaden the Group's revenue spectrum. Based on the above, the Directors consider the Subscription Price and the Conversion Price to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEED OF NON-COMPETITION

The Offeror and the Controller will enter into the Deed of Non-Competition in favour of the Company upon completion of the Subscriptions and the major terms of which are summarised as follows:

The Group will, after completion of the Subscriptions, become engaged in, among others, the gaming promotion activity governed mainly by Gaming Promoters Regulation (訂定從事娛樂場幸運博彩中介業務的資格及規則) of Macau (“**Restricted Activity**”).

Pursuant to the Deed of Non-Competition, the Offeror and the Controller undertake with the Company (for itself and for the benefits of its subsidiaries) that upon the completion of the Subscriptions, they shall not, and shall procure that its associates and entities or companies controlled by them or their respective associates (for the avoidance of doubt, other than any member of the Group) not to, either on its own account or for any other person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business in Macau which competes or is likely to compete directly or indirectly with Restricted Activity save and except that the Offeror and the Controller may continue to operate or engage in gaming promotion activity which they are directly or indirectly interested or involved or engaged in or acquire or hold an interest in in the existing premises as set out in the Deed of Non-Competition without expansion in physical space and save for other exceptions as set out in the Deed of Non-Competition.

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LETTER FROM THE BOARD

The Offeror will, following the completion of the Subscriptions, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income and enhancing its profitability. It is the intention of the Offeror that, leveraged on the expertise and experience in gaming business of Dr. Lam, the Group would explore the opportunity of developing the gaming promotion business in Macau. Taking into consideration of the aforesaid review and subject to the financial resources requirement and relevant laws and regulations of gaming promotion business in Macau, the Group may consider establishing the gaming promotion business by indirectly participating in the gaming promotion business in Macau through contractual (or variable interest entity) arrangements subject to relevant necessary regulatory approvals. However, as at the Latest Practicable Date, no definitive proposals, terms or timetable in relation to the gaming promotion business had been determined or agreed. In view of (i) the business nature of gaming promotion business in Macau; (ii) the continuous growth of the Macau gaming industry; and (iii) the entering into of the Deed of Non-Competition, the Directors consider that keen competition between the Controller's existing gaming business and the Company's future gaming business will not arise.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not completed any fund raising activities in the 12-month period immediately preceding the date of the Joint Announcement.

REASONS FOR THE SUBSCRIPTIONS

The Group is principally engaged in the business of trading of chemical products, and energy conservation and environmental protection products.

Based on the unaudited consolidated financial statements of the Company, as at 31 May 2014, the Group had bank balances and cash amounted to approximately HK\$22.7 million and borrowings amounted to approximately HK\$37.5 million. After the repayment of the borrowing in full by the net proceeds from the Subscriptions, the working capital and the financial position of the Group will be improved.

The Subscriptions, apart from bringing new capital to the Group for diversification of its business into Macau gaming market, will also broaden the shareholder base of the Company. In particular, it is expected that the Controller, through his extensive experience and business network in the gaming industry, will help the Group gradually diversify its business into Macau gaming market. Having considered the potential business opportunities that may be brought about by the Offeror following the completion of the Subscriptions, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and the Subscriptions are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in trading of chemical products, and energy conservation and environmental protection products. As at the Latest Practicable Date, the Company did not have any intention to dispose of or downsize the Group's existing businesses. However, the Company will continue to review the performance of the businesses and assets of the Group. Besides, as at the Latest Practicable Date, the Company did not have any intention to acquire any business or asset from the Controller.

Set out below are the audited consolidated revenue, profit/(loss) before taxation and profit/(loss) attributable to the Shareholders for each of the two years ended 31 December 2012 and 2013 as extracted from the annual report of the Company for the year ended 31 December 2013:

	For the year ended	
	31 December	
	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	10,078	75,791
(Loss)/Profit before tax	(40,664)	338,037
(Loss)/Profit attributable to the Shareholders	(35,285)	344,311

Profit attributable to the Shareholders for the year ended 31 December 2013 included a gain on derecognition of promissory notes of approximately HK\$87.5 million and a gain on derecognition of convertible bonds of approximately HK\$271.9 million. As at 31 December 2013, the audited total equity of the Company was approximately HK\$33.4 million.

INFORMATION OF THE SUBSCRIBERS

The Offeror

Reach Luck is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Dr. Lam. As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, and entering into of the financial arrangement with Fortune (HK) Securities Limited in relation to the Possible Offer, the Offeror did not engage in any other business activities.

Dr. Lam is the sole director and sole legal and beneficial owner of the Offeror. Dr. Lam has over 30 years of experience in the gaming industry including casino operations and gaming promotion business in Macau, the Philippines and Australia. He also has engaged in other businesses and has investments in real estate development, hotel and resort operation, and securities and investments covering markets in Hong Kong, the PRC and the Philippines. Dr. Lam serves as

LETTER FROM THE BOARD

中國人民政治協商會議廣東省委員會委員 (the Member of Guangdong Provincial Committee of The Chinese People's Political Consultative Conference*), 澳門娛樂博彩業中介人協會榮譽會長 (the Honorable President of the Association of Gaming & Entertainment Promoters of Macau*), the Honorable President of the General Association of Administrators and Promoters for Macau Gaming Industry, the Permanent Honorable President of the Federation of Hong Kong Guangdong Community Organisations and a director of the China Overseas Friendship Association. Dr. Lam was awarded as an Honorable Doctor of Sinte Gleska University of California, the United States of America and received a World Outstanding Chinese Award, both in 2007.

Creative Cosmo

Creative Cosmo is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Tse On Kin (“**Mr. Tse**”). As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, Creative Cosmo did not engage in any other business activities.

Mr. Tse is the sole director and sole legal and beneficial owner of Creative Cosmo. Mr. Tse has over 20 years of management experience covering corporate planning, business development and merger and acquisition. Mr. Tse is currently the Chairman of the board of directors and independent non-executive director of China Bio Cassava Holdings Limited (stock code: 8129) and a non-executive director of Asia Energy Logistics Group Limited (stock code: 351) and both companies are listed on the Stock Exchange.

As at the Latest Practicable Date, the Offeror had no intention to nominate Mr. Tse as a Director following completion of the Subscriptions nor close of the Possible Offer.

New Elect

New Elect is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Hung Ching Fung (“**Mr. Hung**”). As at the Latest Practicable Date, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, New Elect did not engage in any other business activities.

Mr. Hung is the sole director and sole legal and beneficial owner of New Elect. Mr. Hung has over 7 years of experience in accounting and finance industry and has been an executive director of China Bio Cassava Holdings Limited (stock code: 8129) since August 2013. Mr. Hung is a full member of CPA Australia. Mr. Hung is the nephew-in-law of Dr. Lam.

As at the Latest Practicable Date, the Offeror had indicated an intention to nominate Mr. Hung as a Director following the despatch of the composite offer document to the Shareholders with respect to the Possible Offer in accordance with the Takeovers Code.

* For identification purpose only

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Capital Reorganisation; (iii) upon completion of the Subscriptions (assuming no conversion of Convertible Notes); and (iv) assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price:

	(i) As at the Latest Practicable Date		(ii) Upon completion of the Capital Reorganisation		(iii) Upon completion of the Subscriptions (assuming no conversion of Convertible Notes)		(iv) Upon completion of the Subscriptions (assuming the conversion rights attaching to the Convertible Notes are exercised in full at the initial Conversion Price)	
	Number of Shares	%	Number of New Shares	%	Number of New Shares	%	Number of New Shares	%
The Offeror	-	-	-	-	295,000,000	59.77	454,000,000	69.57
Creative Cosmo (Note 3)	-	-	-	-	23,500,000	4.76	23,500,000	3.60
New Elect (Note 4)	-	-	-	-	6,500,000	1.32	6,500,000	1.00
The Offeror, Dr. Lam and parties acting in concert with any of them	-	-	-	-	325,000,000	65.85	484,000,000	74.17
Mega Start Limited (Note 1)	248,468,000	29.48	49,693,600	29.48	49,693,600	10.07	49,693,600	7.62
Fount Holdings Limited (Note 2)	90,944,000	10.79	18,188,800	10.79	18,188,800	3.69	18,188,800	2.79
Other Shareholders	503,412,000	59.73	100,682,400	59.73	100,682,400	20.39	100,682,400	15.42
Total	842,824,000	100.00	168,564,800	100.00	493,564,800	100.00	652,564,800	100.00
Public Shareholders	503,412,000	59.73	100,682,400	59.73	130,682,400	26.47	130,682,400	20.02

Notes:

1. The entire issued share capital of Mega Start Limited is wholly and beneficially owned by Mr. Chau Chit, an executive Director.
2. The entire issued share capital of Fount Holdings Limited is wholly and beneficially owned by Mr. Tang Hao, an executive Director.
3. The entire issued share capital of Creative Cosmo is wholly and beneficially owned by Mr. Tse, who is a third party independent of the Company and its connected persons. Given that Mr. Tse is independent of each of the Offeror and Dr. Lam, the interests of Creative Cosmo in the New Shares upon completion of the Subscriptions shall be included in the public shareholding.
4. Mr. Hung is the ultimate beneficial owner of New Elect and is the nephew-in-law of Dr. Lam. Pursuant to the Listing Rules, he is not regarded as a close associate of Dr. Lam. Accordingly, the interests of New Elect in the New Shares upon completion of the Subscriptions shall be included in the public shareholding. As at the Latest Practicable Date, the Offeror had indicated an intention to nominate Mr. Hung as a Director following the despatch of the composite offer document to the Shareholders with respect to the Possible Offer in accordance with the Takeovers Code. Upon the appointment of Mr. Hung as a Director becoming effective, the interests of New Elect in the New Shares upon completion of the Subscriptions would not be included in the public shareholding and the issued share capital of the Company to be held by public Shareholders will be decreased from approximately 26.47% to 25.15%.

LETTER FROM THE BOARD

GENERAL

A notice convening the SGM to be held at Empire Room 1, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 11 September 2014 at 10:00 a.m. is set out on pages 29 to 32 of this circular. The Capital Reorganisation is conditional upon, among other things, the approval of a special resolution passed by the Shareholders on a vote taken by way of poll at the SGM. In addition, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval of the ordinary resolution passed by the Shareholders. As none of the Shareholders would have any material interest in the Capital Reorganisation and the Subscriptions which are different from that of other Shareholders, no Shareholder would be required to abstain from voting at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. If you do not intend to attend the SGM but wish to exercise your voting rights as Shareholders, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof should you so wish.

RECOMMENDATIONS

The Directors consider that the proposal for the Capital Reorganisation and the terms of the Subscription Agreement and transactions contemplated thereunder are fair and reasonable, and the Subscription Agreement (including the issue of New Shares to the Subscribers and the Convertible Notes to the Offeror) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of the relevant resolutions at the SGM to approve the Capital Reorganisation and the Subscription Agreement and the transactions contemplated thereunder respectively.

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 Group. 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 aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,

By order of the Board

Sinogreen Energy International Group Limited

Chau Chit

Chairman

NOTICE OF SPECIAL GENERAL MEETING



綠能國際

SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED

中國綠能國際集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 1159)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Sinogreen Energy International Group Limited (the “**Company**”) will be held at Empire Room 1, 1/F., Empire Hotel Hong Kong • Wan Chai, 33 Hennessy Road, Wan Chai, Hong Kong on Thursday, 11 September 2014 at 10:00 a.m. for the purpose of considering, and, if thought fit,

- A) Passing with or without amendments the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

1. “**THAT:**

- (a) conditional upon (i) The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Shares (as defined below) arising from the Capital Reorganisation (as defined below) and (ii) the compliance by the Company with the requirements of section 46(2) of the Companies Act 1981 of Bermuda, with effect from the first business day immediately following the date on which this resolution is passed:
- (i) every five (5) issued shares of HK\$0.10 each in the existing share capital of the Company be consolidated (“**Share Consolidation**”) into one (1) new share of HK\$0.50 (“**Consolidated Share(s)**”);

NOTICE OF SPECIAL GENERAL MEETING

- (ii) the par value of each Consolidated Share be reduced from HK\$0.50 to HK\$0.10 (“**New Share(s)**”) by cancelling the capital paid-up thereon to the extent of HK\$0.40 on each Consolidated Share and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation (“**Capital Reduction**”);
 - (iii) the entire amount standing to the credit of the share premium account of the Company be cancelled (“**Share Premium Reduction**”);
 - (iv) the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company (the “**Contributed Surplus Account**”) (“**Transfer**” and together with the Share Consolidation, the Capital Reduction and the Share Premium Reduction, “**Capital Reorganisation**”), and the entire amount standing to the credit of the Contributed Surplus Account be applied to set off against an equivalent amount of the accumulated losses of the Company and the directors of the Company (“**Directors**”) be and are hereby authorised to apply the balance in the Contributed Surplus Account (if any) in any manner permitted by the laws of Bermuda, including, without limitation, paying dividend or making any other distribution out of the Contributed Surplus Account from time to time without further authorisation from the shareholders of the Company and all such actions in relation thereto be approved, ratified and confirmed; and
- (b) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Capital Reorganisation, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Capital Reorganisation.”

NOTICE OF SPECIAL GENERAL MEETING

- B) Passing with or without amendments the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

2. “**THAT**:–

- (a) the subscription agreement dated 11 July 2014, including the form of the proposed convertible notes (“**Convertible Notes**”) annexed thereto (the “**Subscription Agreement**”), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) entered into among the Company as issuer and Reach Luck International Limited, Creative Cosmo Limited and New Elect International Limited (the “**Subscriber(s)**”) as subscribers pursuant to which the Company has conditionally agreed to (i) allot and issue 325,000,000 New Shares of HK\$0.10 each in the share capital of the Company (the “**Subscription Shares**”) to the relevant Subscribers; and (ii) issue the Convertible Notes in an aggregate principal amount of HK\$55,650,000 to Reach Luck International Limited upon and subject to the terms and conditions as set out therein, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of the Subscription Shares by the Company to the Subscribers in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the issue of the Convertible Notes by the Company to Reach Luck International Limited in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (d) the allotment and issue of up to 159,000,000 New Shares or such other number of shares in the share capital of the Company which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes (“**Conversion Shares**”) be and is hereby approved;

NOTICE OF SPECIAL GENERAL MEETING

- (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue and allotment of the Subscription Shares, the issue of the Convertible Notes and the issue and allotment of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes.”

By Order of the Board
Sinogreen Energy International Group Limited
Chau Chit
Chairman

Hong Kong, 18 August 2014

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:

Room 703-704, 7th Floor
Shanghai Industrial Investment Building
48-62 Hennessy Road, Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
3. In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such shares shall be accepted to the exclusion of the votes of the other joint registered holders.
4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the branch share registrar of the Company at Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting.

NOTICE OF SPECIAL GENERAL MEETING

5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
6. If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. on the date of the SGM, then the SGM will be postponed and members will be informed of the date, time and venue of the postponed SGM by a supplementary notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 8:00 a.m. on the date of the SGM, and where conditions permit, the SGM will be held as scheduled. The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Members should decide on their own whether they would attend the SGM under a bad weather condition bearing in mind their own situations and if they do so, they are advised to exercise care and caution.