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綠能國際

**Reach Luck International Limited**

*(Incorporated in the British Virgin Islands with limited liability)*

**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)**

**JOINT ANNOUNCEMENT**

**(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;**

**(3) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER  
BY FORTUNE (HK) SECURITIES LIMITED ON BEHALF OF  
REACH LUCK INTERNATIONAL LIMITED TO  
ACQUIRE ALL THE ISSUED NEW SHARES OF  
SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO  
BE ACQUIRED BY REACH LUCK INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT);**

**AND**

**(4) RESUMPTION OF TRADING IN SHARES OF  
SINOGREEN ENERGY INTERNATIONAL GROUP LIMITED**

**Financial adviser to  
Reach Luck International Limited**



**富強金融資本**  
FORTUNE FINANCIAL CAPITAL

**Financial adviser to Sinogreen Energy  
International Group Limited**



**Optima Capital Limited**

## **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.

The Capital Reorganisation will reduce the total number of 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. The Capital Reorganisation will allow the Company to eliminate part of the accumulated loss and to facilitate the payment of dividends as and when the Directors consider it appropriate in the future.

## THE SUBSCRIPTION AGREEMENT

On 11 July 2014 (after trading hours), 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 Subscription Shares to be subscribed by the Subscribers comprise 325,000,000 New Shares, representing approximately 192.80% of the entire issued share capital of the Company as at the date of this joint announcement (assuming the Capital Reorganisation having taken effect) and approximately 65.85% of the entire issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Price is HK\$0.35 per Subscription Share and the total consideration payable for the subscription of the Subscription Shares is HK\$113,750,000 and the total amount payable for the subscription of the Convertible Notes is HK\$55,650,000.

Pursuant to the terms of the Convertible Notes, the Offeror will be entitled to convert the whole or any part of its Convertible Notes at an initial Conversion Price of HK\$0.35 per Conversion Share (subject to adjustments) during the relevant conversion period and subject to the terms and conditions under the Convertible Notes.

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 date of this joint announcement (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.

The Subscription Shares and the Conversion Shares, upon issue, shall rank *pari passu* in all respects with the New Shares then in issue. The issue of the Subscription Shares, the Convertible Notes and the Conversion Shares (upon conversion of the Convertible Notes) is subject to the approval of the Shareholders at the SGM and the approval from the Stock Exchange for the permission to list and deal in such New Shares on the Stock Exchange. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

Upon completion of the Share Subscription, the Offeror, Dr. Lam and parties acting in concert with any of them will be interested in an aggregate of 325,000,000 New Shares, representing approximately 65.85% of the entire issued share capital of the Company as enlarged by the Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory cash offer for all the issued New Shares not already owned or agreed to be acquired by the Offeror, Dr. Lam and parties acting in concert with any of them.

## **SGM**

At the SGM, resolutions will be proposed to the Shareholders to approve, among other things, (i) the Capital Reorganisation; (ii) the entering into of the Subscription Agreement; (iii) the allotment and issue of the Subscription Shares to the Subscribers; (iv) the issue of the Convertible Notes to the Offeror; and (v) the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes.

As no Shareholder has any material interest in the Capital Reorganisation, the entering into of the Subscription Agreement and transactions contemplated thereunder, none of the Shareholders is required to abstain from voting at the SGM in respect of any of the resolution(s).

The circular containing, among other things, detailed information about the matters to be proposed at the SGM will be despatched to the Shareholders on or before 18 August 2014.

## **COMPOSITE OFFER DOCUMENT**

If the Possible Offer materialises, it is the intention of the Offeror and the Company that the offeree response document will be combined with the offer document, and the composite offer document containing, among other things, details of the Possible Offer (including the expected timetable), the recommendation from the Independent Board Committee and the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders. Under Rule 8.2 of the Takeovers Code, within 21 days of the date of this joint announcement or such later date as the Executive may approve, the Offeror is required to despatch the offer document. As the conditions precedent to completion of the Subscriptions cannot be fulfilled or waived (where applicable) within 21 days of the date of this joint announcement, an application will be made by the Offeror for the Executive's consent to extend the deadline for despatch of the composite offer document, together with the form(s) of acceptance and transfer, to a date within 7 days upon the Subscription Completion Date or 15 January 2015, whichever is earlier. Further announcement will be made by the Offeror and the Company on the timing of the despatch of the composite offer document.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended from 9:00 a.m. on Monday, 14 July 2014 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 28 July 2014.

## **WARNING**

**Shareholders and potential investors should be aware and take note that the Capital Reorganisation and the Subscriptions are conditional upon satisfaction of the respective conditions precedent and therefore may or may not proceed. The Possible Offer will only be made if the completion of the Subscriptions takes place. Accordingly, the Capital Reorganisation and the Subscriptions may or may not be completed and the Possible Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **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 on the following:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the Capital Reorganisation;
- (ii) the compliance with the relevant procedures and requirements under Bermuda law to effect the Capital Reorganisation; and
- (iii) the Stock Exchange granting 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.

An application will be 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.

### **Effects of the Capital Reorganisation**

As at the date of this joint announcement, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Shares of HK\$0.10 each, of which 842,824,000 Shares are issued and credited as fully paid. Upon the Capital Reorganisation becoming effective and assuming no further Shares will be issued or repurchased between the date of this joint announcement 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.

### **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.

## Expected timetable for the Capital Reorganisation

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

**2014**

Despatch of circular, notice of SGM and proxy form for the SGM. . . . .	Monday, 18 August
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. 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

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.

## **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 will procure a designated broker to arrange for the matching of the sales and purchases of odd lots of the New Shares. Details of the odd lot arrangements will be provided in the circular in connection with the Capital Reorganisation to be despatched by the Company to the Shareholders.

## **CCASS eligibility**

Subject to the granting of 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.

## **Free exchange of certificates for the New Shares and trading arrangements**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during the period to be specified in a further announcement to be made by the Company, 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 for the Capital Reorganisation" 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 this joint announcement.

### 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:

<b>Subscribers</b>	<b>Number of Subscription Shares</b>	<b>Subscription Price</b>	<b>Consideration (HK\$)</b>
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	<u>6,500,000</u>	HK\$0.35	<u>2,275,000</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 date of this joint announcement (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 will be 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.

### 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:

	<b>Principal amount</b>	<b>Initial Conversion Price</b>	<b>Maximum Conversion Shares</b>
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.

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 date of this joint announcement (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 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 Shares or issue of 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 Shares.

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.

Listing: No application will be made for the listing of the Convertible Notes. An application will be 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 *pari passu* 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;
- (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;
- (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 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 Subscriptions set out in (e), (f), (h), (i), (j) and (l) failed to remain fulfilled prior to completion of Subscriptions or waived prior to completion of 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 Subscription 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; (ii) as to approximately HK\$37.5 million for repayment of the loan; and (iii) as to approximately HK\$30.0 million for general working capital purposes.

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 Conversion Price are both substantially lower than the recent market prices of the Shares. Given the operating loss of the Group in the last two financial years and the thin trading volume of the Shares during the past 12 months, 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 pricing. 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 pricing. 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);
- (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); and
- (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).

## **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 the major terms of which are summarised as follows:

Parties:                      The Offeror and the Controller (both as the covenantors); and  
  
   The Company (as the covenantee)

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**”).

## **Major terms**

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 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.

The Offeror and the Controller further undertake and agree that they shall promptly provide the Company, in writing with any relevant information in respect of any new business opportunity in the Macau which competes or may compete with the Restricted Activity which it or its associates may have knowledge for the Company to assess such new business opportunity. Neither the Offeror, the Controller nor their respective associates shall pursue such business opportunities until the Company confirms that it will not pursue such business opportunities.

## **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 this 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 as described in the paragraph headed “Intention of the Offeror in respect of the Group” below. Having considered the potential business opportunities that may be brought about by the Offeror following the completion of Subscriptions, the Directors consider that the Subscription Agreement is fair and reasonable and the Subscriptions are in the interests of the Company and the Shareholders as a whole.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

Upon the completion of the Share Subscription, the Offeror, Dr. Lam and parties acting in concert with any of them will be interested in aggregate 325,000,000 New Shares, representing approximately 65.85% of the entire issued share capital of the Company as enlarged by the Subscription Shares. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory cash offer for all the issued New Shares not already owned or agreed to be acquired by the Offeror, Dr. Lam and parties acting in concert with any of them.

### **Offer Price**

Subject to the completion of the Subscriptions, Fortune Securities will, on behalf of the Offeror, make the Possible Offer for all the issued New Shares not already owned or agreed to be acquired by it, Dr. Lam and parties acting in concert with any of them in compliance with the Takeovers Code at the following Offer Price:

For each Offer Share . . . . . HK\$0.35 in cash

The Possible Offer, if and when made, will be unconditional in all respects.

The Offer Price of HK\$0.35 per Offer Share under the Possible Offer is equal to the Subscription Price payable by the Offeror for the Subscription Shares and the Conversion Price under the Convertible Notes.

As at the date of this joint announcement, the Company has a total of 842,824,000 Shares. The Offeror, Dr. Lam and the parties acting in concert with any of them do not hold or have control or direction over any Shares. The Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

### **Highest and lowest Share prices**

The highest and lowest closing prices of the New Shares (taking into account the effect of the Capital Reorganisation and based on the closing price of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the date of this joint announcement) were HK\$6.600 per New Share (on 8 July 2014) and HK\$1.825 per New Share (on 4 February 2014) respectively.

### **Consideration for the Possible Offer**

Upon the completion of the Subscriptions, 493,564,800 New Shares will be in issue (assuming the conversion rights attaching to the Convertible Notes have not been exercised). On the basis of the 100,682,400 Offer Shares, the Offer Price of HK\$0.35 per Offer Share and assuming all holders of the prevailing New Shares accept the Possible Offer, the amount of cash required for the Possible Offer will be HK\$35,238,840.

### **Confirmation of financial resources**

The consideration payable by the Subscribers in respect of the Subscriptions will be satisfied by their respective internal resources. The consideration payable by the Offeror and in respect of acceptances under the Possible Offer will be satisfied by a facility granted by Fortune Securities. Fortune Financial Capital has been appointed as the financial adviser to the Offeror in respect of the Possible Offer and is satisfied that sufficient financial resources are available to the Offeror to satisfy the amount of funds required for the Subscriptions and full acceptance of the Possible Offer.

## **Dealing and interest in the Company's securities**

Save for the Subscription Agreement, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them has dealt in the Shares, options, convertible note, derivatives, warrants or other securities convertible into Shares during the six-month period prior to the date of this joint announcement.

## **Stamp duty**

Seller's ad valorem stamp duty payable by the Shareholders who accept the Possible Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Possible Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Possible Offer.

## **Payment**

Payment in cash in respect of duly completed and valid acceptance of the Possible Offer, net of the stamp duty, will be made as soon as practicable and in any event no later than seven (7) Business Days (as defined in the Takeovers Code) from the date of receipt of a duly completed acceptance form.

## **Possible Offer pre-condition and condition**

The making of the Possible Offer will be subject to the completion of Subscriptions taking place. The Possible Offer itself, if and when made, will not be subject to any condition.

## **Overseas Shareholders**

The entitlement of the Shareholders who wish to participate in the Possible Offer but with registered address outside Hong Kong may be subject to, or limited by, the laws or regulations of their respective jurisdictions.



## **Other agreements or arrangements**

As at the date of this joint announcement, Mega Start Limited and Fount Holdings Limited are interested in 248,468,000 Shares (representing approximately 29.48% of the existing issued share capital of the Company) and 90,944,000 Shares (representing approximately 10.79% of the existing issued share capital of the Company) respectively. Each of Mega Start Limited and Fount Holdings Limited has irrevocably confirmed and undertaken to the Company and the Offeror that (i) it will not dispose of all or any Shares or New Shares prior to completion of the Possible Offer; (ii) it shall not accept the Possible Offer to transfer to the Offeror all or any of the New Shares; (iii) 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; (iv) 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 (v) it shall not make available for acceptance all or any Shares or New Shares held in its name for the Possible Offer (the “**Irrevocable Undertakings**”).

As at the date of this joint announcement, save for the Subscription Agreement and the Irrevocable Undertakings, the Offeror confirms that:

- (i) none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (ii) there is no outstanding derivatives in respect of the securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;
- (iii) there is no other arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Offer Shares or the shares of the Offeror which might be material to the Possible Offer;
- (iv) there is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Possible Offer;

- (v) none of the Offeror, its ultimate beneficial owner or parties acting in concert with any of them has received any irrevocable commitment to accept the Possible Offer; and
- (vi) none of the Offeror, its ultimate beneficial owner and parties acting in concert with any one of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

## 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.

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:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2012</b>	<b>2013</b>
	<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 comprised of 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.

Further financial information of the Group will be set out in the Composite Document to be despatched to the Shareholders.

## 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 date of this joint announcement, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, and entering into of the financial arrangement with Fortune Securities in relation to the Possible Offer, the Offeror did not engage in any other business activities.

As at the date of this joint announcement, 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 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, 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 date of this joint announcement, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, Creative Cosmo did not engage in any other business activities.

As at the date of this joint announcement, 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.

\* For identification purpose only

## **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 date of this joint announcement, save for entering into of the Subscription Agreement and the transactions contemplated thereunder, New Elect did not engage in any other business activities.

As at the date of this joint announcement, 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.

## **INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP**

The Offeror intends that the Group will continue its existing principal activities. The Offeror will, following the completion of the Possible Offer, 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 Offeror may consider to establish 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 of the date of this joint announcement, no definitive proposals, terms or timetable in relation to the gaming promotion business have been determined or agreed nor has the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group. The Offeror has not entered into any agreement, arrangements, understandings or negotiations in relation to the continued employment of the employees, disposal and/or redeployment of the assets (including fixed assets) of the Group, or termination or scaling down of any of the Group’s business other than in the ordinary course of business.

## **Maintaining the listing status of the Company**

The Offeror intends to maintain the listing status of the Company and it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement upon closing of the Possible Offer under Rule 8.08 of the Listing Rules.

**If, at the close of the Possible Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the New Shares, are held by the public, or if the Stock Exchange believes that:**

- a false market exists or may exist in the trading of the New Shares;**

**or**

- there are insufficient Shares in public hands to maintain an orderly market,**

**the Stock Exchange will consider exercising its discretion to suspend dealings in the New Shares.**

As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by the holders of New Shares under the Possible Offer, they have not decided the exact steps/ actions that will be taken by them after the close of the Possible Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that the appropriate actions to be taken shall include placing down of sufficient number of accepted New Shares by the Offeror and/or issue of additional New Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

## **PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY**

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. Upon completion of the Subscriptions, the Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code, but as at the date of this joint announcement, the Offeror has not reached any final decision as to who will be nominated as new Directors. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and will be announced accordingly.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the date of this joint announcement; (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 date of this joint announcement		(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
<b>Total</b>	<b>842,824,000</b>	<b>100</b>	<b>168,564,800</b>	<b>100</b>	<b>493,564,800</b>	<b>100</b>	<b>652,564,800</b>	<b>100</b>
Public Shareholders	503,412,000	59.73	100,682,400	59.73	130,682,400	26.47	130,682,400	20.02

### Note:

- The entire issued share capital of Mega Start Limited is wholly and beneficially owned by Mr. Chau Chit, an executive Director.
- The entire issued share capital of Fount Holdings Limited is wholly and beneficially owned by Mr. Tang Hao, an executive Director.
- 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.

## **SGM**

At the SGM, resolutions will be proposed to the Shareholders to approve, among other things, (i) the Capital Reorganisation; (ii) the Subscription Agreement; (iii) the allotment and issue of the Subscription Shares to the Subscribers; (iv) the issue of the Convertible Notes to the Offeror; and (v) the issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Notes.

As no Shareholder has any material interest in the Capital Reorganisation, the Subscription Agreement and transactions contemplated thereunder, none of the Shareholders is required to abstain from voting at the SGM in respect of the resolution(s) to approve the Capital Reorganisation, the Subscription Agreement and transactions contemplated thereunder.

The circular containing, among other things, detailed information about the matters to be proposed at the SGM will be despatched to the Shareholders on or before 18 August 2014.

## **INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

Upon completion of the Subscriptions, an Independent Board Committee comprising all independent non-executive Directors will be set up to advise the Independent Shareholders regarding the Possible Offer. An independent financial adviser will be appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard. Further announcement will be made upon appointment of the independent financial adviser.

## COMPOSITE OFFER DOCUMENT

If the Possible Offer materialises, it is the intention of the Offeror and the Company that the offeree response document will be combined with the offer document, and the composite offer document containing, among other matters, details of the Possible Offer (including the expected timetable), the recommendation from the Independent Board Committee and the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders will be despatched to the Shareholders. Under Rule 8.2 of the Takeovers Code, within 21 days of the date of this joint announcement or such later date as the Executive may approve, the Offeror is required to despatch the offer document. As the conditions precedent to completion of the Subscriptions cannot be fulfilled or waived (where applicable) within 21 days of the date of this joint announcement, an application will be made by the Offeror for the Executive's consent to extend the deadline for despatch of the composite offer document, together with the form(s) of acceptance and transfer, to a date within 7 days upon the Subscription Completion Date or 15 January 2015, whichever is earlier. Further announcement will be made by the Offeror and the Company on the timing of the despatch of the composite offer document.

## DEALINGS DISCLOSURE

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code) of the Offeror and the Company (including their respective shareholders having interests of 5% or more of the relevant securities) are reminded to disclose their dealings in the relevant securities in the Company under Rule 22 of the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

### ***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than \$1 million.*



*This dispensation does not alter the obligation of principals, associates and other person themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that the stockbrokers and other intermediaries will supply the Executive with the relevant information as to those dealings, including identities of clients, as part of that cooperation.”*

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares was suspended from 9:00 a.m. on Monday, 14 July 2014 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 28 July 2014.

## **WARNING**

**Shareholders and potential investors should be aware and take note that the Capital Reorganisation and the Subscriptions are conditional upon satisfaction of the conditions precedent and therefore may or may not proceed. The Possible Offer will only be made if the completion of the Subscriptions takes place. Accordingly, the Capital Reorganisation and the Subscriptions may or may not be completed and the Possible Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate”	has the meaning ascribed to it in 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 in the Listing Rules, unless otherwise specified
“CN Subscription”	the subscription of the Convertible Notes by the Offeror
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, modified or supplemented from time to time
“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 same 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 date of this joint announcement (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
“Director(s)”	the director(s) of the Company

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Fortune Financial Capital”	Fortune Financial Capital Limited, a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Fortune Securities”	Fortune (HK) Securities Limited, a company incorporated in Hong Kong with limited liability and is licensed to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board to be formed to make recommendation to the Independent Shareholders in respect of the Possible Offer
“Independent Shareholders”	holders of the Offer Shares
“Last Trading Date”	11 July 2014, being the last trading date of the Shares on the Stock Exchange prior to the suspension of trading of the Shares pending the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China

“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
“New Share(s)”	ordinary share(s) of the HK\$0.10 each in share capital of the Company upon the Capital Reorganisation becoming effective
“Offer Price”	the cash amount of HK\$0.35 payable by the Offeror for each New Share accepted under the Possible Offer
“Offer Share(s)”	<p>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</p>

“Offeror” or “Reach Luck”	Reach Luck International Limited, a company incorporated in the British Virgin Islands with limited liability and as at the date of this joint announcement is wholly-owned by Dr. Lam
“Possible Offer”	the possible unconditional mandatory cash offer to be made by Fortune Securities on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“SFC”	the Securities and Futures Commission of Hong Kong
“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
“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 date of this joint announcement (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 as ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the same 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 entire amount standing to the contributed surplus account of the Company will be applied to set off against part of the accumulated losses of the Company

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By Order of the sole director	By Order of the Board
<b>Reach Luck International Limited</b>	<b>Sinogreen Energy International Group Limited</b>
<b>Lam Yin Lok</b>	<b>Chau Chit</b>
<i>Director</i>	<i>Chairman</i>

Hong Kong, 25 July 2014

*As at the date of this joint announcement, Dr. Lam Yin Lok is the sole director of the Offeror.*

*As at the date of this joint announcement, the Board consists of two executive directors, namely Mr. Chau Chit and Mr. Tang Hao; and three independent non-executive directors, namely Mr. Lum Pak Sum, Mr. Wong Wai Kwan and Ms. Zhou Jianhong.*

*Dr. Lam Yin Lok, the sole director of the Offeror, accepts full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this joint announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offeror, Dr. Lam and parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the Offeror, Dr. Lam and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*