
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stock broker, or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in the Company, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stock broker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中国科技产业集团有限公司 CHINA TECHNOLOGY INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

- (1) CONNECTED TRANSACTION IN RELATION TO
LOAN CAPITALISATION;
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Giraffe Capital Limited

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

A letter from the Board is set out on pages 6 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Loan Capitalisation is set out on pages 17 to 18 of this circular. A letter of advice from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-20 of this circular.

A notice convening the EGM to be held at Turquoise Room, 3rd Floor, Gateway Hotel, Harbour City, 13 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 14 August 2020 at 2:30 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend and/or vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 2:30 p.m. (Hong Kong time) on Wednesday, 12 August 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the website of the Company at www.chinatechsolar.com and the website of GEM of the Stock Exchange at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the date of its posting.

28 July 2020

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

PRECAUTIONARY MEASURES FOR THE EGM

VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the novel coronavirus pneumonia (COVID-19) pandemic. For the health and safety of the Shareholders, the Company would like to remind Shareholders that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances and encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

PREVENTIVE MEASURES AT THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) and the recent development of the epidemic caused by COVID-19, the Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) A compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius will not be admitted to the EGM venue.
- (ii) Every attendee will be required to wear a surgical face mask within the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iii) Seats at the EGM venue will be arranged in such a manner so as to allow appropriate social distancing. As a result, there will be limited capacity for Shareholders. The Company may limit the number of attendees at the EGM as may be necessary to avoid overcrowding.
- (iv) Any person who (a) has travelled outside Hong Kong within 14 days immediately before the EGM ("**recent travel history**"), (b) is subject to quarantine or self-quarantine in relation to COVID-19, or (c) has close contact with any person under quarantine or with recent travel history shall not attend the EGM.
- (v) Any attendee who does not comply with the abovementioned measures will not be admitted to the EGM venue.
- (vi) No refreshments, corporate gifts or souvenirs will be served or distributed at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Subject to the development of the COVID-19 situation, the Company may implement further precautionary measures in respect of the EGM, and may issue further announcement(s) on such measures as and when appropriate.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	17
Letter from the Independent Financial Adviser	IFA-1
Appendix – General Information	APP-1
Notice of EGM	EGM-1

DEFINITIONS

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

“2020 Annual Report”	the annual report of the Company for the year ended 31 March 2020 dated 26 June 2020
“Announcement”	the announcement of the Company dated 3 July 2020 in relation to (i) the connected transaction in relation to the Loan Capitalisation; and (ii) the proposed issue of new Shares under the Specific Mandates
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Board”	the Board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which banks are generally open for business in Hong Kong
“Company”	China Technology Industry Group Limited
“Completion”	the completion of the Loan Capitalisation in accordance with the terms and conditions of the Subscription Agreements
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Turquoise Room, 3rd Floor, Gateway Hotel, Harbour City, 13 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 14 August 2020 at 2:30 p.m. (Hong Kong time) to consider and approve the Subscription Agreements, the Specific Mandates and the transactions contemplated under the Subscription Agreements in accordance with the GEM Listing Rules
“GEM”	the GEM of the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed thereto under the GEM Listing Rules

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Shareholders in respect of the Loan Capitalisation and the transactions contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser engaged by the Company to advise the Independent Board Committee and the Independent Shareholders, being Giraffe Capital Limited
“Independent Shareholder(s)”	Shareholder(s) other than Mr. Huang and his associates (including Mr. Huang Bo)
“Latest Practicable Date”	22 July 2020, being the latest practicable date prior to the printing of this circular for purpose of ascertaining certain information contained herein
“Loans”	Mr. Tse Loan and Mr. Huang Loan
“Loan Capitalisation”	Mr. Tse Loan Capitalisation and Mr. Huang Loan Capitalisation
“Long Stop Date”	30 September 2020, or such later date as may be agreed between parties to the respective Subscription Agreements
“Mr. Huang”	Mr. Huang Yuan Ming, the son of Mr. Huang Bo (a substantial shareholder of the Company)
“Mr. Huang Closing Date”	the third Business Day after the date upon which all conditions pursuant to the terms of Mr. Huang Subscription Agreement has been satisfied (or such other date as the Company and Mr. Huang agree in writing)

DEFINITIONS

“Mr. Huang Indebted Amount”	amount owed by the Group to Mr. Huang of approximately HK\$9,624,859, comprising an outstanding principal amount of Mr. Huang Loan of HK\$9,080,000 and accrued interest up to 30 June 2020 of approximately HK\$544,859
“Mr. Huang Loan Capitalisation”	the allotment and issuance by the Company, and the subscription by Mr. Huang, of Mr. Huang Subscription Shares on and subject to the terms and conditions set out in Mr. Huang Subscription Agreement to capitalise Mr. Huang Indebted Amount
“Mr. Huang Loan”	the unsecured loan at a fixed interest rate of 12% per annum with the aggregated principal amount of HK\$9,080,000 granted by Mr. Huang to the Group in accordance with the terms and conditions of the loan agreements executed between certain members of the Group and Mr. Huang on 28 August 2019, 29 October 2019, 13 December 2019, 31 January 2020 and 24 April 2020
“Mr. Huang Specific Mandate”	the special mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of Mr. Huang Subscription Shares
“Mr. Huang Subscription Agreement”	the subscription agreement entered into on 3 July 2020 by the Company and Mr. Huang in relation to Mr. Huang Loan Capitalisation
“Mr. Huang Subscription Shares”	98,994,980 new Shares available for the Mr Huang Loan Capitalisation at the Subscription Price, being the maximum number of Shares to be allotted and issued to Mr. Huang
“Mr. Tse”	Mr. Tse Man Kit Keith, an executive Director
“Mr. Tse Closing Date”	the third Business Day after the date upon which all conditions pursuant to the terms of Mr. Tse Subscription Agreement has been satisfied (or such other date as the Company and Mr. Tse agree in writing)

DEFINITIONS

“Mr. Tse Indebted Amount”	amount owed by the Group to Mr. Tse of approximately HK\$1,225,817, comprising an outstanding principal amount of Mr. Tse Loan of HK\$1,090,000 and accrued interest up to 30 June 2020 of approximately HK\$135,817
“Mr. Tse Loan”	the unsecured loan at a fixed interest rate of 12% per annum in the principal amount of HK\$1,090,000 granted by Mr. Tse to the Company in accordance with the terms and conditions of the loan agreement executed between Company and Mr. Tse on 17 June 2019
“Mr. Tse Loan Capitalisation”	the allotment and issuance by the Company, and the subscription by Mr. Tse, of Mr. Tse Subscription Shares on and subject to the terms and conditions set out in Mr. Tse Subscription Agreement to capitalise Mr. Tse Indebted Amount
“Mr. Tse Specific Mandate”	the special mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of Mr. Tse Subscription Shares
“Mr. Tse Subscription Agreement”	the subscription agreement entered into on 3 July 2020 by the Company and Mr. Tse in relation to Mr. Tse Loan Capitalisation
“Mr. Tse Subscription Shares”	12,587,857 new Shares available for Mr. Tse Loan Capitalisation at the Subscription Price, being the maximum number of Shares to be allotted and issued to Mr. Tse
“RMB”	Chinese Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandates”	Mr. Huang Specific Mandate and Mr. Tse Specific Mandate

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement
“Subscription Price”	the price payable of HK\$0.10 per Subscription Share for the Loan Capitalisation
“Subscription Shares”	Mr. Huang Subscription Shares and Mr. Tse Subscription Shares
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



中国科技产业集团有限公司
CHINA TECHNOLOGY INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

Executive Directors:

Chiu Tung Ping (*Chairman*)

Yuen Hing Lan

Hu Xin

Tse Man Kit Keith

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent Non-executive Directors:

Ma Xingqin

Meng Xianglin

Dong Guangwu

Principal place of business in Hong Kong:

Suite 704, 7th Floor,

Ocean Centre,

Harbour City,

Kowloon,

Hong Kong

28 July 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO
LOAN CAPITALISATION;
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A. INTRODUCTION

Reference is made to the Announcement in respect of the Loan Capitalisation and proposed issue of new Shares under the Specific Mandates in relation to the Loan Capitalisation.

LETTER FROM THE BOARD

The purpose of this circular is to provide Shareholders with (i) details of the Loan Capitalisation and the transactions contemplated thereunder (including the granting of the Specific Mandates); (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Loan Capitalisation; (iii) the advice from the Independent Financial Adviser on the Loan Capitalisation; (iv) other information as required under the GEM Listing Rules; and (v) a notice convening the EGM.

B. CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES

As disclosed in the 2020 Annual Report, Mr. Tse and Mr. Huang have provided the Loans to the Company as a support to the Company's business and daily operation, details of which are set out as follows:

Date of loan/Lender		Maturity date	Nature of loan	Interest rate	Principal amount as at 30 June 2020 HK\$
17 June 2019	Mr. Tse	30 September 2020	Term loan	12%	1,090,000
28 August 2019	Mr. Huang	27 August 2020	Term loan	12%	1,000,000
29 October 2019	Mr. Huang	28 October 2020	Term loan	12%	2,130,000
13 December 2019	Mr. Huang	12 December 2020	Term loan	12%	1,900,000
31 January 2020	Mr. Huang	30 January 2021	Term loan	12%	2,000,000
24 April 2020	Mr. Huang	23 April 2021	Term loan	12%	<u>2,050,000</u>
					<u><u>10,170,000</u></u>

As at 30 June 2020, the Group is indebted to (i) Mr. Tse a total amount of approximately HK\$1,225,817 (comprising an outstanding principal amount of Mr. Tse Loan of HK\$1,090,000 and accrued interest up to 30 June 2020 of approximately HK\$135,817) and (ii) Mr. Huang a total amount of approximately HK\$9,624,859 (comprising an outstanding principal amount of Mr. Huang Loan of HK\$9,080,000 and accrued interest up to 30 June 2020 of approximately HK\$544,859).

LETTER FROM THE BOARD

On 3 July 2020 (after trading hours of the Stock Exchange), the Company entered into Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement with Mr. Tse and Mr. Huang, respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of Mr. Tse and Mr. Huang has conditionally agreed to subscribe for Mr. Tse Subscription Shares and Mr. Huang Subscription Shares, respectively, at the Subscription Price. The subscription amount payable by Mr. Tse under Mr. Tse Subscription Agreement shall be satisfied by capitalising Mr. Tse Indebted Amount, and the subscription amount payable by Mr. Huang under Mr. Huang Subscription Agreement shall be satisfied by capitalising Mr. Huang Indebted Amount. Upon Completion, the Company shall save interest expenses of approximately HK\$988,284 for the following year immediately after the Completion, which will further improve the profitability of the Company.

Subscription Agreements

Set out below are the key terms of Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement:

Date: 3 July 2020 (after trading hours of the Stock Exchange)

Parties:

- (i) Mr. Tse Subscription Agreement: (a) the Company (as issuer); and (b) Mr. Tse (as subscriber)
- (ii) Mr. Huang Subscription Agreement: (a) the Company (as issuer); and (b) Mr. Huang (as subscriber)

Subscription of Subscription Shares: Pursuant to Mr. Tse Subscription Agreement, the Company has conditionally agreed to allot and issue and Mr. Tse has conditionally agreed to subscribe for Mr. Tse Subscription Shares at the Subscription Price. The subscription amount payable by Mr. Tse under Mr. Tse Subscription Agreement shall be satisfied by capitalising Mr. Tse Indebted Amount.

Pursuant to Mr. Huang Subscription Agreement, the Company has conditionally agreed to allot and issue and Mr. Huang has conditionally agreed to subscribe for Mr. Huang Subscription Shares at the Subscription Price. The subscription amount payable by Mr. Huang under Mr. Huang Subscription Agreement shall be satisfied by capitalising Mr. Huang Indebted Amount.

LETTER FROM THE BOARD

Subscription Price: HK\$0.10 per Subscription Share

The Subscription Price represents:

- (i) a premium of approximately 58.73% over the closing price of HK\$0.063 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreements;
- (ii) a premium of 56.25% over the average closing price of HK\$0.064 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements (excluding the date of the Subscription Agreements);
- (iii) a premium of approximately 66.67% over the closing price of HK\$0.06 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a premium of approximately 1,685.71% over the audited net asset value of the Company as at 31 March 2020 of approximately HK\$0.0056 per Share (calculated by dividing the audited equity attributable to owners of the Company as at 31 March 2020 of approximately RMB9,475,000 as shown in the 2020 Annual Report by the total number of Shares in issue as at 31 March 2020 of 1,835,232,850 Shares, with an exchange rate of RMB1 to HK\$1.09).

Subscription Shares:

- (i) 12,587,857 new Shares available for Mr. Tse Loan Capitalisation
- (ii) 98,994,980 new Shares available for the Mr Huang Loan Capitalisation

Assuming that there will be no change in the issued share capital of the Company between the date of this circular and the Completion and that the Completion will take place on the Long Stop Date (being the latest date that the Completion may take place), a maximum number of 111,582,837 new Shares will be allotted and issued. The Subscription Shares represent:

LETTER FROM THE BOARD

- (i) approximately 5.24% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 4.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares have an aggregate nominal value of HK\$11,158,283.7.

Conditions:

The completion of the Subscription Agreements is conditional upon:

- (i) in respect of Mr. Tse Subscription Agreement, the passing of the resolutions by the Shareholders of the Company at the EGM of the Company to approve Mr. Tse Subscription Agreement, Mr. Tse Specific Mandate and the transactions contemplated under Mr. Tse Subscription Agreement including the issue of Mr. Tse Subscription Shares;
- (ii) in respect of Mr. Huang Subscription Agreement, the passing of the resolutions by the Independent Shareholders of the Company at the EGM of the Company to approve Mr. Huang Subscription Agreement, Mr. Huang Specific Mandate and the transactions contemplated under Mr. Huang Subscription Agreement including the issue of Mr. Huang Subscription Shares; and
- (iii) the GEM Listing Committee granting the listing of, and permission to deal in, the relevant Subscription Shares, and such permission and listing not subsequently being revoked.

The Subscription Agreements are not inter-conditional.

LETTER FROM THE BOARD

Ranking of Subscription Shares: The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

Completion: Completion of Mr. Tse Loan Capitalisation shall take place at Suite 704, 7/F, Ocean Centre, Harbour City, Kowloon on Mr. Tse Closing Date and completion of Mr. Huang Loan Capitalisation shall take place at Suite 704, 7/F, Ocean Centre, Harbour City, Kowloon on Mr. Huang Closing Date.

Specific Mandates

The Subscription Shares will be allotted and issued under the Specific Mandates proposed to be sought from the Shareholders or Independent Shareholders (as the case may be) at the EGM.

Application for listing

An application will be made by the Company to the GEM Listing Committee for listing of, and permission to deal in, the Subscription Shares.

C. REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION

The principal activity of the Company is investment holding. The Group is principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine systems and printing systems; and (iv) provision of hardware and software technical support services in the People's Republic of China.

As disclosed in the 2020 Annual Report, the Company recorded a total liability of approximately RMB132,451,000 as at 31 March 2020. As at 30 June 2020, the aggregate outstanding principal amounts of the Loans and accrued interest owed by the Company to Mr. Tse and Mr. Huang was approximately HK\$10,850,676. As interest rates of the Loans are 12% per annum, the financial costs arising from such debts represent a heavy interest burden to the Group. Upon Completion, the Company shall save interest expenses of approximately HK\$988,284 for the following year immediately after the Completion, which will further improve the profitability of the Company.

LETTER FROM THE BOARD

In addition, the Loans will mature between September 2020 and April 2021. The Company's bank balances and cash of approximately RMB4,076,000 as at 31 March 2020 may be difficult to meet the repayment obligations in respect of the Loans on or before the maturity date with the existing financial resources of the Company.

As such, the Directors consider the Loan Capitalisation will (i) ease the repayment pressure of the Loans on the Group, (ii) lower the gearing ratio of the Group, (iii) retain cashflow of the Group for its future business development and (iv) strengthen the financial position and capital structure of the Group.

Further, the Directors have also considered that the Subscription Price is at a premium of approximately 58.73% over the closing price of HK\$0.063 per Share as quoted on the Stock Exchange as at the date of the Subscription Agreements and a premium of approximately 56.25% over the average closing price of HK\$0.064 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of the Subscription Agreements (excluding the date of the Subscription Agreements). Accordingly, the issuance of the Subscription Shares would not cause any dilution in value of the Shares held by the Shareholders.

In view of the above, the Directors consider that the terms of the Subscription Agreements are fair and reasonable and the entering into of the Subscription Agreements is in the interests of the Company and the Shareholders as a whole.

D. EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activity in the 12-month period immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

E. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Loan Capitalisation, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion and that the maximum number of Subscription Shares are allotted and issued:

	As at the Latest Practicable Date		Immediately after Completion	
	<i>No. of shares</i>	%	<i>No. of shares</i>	%
Directors				
Mr. Tse	–	–	12,587,857	0.56
Sub-total	–	–	12,587,857	0.56
Substantial Shareholders				
Huang Bo	434,129,674	20.37	434,129,674	19.36
Li Xiao Yan	295,472,031	13.87	295,472,031	13.18
Hou Hsiao Bing ¹	131,140,000	6.15	131,140,000	5.85
Mr. Huang	80,000,000	3.75	178,994,980	7.98
Sub-total	940,741,705	44.14	1,039,736,685	46.37
Public Shareholders	<u>1,189,963,176</u>	<u>55.85</u>	<u>1,189,963,176</u>	<u>53.07</u>
Total	<u>2,130,704,881</u>	<u>100.00</u>	<u>2,242,287,718</u>	<u>100.00</u>

Note 1: Hou Hsiao Bing was a Director until his retirement on 26 August 2019.

LETTER FROM THE BOARD

F. GEM LISTING RULES IMPLICATIONS

Mr. Tse is an executive Director and therefore, Mr. Tse is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, Mr. Tse Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, Mr Huang is interested in 80,000,000 Shares, representing approximately 3.75% of the total issued share capital of the Company. Mr. Huang is also the son of Mr. Huang Bo, a substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Huang Bo is interested in 434,129,674 Shares, representing approximately 20.37% of the total issued share capital of the Company. Accordingly, Mr. Huang is an associate of a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, Mr. Huang Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Given that Mr. Huang Bo and Mr. Huang have a material interest in Mr. Huang Loan Capitalisation, Mr. Huang Bo and Mr. Huang are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Mr. Huang Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Mr. Huang Subscription Shares under Mr. Huang Specific Mandate). Mr. Tse, being the executive Director, had abstained from voting on the Board resolution(s) for approving Mr. Tse Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Mr. Tse Subscription Shares under Mr. Tse Specific Mandate).

The Independent Board Committee has been established to advise the Independent Shareholders (taking into account the recommendation of the Independent Financial Adviser) as to whether the terms of each of the Subscription Agreements and the transactions contemplated thereunder are (i) fair and reasonable, (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group and (iii) in the interests of the Company and its Shareholders as a whole and how to vote on each of the Subscription Agreements and the transactions contemplated thereunder. Giraffe Capital Limited has been appointed by the Company with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

G. EGM

Set out on pages EGM-1 to EGM-4 is a notice convening the EGM to be held at Turquoise Room, 3rd Floor, Gateway Hotel, Harbour City, 13 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, on Friday, 14 August 2020 at 2:30 p.m. (Hong Kong time) for the purpose of considering and, if thought fit, approving each of the Subscription Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandates for the allotment and issue of the Subscription Shares.

Any Shareholder who is interested in the Loan Capitalisation shall abstain from voting on the resolution(s) to approve the relevant Subscription Agreements and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, (i) no Shareholder is interested in Mr. Tse Loan Capitalisation and will be required to abstain from voting on the resolution(s) to approve Mr. Tse Subscription Agreement and the transactions contemplated thereunder at the EGM; and (ii) save for Mr. Huang and Mr. Huang Bo, no other Shareholder is interested in Mr. Huang Loan Capitalisation and will be required to abstain from voting on the resolution(s) to approve Mr. Huang Subscription Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not Shareholders are able to attend the EGM in person, Shareholders are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 2:30 p.m. (Hong Kong time) on Wednesday, 12 August 2020 or not later than 48 hours before the time appointed for any adjournment of the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof (as the case maybe) should they so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

H. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be eligible to attend and vote at the EGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Monday, 10 August 2020.

LETTER FROM THE BOARD

I. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Loan Capitalisation and the transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend (i) the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve Mr. Tse Loan Capitalisation and the transactions contemplated thereunder (including the granting of Mr. Tse Specific Mandate); and (ii) the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve Mr. Huang Loan Capitalisation and the transactions contemplated thereunder (including the granting of Mr. Huang Specific Mandate).

Your attention is also drawn to (i) the letter from the Independent Board Committee, (ii) the letter from the Independent Financial Adviser and (iii) the appendix to this circular.

By Order of the Board
China Technology Industry Group Limited
Chiu Tung Ping
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders as to its opinion and recommendations in respect of the Loan Capitalisation.



中国科技产业集团有限公司 CHINA TECHNOLOGY INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

28 July 2020

To the Independent Shareholders

Dear Sir or Madam,

(1) CONNECTED TRANSACTION IN RELATION TO LOAN CAPITALISATION; AND (2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATES

We refer to the circular of the Company dated 28 July 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been formed to advise you in respect of the Loan Capitalisation and the transactions contemplated thereunder (including the granting of the Specific Mandates). Giraffe Capital Limited has been appointed as the independent financial adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons that have taken into consideration in giving such advice, are set out on pages IFA-1 to IFA-20 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Loan Capitalisation, and taking into account the advice of Giraffe Capital Limited, in particular, the principal factors, reasons and recommendation as set out in its letter, we consider that while the entering into of the Subscription Agreements is not in the ordinary and usual course of business of the Group, the Loan Capitalisation is (i) on normal commercial terms or better; (ii) in the interest of the Company and the Independent Shareholders as a whole; and (iii) the terms of each of Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Loan Capitalisation and the transactions contemplated thereunder (including the granting of the Specific Mandates).

Yours faithfully,

For and on behalf of

Independent Board Committee

Ma Xingqin

Meng Xianglin

Dong Guangwu

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



Giraffe Capital Limited

28 July 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**CONNECTED TRANSACTION IN RELATION
TO LOAN CAPITALISATION
AND
PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATES**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Subscription Agreements and the transactions contemplated thereunder. Details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 28 July 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 3 July 2020, the Company entered into Mr. Tse Subscription Agreement and Mr. Huang Subscription Agreement with Mr. Tse and Mr. Huang, respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of Mr. Tse and Mr. Huang has conditionally agreed to subscribe for Mr. Tse Subscription Shares and Mr. Huang Subscription Shares at the Subscription Price, respectively. The subscription amount payable by Mr. Tse under Mr. Tse Subscription Agreement shall be satisfied by capitalising Mr. Tse Indebted Amount, and the subscription amount payable by Mr. Huang under Mr. Huang Subscription Agreement shall be satisfied by capitalising Mr. Huang Indebted Amount.

The Subscription Shares will be issued by the Company under the Specific Mandates. The Company will seek the grant of Mr. Tse Specific Mandate from the Shareholders at the EGM and the grant of Mr. Huang Specific Mandate from the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Tse is an executive Director and therefore, Mr. Tse is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, Mr. Tse Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

As at the Latest Practicable Date, Mr. Huang is interested in 80,000,000 Shares, representing approximately 3.75% of the total issued share capital of the Company. Mr. Huang is also the son of Mr. Huang Bo, a substantial Shareholder of the Company. As at the Latest Practicable Date, Mr. Huang Bo is interested in 434,129,674 Shares, representing approximately 20.37% of the total issued share capital of the Company. Accordingly, Mr. Huang is an associate of a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, Mr. Huang Loan Capitalisation constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules, and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Given that Mr. Huang Bo and Mr. Huang have a material interest in Mr. Huang Loan Capitalisation, Mr. Huang Bo and Mr. Huang are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve Mr. Huang Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Mr. Huang Subscription Shares under Mr. Huang Specific Mandate). Mr. Tse, being the executive Director, had abstained from voting on the Board resolution(s) for approving Mr. Tse Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of Mr. Tse Subscription Shares under Mr. Tse Specific Mandate).

The EGM will be convened for the Shareholders and the Independent Shareholders (as the case maybe) to consider and, if thought fit, approve each of the Subscription Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandates for the allotment and issue of the Subscription Shares.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, has been established to advise the independent Shareholders on the matters in relation to the Loan Capitalisation and the transactions contemplated thereunder pursuant to the Specific Mandates. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

discloseable and connected transaction in relation to acquisition of the remaining 40% equity interest in Tianjin Hengqing Photovoltaic Technology Limited* (天津恒慶光伏科技有限公司) as detailed in the circular of the Company dated 23 January 2020. Notwithstanding the above engagement, as at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 17.96 of the GEM Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, to give independent advice on the terms of the Subscription Agreements and the transactions contemplated thereunder.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, amongst others, (i) the Subscription Agreements; (ii) the 2020 Annual Report; (iii) the annual report of the Company for the year ended 31 March 2019 (the “**2019 Annual Report**”); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors were true and accurate the time when they are made and continue to be true up to the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or their respective subsidiaries or associates, nor have we carried out any independent verification of the information provided by the Directors and management of the Company. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

* *for identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the issue of the Subscription Shares pursuant to the Specific Mandates, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Loan Capitalisation, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

As disclosed in the 2020 Annual Report, the Group is principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine systems and printing systems; and (iv) provision of hardware and software technical support services in the People's Republic of China (the "PRC").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial information of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 March 2020 extracted from the 2019 Annual Report and 2020 Annual Report:

Financial performance of the Group

	For the year ended 31 March	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Revenue		
– Sales of solar power related products	79,978	25,774
– Provision of new energy power system integration services	<u>82,805</u>	<u>65,312</u>
	162,783	91,086
Gross profit	35,722	8,685
Gross profit margin	21.9%	9.5%
Loss for the year	(51,275)	(30,853)
Loss attributable to owners of the Company	(53,529)	(26,920)

For the years ended 31 March 2019 and 2020, the Group generated revenue mainly from two business segments, being (i) sales of solar power related products; and (ii) provision of new energy power system integration services. The Group's business of sales of solar power related products includes the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar power related products. After negotiating and securing contracts with the engineering, procurement, and construction contractors of construction projects of solar photovoltaic power station, the Group will supply the solar power related products (mainly mounting) required under such projects and be responsible for their design optimisation. The Group will also assess the geological condition of the construction site and propose specific design, requirements and standards for such construction and engage mounting manufacturers to provide the relevant products. The Group's provision of new energy power system integration services refers to the optimisation of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Group will source equipment and products from different vendors based on the scale and capacity of the respective new energy power stations and carry out integration of the separate equipment, functions and information into a connected, unified and coordinated system.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Power system integration can optimise the utilisation of resources and achieve higher efficiency and lower cost management. The Group also provides subsequent system management services to the new energy power stations.

Comparison of financial performance between the year ended 31 March 2019 and 2020

Based on the 2020 Annual Report, the revenue of the Group decreased from approximately RMB162.8 million for the year ended 31 March 2019 to approximately RMB91.0 million for the year ended 31 March 2020, representing a decrease of approximately 44.0%. Such decrease was mainly attributable to the decrease in the revenue generated from the sales of solar power related products and provision of new energy power system integration services by approximately RMB54.2 million and RMB17.5 million, respectively, during the year ended 31 March 2020. The decrease in sales of solar power related products was mainly due to (i) the delivery of the solar power related products has been suspended; and (ii) no revenue arising from the sales of solar power related products was recorded from 1 January 2020 to 31 March 2020 due to the impact of a new coronavirus (COVID-19) outbreak (the “**Outbreak**”) which has spread, among other places, in the PRC since January 2020. The decrease in the revenue generated from provision of new energy power system integration services was mainly due to (i) no construction work had been conducted; and (ii) no revenue was generated from the new energy power system integration business from 1 January 2020 to 31 March 2020 due to the Outbreak.

The Group’s gross profit margin was approximately 9.5% for the year ended 31 March 2020, as compared to approximately 21.9% for the year ended 31 March 2019. The decrease in the gross profit margin was attributable to the increase in cost for the new energy power system integration business due to the severe climate conditions in the PRC during the year under review.

The Group’s loss attributable to owners of the Company decreased from approximately RMB53.5 million for the year ended 31 March 2019 to approximately RMB26.9 million for the year ended 31 March 2020, which was mainly due to (i) the absence of the impairment loss on goodwill for the year ended 31 March 2020, which amounted to approximately RMB32.1 million for the year ended 31 March 2019; (ii) the decrease in impairment loss recognised on accounts and bills receivable for the year ended 31 March 2020; and (iii) the decrease in income tax expense for the year ended 31 March 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial position of the Group

	For the year ended 31 March	
	2019	2020
	RMB'000 (Audited)	RMB'000 (Audited)
Current assets	161,327	138,353
– Bank balances and cash	2,641	4,076
Current liabilities	93,169	96,299
– Loans from Directors and Mr. Huang	2,573	10,511
– Other payables due to Directors and related parties	4,326	46,130
Net current assets	68,158	42,054
Total assets	161,691	141,559
Total liabilities	121,730	132,451
Gearing ratio	75.3%	93.6%
Debtors' turnover days	200	419

Comparison of financial performance between the year ended 31 March 2019 and 2020

Bank balance and cash

The bank balances and cash of the Group amounted to approximately RMB2.6 million and RMB4.1 million as at 31 March 2019 and 2020, respectively. The relatively low bank balances and cash over the years was mainly due to continuous net cash used in the Group's operating activities which amounted to approximately RMB35.5 and RMB5.3 million for the year ended 31 March 2019 and 2020, respectively.

Loans from Directors and Mr. Huang

The balance as at 31 March 2020 represented loans advanced from (i) Mr. Tse and Mr. Huang of approximately RMB1.1 million and RMB6.7 million, respectively, which were both interest bearing at 12% per annum, unsecured and repayable on demand; and (ii) an executive Director, Mr. Chiu Tung Ping of approximately RMB2.7 million, which was non-interest bearing, unsecured and repayable on demand.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Other payables due to Directors and related parties

Other payables due to directors and related parties of the Group increased from approximately RMB4.3 million as at 31 March 2019 to approximately RMB46.1 million as at 31 March 2020, mainly due to the increase in loan advance from companies controlled by Mr. Huang amounted to approximately RMB40.5 million, which are non-trade in nature, unsecured, interest free and repayable on demand.

Gearing ratio

Based on the 2020 Annual Report, the gearing ratio of the Group was approximately 75.3% and 93.6% as at 31 March 2019 and 2020 respectively. The increase in the gearing ratio was due to (i) the decrease in total assets of the Company by approximately RMB20.1 million as a result of the increase in right-of-use assets, accounts and bills receivable and bank balances and cash of approximately RMB2.3 million, RMB34.5 million and RMB1.4 million, respectively, which was partly offset by the decrease in other receivables, deposits and prepayments and contract assets by approximately RMB37.4 million and RMB20.3 million, respectively; and (ii) the increase in total liabilities of the Company by approximately RMB10.7 million which was due to the increase in other payables and accruals, other loans, lease liabilities, and convertible bonds by approximately RMB29.7 million, RMB7.9 million, RMB2.4 million and RMB6.1 million, respectively, which was partly offset by the decrease in accounts payables and taxation payable of approximately RMB33.4 million and RMB2.0 million, respectively during the year ended 31 March 2020.

2. Principal terms of the Subscription Agreements

2.1 Date:

3 July 2020 (after trading hours of the Stock Exchange)

2.2 Parties:

- (i) Mr. Tse Subscription Agreement: (a) the Company (as issuer); and (b) Mr. Tse (as subscriber)
- (ii) Mr. Huang Subscription Agreement: (a) the Company (as issuer); and (b) Mr. Huang (as subscriber)

2.3 Subscription of Subscription Shares:

Pursuant to Mr. Tse Subscription Agreement, the Company has conditionally agreed to allot and issue and Mr. Tse has conditionally agreed to subscribe for Mr. Tse Subscription Shares at the Subscription Price. The subscription amount payable by Mr. Tse under Mr. Tse Subscription Agreement shall be satisfied by capitalising Mr. Tse Indebted Amount.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Mr. Huang Subscription Agreement, the Company has conditionally agreed to allot and issue and Mr. Huang has conditionally agreed to subscribe for Mr. Huang Subscription Shares at the Subscription Price. The subscription amount payable by Mr. Huang under Mr. Huang Subscription Agreement shall be satisfied by capitalising Mr. Huang Indebted Amount.

2.4 Subscription Price

The Subscription Price of HK\$0.10 per Subscription Share represents:

- (i) a premium of approximately 58.73% over the closing price of HK\$0.063 per Share as quoted on the Stock Exchange as at the date of Subscription Agreements;
- (ii) a premium of 56.25% over the average closing price of HK\$0.064 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately preceding the date of Subscription Agreements (excluding the date of Subscription Agreements);
- (iii) a premium of approximately 66.67% over the closing price of HK\$0.06 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (iv) a premium of approximately 1,685.71% over the audited net asset value of the Company as at 31 March 2020 of approximately HK\$0.0056 per Share (calculated by dividing the audited equity attributable to owners of the Company as at 31 March 2020 of approximately RMB9,475,000 as shown in the 2020 Annual Report by the total number of Shares in issue as at 31 March 2020 of 1,835,232,850 Shares, with an exchange rate of RMB1 to HK\$1.09).

2.5 Subscription Shares

- (i) 12,587,857 new Shares available for Mr. Tse Loan Capitalisation
- (ii) 98,994,980 new Shares available for the Mr. Huang Loan Capitalisation

Assuming that there will be no change in the issued share capital of the Company between the date of this circular and the Completion and that the Completion will take place on the Long Stop Date (being the latest date that the Completion may take place), a maximum number of 111,582,837 new Shares will be allotted and issued. The Subscription Shares represent:

- (i) approximately 5.24% of the existing issued share capital of the Company as at the Latest Practicable Date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) approximately 4.98% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

2.6 Conditions

The completion of the Subscription Agreements is conditional upon:

- (i) in respect of Mr. Tse Subscription Agreement, the passing of the resolutions by the Shareholders of the Company at the EGM of the Company to approve Mr. Tse Subscription Agreement, Mr. Tse Specific Mandate and the transactions contemplated under Mr. Tse Subscription Agreement including the issue of Mr. Tse Subscription Shares;
- (ii) in respect of Mr. Huang Subscription Agreement, the passing of the resolutions by the Independent Shareholders of the Company at the EGM of the Company to approve Mr. Huang Subscription Agreement, Mr. Huang Specific Mandate and the transactions contemplated under Mr. Huang Subscription Agreement including the issue of Mr. Huang Subscription Shares; and
- (iii) the GEM Listing Committee granting the listing of, and permission to deal in, the relevant Subscription Shares, and such permission and listing not subsequently being revoked.

The Subscription Agreements are not inter-conditional.

2.7 Ranking of Subscription Shares

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of their allotment and issue.

3. Reasons for and benefits of the Loan Capitalisation

3.1 Financial difficulties encountered by the Group in recent years

As shown in the section headed “1. Information on the Group – 1.2. Financial information of the Group” in this letter, the Group has been suffering from (i) continuous loss from operations which amounted to approximately RMB51.3 million and RMB30.9 million for the year ended 31 March 2019 and 2020, respectively; (ii) relatively low bank balances and cash over the years due to continuous net cash used in the Group’s operating activities which amounted to approximately RMB35.5 million and RMB5.3 million for the year ended 31 March 2019 and 2020, respectively; and (iii) the increasing borrowings of the Group which resulted in the gearing ratio increased from approximately 75.3% as at 31 March 2019 to approximately 93.6% as at 31 March 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the 2020 Annual Report, the Group's accounts and bills receivable, before allowance for credit losses, increased from approximately RMB80.3 million as at 31 March 2019 to approximately RMB128.6 million as at 31 March 2020. As discussed with the management of the Company, the reason for the significant increase in the Group's accounts and bills receivable was mainly due to the general delay in the settlement of receivables by its customers for the year ended 31 March 2020. Despite that Group normally allows credit period of 180 days, the Group's average accounts and bills receivable turnover days¹ increased from approximately 200 days for the year ended 31 March 2019 to approximately 419 days for the year ended 31 March 2020. As advised by the management of the Company, the Group has been actively liaising with its customers to collect the receivables aged more than the average credit period. However, there are practical difficulties and uncertainty to recover most of its receivables in a short time for the purpose of resolving this short-term liquidity problem of the Group. In view of the above, we concur with the Directors that it is impracticable to settle the outstanding indebtedness in a timely manner solely rely on the proceeds from the collection of its accounts and bills receivable.

3.2 Reduce the gearing level and lower the financial burdens of the Group

Based on the 2020 Annual Report, the Group recorded a total liability of approximately RMB132.5 million as at 31 March 2020. According to the Letter from the Board, as at 30 June 2020, the Group is indebted to (i) Mr. Tse a total amount of approximately HK\$1,225,817 (comprising an outstanding principal amount of Mr. Tse Loan of HK\$1,090,000 and accrued interest up to 30 June 2020 of approximately HK\$135,817); and (ii) Mr. Huang a total amount of approximately HK\$9,624,859 (comprising an outstanding principal amount of Mr. Huang Loan of HK\$9,080,000 and accrued interest up to 30 June 2020 of approximately HK\$544,859). We understand from the management of the Company that as the interest rates of the above loans are 12% per annum, the resulting financial costs represent a heavy interest burden to the Group, considering (i) the low level of the Group's bank balances and cash; and (ii) the continuous loss from operations in recent years. Upon Completion, the Company shall save interest expenses of approximately HK\$988,284 for the following year immediately after the Completion, which will further improve the profitability of the Company. Taking into account the abovementioned financial difficulties of the Group, we concur with the Directors that the Loan Capitalisation enables the Group to (i) settle part of its existing liabilities without depleting its existing financial resources; (ii) reduce its gearing level; and (iii) lower the financial burdens in terms of reduced interest expenses of the Group, which is in the interests of the Company and its Shareholders as a whole.

¹ Average accounts and bills receivable turnover days are calculated based on the average of the beginning and ending balance of accounts and bills receivable, before allowance for credit losses, for the year divided by the revenue for the relevant year and multiplied by the number of days in the relevant year.

3.3 Financing alternatives of the Group

As discussed with the management of the Company, they have considered alternative means of repaying the loans (such as by way of bank borrowings and other equity financing) other than the Loan Capitalisation. Given the current financial performance and position of the Group (in particular, the continual loss from operations for the last four financial years and the high gearing ratio of approximately 93.6% as at 31 March 2020), the management of the Company considers that it is unlikely for the Group to obtain a considerable amount of borrowing from banks at a reasonable interest rate. Furthermore, even if the Group could obtain bank borrowing, such bank borrowing will inevitably increase interest burden and further deteriorate the gearing level of the Group. Considering the existing liabilities level and gearing ratio of the Group and ongoing financing costs associated, we concur with the Directors that bearing additional liabilities would not be in the interests of the Company in the longer run.

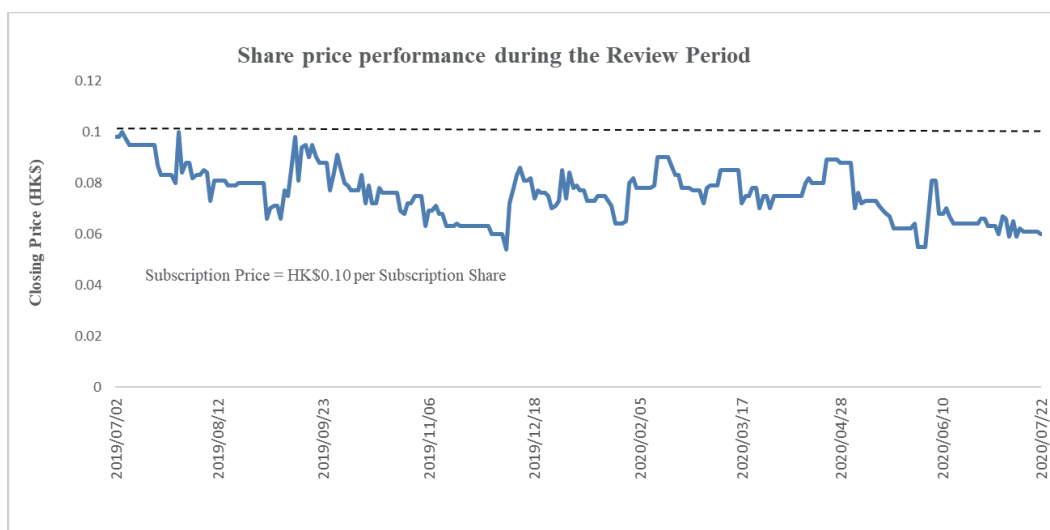
In respect of other equity financing for repaying the loans, such as placing of Shares, open offer and rights issue, the management of the Company are of the view that (i) in view of the unattractive stock performance and low trading liquidity of the Shares, it would also be difficult for the Group to secure placing agent or underwriter for placing of Shares, open offer or rights issue without offering deep discount to the issue price to attract subscription in light of the Group's current unfavourable financial performance and position; (ii) the success of equity financing is also highly dependent on the then market condition and sentiment; and (iii) cost for documentation works, administrative and professional fees for equity financing is relatively high as compared to the Loan Capitalisation. On the contrary, the Loan Capitalisation will (i) settle part of the Group's existing liabilities without depleting its existing financial resources; (ii) enlarge the capital base of the Company; (iii) reduce the Group's gearing level; and (iv) lower the financial burdens in terms of reduced interest expenses of the Group. As such, we concur with the Directors that the Loan Capitalisation is comparatively a more appropriate and viable means of repaying the loans.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Assessment of the Subscription Price

4.1 Historical share price analysis

In assessing the fairness and reasonableness of the Subscription Price, we have assessed the daily closing price level of the Shares from 2 July 2019 (being the first trading day of the 12-month period prior to the date of the Subscription Agreements) up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period which covers a full year prior to the date of the Subscription Agreements represent a reasonable period to provide a general overview of the historical trend of the Share price when assessing the Subscription Price. The comparison of the historical closing price of the Shares during the Review Period and the Subscription Price are illustrated as follows:



Source: the website of the Stock Exchange

During the Review Period, the lowest and highest closing price of the Shares were HK\$ 0.054 per Share recorded on 6 December 2019 and HK\$0.10 per Share recorded on 4 July 2019 and 26 July 2019, respectively. The average daily closing price of the Shares during the Review Period was approximately \$0.076 per Share.

The Subscription Price of HK\$0.10 per Subscription Share represents (i) the highest closing price during the Review Period; (ii) a premium of approximately 85.2% over the lowest closing price; and (iii) a premium of approximately 31.6% over the average daily closing price during the Review Period. We are of the view that the Subscription Price is fair and reasonable from the perspective of historical Share price trend.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Liquidity analysis

In addition to the historical Share price movement, we have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

	Average daily trading volume of Shares for the month/ period <i>(number of Shares)</i>	Percentage of average daily trading volume of Shares to the total issued Shares <i>(%)</i>
2019		
July	166,818	0.009
August	32,745	0.002
September	243,571	0.013
October	200,238	0.011
November	154,048	0.008
December	243,500	0.013
2020		
January	184,500	0.010
February	88,000	0.005
March	77,955	0.004
April	49,474	0.002
May	218,250	0.010
June	149,524	0.007
July (up to the Latest Practicable Date)	39,333	0.002
Maximum	243,571	0.013
Minimum	32,745	0.002
Average	142,150	0.007

Source: the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, during the Review Period, the average daily trading volume of the Shares for the month/period ranged between 32,745 Shares and 243,571 Shares, representing approximately 0.002% to 0.013% of the number of total issued Shares, respectively. We consider that the trading of the Shares was relatively thin during the Review Period. Given such limited liquidity, we concur with the Directors' view that issuance of new Shares to potential investors to raise funds will likely require a considerable level of discount to the prevailing market price of the Shares as an incentive and it would be difficult for the Group to pursue sizeable equity financing alternatives in the stock market.

4.3 Transaction comparable analysis

We have also, on a best-efforts and exhaustive bases, reviewed comparable transactions based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) companies that had published announcements in relation to issuance of shares for loan capitalisation, placing and subscription of new shares under specific mandate with proceeds used in settling outstanding indebtedness during the period from 3 January 2020 up to 3 July 2020, being approximately six months prior to the entering into of the Subscription Agreements (the "**Comparable Transactions**").

Considering that the review period of approximately six months immediately prior to the date of the Subscription Agreements is adequate and appropriate to capture the most recent market practice and reflect the general trend of the Comparable Transactions, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Subscription Price, can provide a general reference to the Independent Shareholders as they can reflect market trends of the terms involved in issuing shares for loan capitalisation. Independent Shareholders should be aware that the principal business, operational scale, financial performance and position, as well as the market trading price and liquidity trends of the companies of the Comparable Transactions may not be the same as, or may be substantially different from, that of the Company. We have not conducted detailed investigation into these areas for the purpose of this analysis. We believe the identified Comparable Transactions listed below to be exhaustive and is sufficient for us to form a view on the reasonableness of the Subscription Price. Set out below is our analysis on the Comparable Transactions:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of initial announcement	Stock code	Company name	Premium/ (discount)	Premium/ (discount)
			of the placing/ subscription/ issue price over/(to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)	of the placing/ subscription/issue price over/(to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)
6 Feb 2020	875	China Finance Investment Holdings Limited	(31.6)	(35.0)
2 Mar 2020	8158	China Regenerative Medicine International Limited	(5.7)	(16.8)
9 Apr 2020	8368	Creative China Holdings Limited <i>(Note 1)</i>	8.9	6.8
22 May 2020	155	China Solar Energy Holdings Limited <i>(Note 1, 2)</i>	(91.7)	(92.7)
27 May 2020	1239	Teamway International Group Holdings Limited	(14.9)	(15.6)
6 Jul 2020	817	China Jinmao Holdings Group Limited <i>(Note 1)</i>	(6.6)	1.6
		Maximum	8.9	6.8
		Minimum	(31.6)	(35.0)
		Average	(10.0)	(11.8)
		Subscription Price	58.7	56.3

Source: the website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. *These companies have yet to publish the respective circulars as at the Latest Practicable Date.*
2. *We have deselected China Solar Energy Holdings Limited in comparison to eliminate the effect of outlier to the result. It is noted that there were allegations made against the some of its subsidiaries and its directors, and its trading in shares had been suspended since 16 August 2013, which may render the circumstance surrounding its issuance of new shares unique.*

We noted that the range of the placing/subscription/issue prices of the Comparable Transactions, as compared to their closing prices per share on the respective last trading days, is from a discount of approximately 31.6% to a premium of approximately 8.9%, with an average of a discount of approximately 10.0%. When comparing the placing/issue prices of the Comparable Transactions to their average closing prices per share for the five consecutive trading days prior to the dates of relevant announcements, the range is from a discount of approximately 35.0% to a premium of approximately 6.8%, with an average of a discount of approximately 11.8%. The Subscription Price represents a premium of approximately 58.7% over the closing price of the Shares on the last trading date prior to the date of the Subscription Agreements and a premium of approximately 56.3% over the average closing price of the Shares on last five consecutive trading days prior to the date of the Subscription Agreements. The Subscription Price is higher than the highest premium of the subscription prices in the Comparable Transactions at each of the last trading day and last five consecutive trading days prior to the date of relevant agreements.

Based on the above, we consider that the Subscription Price is reasonable compared to those in the Comparable Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Effects on the Shareholding Structure of the Company

Below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Loan Capitalisation, assuming that there is no other change in the issued share capital of the Company between the Latest Practicable Date and the Completion and that the maximum number of Subscription Shares are allotted and issued:

Directors	As at the Latest Practicable Date		Immediately after Completion	
	No. of shares	%	No. of shares	%
Mr. Tse	–	–	12,587,857	0.56
Sub-total	–	–	12,587,857	0.56
Substantial Shareholders				
Huang Bo	434,129,674	20.37	434,129,674	19.36
Li Xiao Yan	295,472,031	13.87	295,472,031	13.18
Hou Hsiao Bing (Note)	131,140,000	6.15	131,140,000	5.85
Mr. Huang	80,000,000	3.75	178,994,980	7.98
Sub-total	940,741,705	44.14	1,039,736,685	46.37
Public Shareholders	<u>1,189,963,176</u>	<u>55.85</u>	<u>1,189,963,176</u>	<u>53.07</u>
Total	<u>2,130,704,881</u>	<u>100.00</u>	<u>2,242,287,718</u>	<u>100.00</u>

Note: Hou Hsiao Bing was a Director until his retirement on 26 August 2019.

We noted that the shareholding of the existing public Shareholders would decrease from approximately 55.85% to 53.07% immediately after the Completion of the Loan Capitalisation, representing a dilution of approximately 2.78%. Despite the Loan Capitalisation will incur dilution effect on the shareholding of the existing Shareholders, taking into account that (i) no discount is to be made for issuing the Subscription Shares over the market price of the Shares as of the date of the Subscription Agreements; (ii) the Loan Capitalisation can settle part of the Group's existing liabilities without depleting its existing financial resources; (iii) the Loan Capitalisation can lower the gearing ratio of the Group; and (iv) the Loan Capitalisation can improve the Group's profitability by reducing the interest expense, we consider that the possible dilution effects on the shareholding interests of the public Shareholders to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Possible financial effects of the Loan Capitalisation

6.1 Gearing ratio

Upon Completion, the principal amount of loan from Mr. Tse and Mr. Huang is expected to decrease by approximately HK\$10.2 million (equivalent to approximately RMB9.3 million) without depleting the Group's existing financial resources. Therefore, for illustration purpose and assuming other factors remain constant, the gearing ratio of the Group, being calculated by dividing total liabilities by total assets, is expected to decrease by approximately 6.6% to approximately 87.0%.

6.2 Net asset value

Based on the 2020 Annual Report, the net asset value of the Group as at 31 March 2020 was approximately RMB9.1 million. Upon the Completion, the principal amount of loan from Mr. Tse and Mr. Huang is expected to decrease by approximately HK\$10.2 million (equivalent to approximately RMB9.3 million) without depleting the Group's existing financial resources. Therefore, it is expected that the net asset value of the Group will increase upon the Completion.

Given that the Subscription Price is higher than the audited consolidated net asset value per Share as at 31 March 2020, it is expected that the net asset value per Share would be increased upon Completion.

6.3 Earnings

As the loans owed by the Company to Mr. Tse and Mr. Huang bear an interest rates of 12% per annum, the Loan Capitalisation will enable the Group to save on finance costs. According to the Letter from the Board, upon the Completion, the Group can save interest expenses of approximately HK\$988,284 for the following year immediately after the Completion. Therefore, this will enhance the financial performance of the Group.

Based on the above, we are of the view that the Loan Capitalisation shall have a positive effect on the Group's gearing ratio, net asset value and earnings and is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Subscription Agreements and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Loan Capitalisation as contemplated under the Subscription Agreements is in the interests of the Company and the Shareholders as a whole, despite the entering into of the Subscription Agreements not being in the ordinary and usual course of business of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to approve the Subscription Agreements and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 12 years of experience in the field of corporate finance advisory.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors and chief executive of the Company and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at the Latest Practicable Date, the persons or corporations, other than a director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO or had otherwise been notified to the Company were as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of the issued share capital of the Company ¹
Huang Bo	Beneficial Owner	434,129,674	20.37%
Li Xiao Yan	Beneficial Owner	295,472,031	13.87%
Hou Hsiao Bing ²	Beneficial Owner	131,140,000	6.15%

Note:

1. As at the Latest Practicable Date, the total issued Shares was 2,130,704,881 Shares.
2. Hou Hsiao Bing was a Director until his retirement on 26 August 2019.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any persons, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had, or was proposed to have, a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors nor their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to the GEM Listing Rules. The Company did not have a controlling shareholder (as defined in the GEM Listing Rules) as at the date of this circular.

5A. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5B. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in financial or trading position of the Group since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. LITIGATION

As at the Latest Practicable Date, (i) there is no winding up petition presented against the Company, (ii) no member of the Group is engaged in any litigation or arbitration of material importance, and (iii) there is no litigation of material importance known to the Directors to be pending against any member of the Group.

8. EXPERT AND CONSENT

The following are the name and the qualification of the professional adviser who has given opinion or advice contained or referred to in this document:

Name	Qualification
Giraffe Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Giraffe Capital Limited had no beneficial interest in the share capital of any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired disposed of by, or leased to, any member of the Group since 31 March 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

Giraffe Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 28 July 2020 and references to its name in the form and context in which they respectively appear.

9. GENERAL

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is at Suite 704, 7th Floor, Ocean Centre, Harbour City, Kowloon, Hong Kong.
- (iii) The company secretary is Ms. Chan Mi Ling, Anita who is a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan Mi Ling, Anita holds a Master degree in Business Administration from the University of Western Sydney in Australia and a Master degree in Professional Accounting from Jinan University in the People's Republic of China.
- (iv) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays in Hong Kong) at the principal place of business of the Company in Hong Kong at Suite 704, 7th Floor, Ocean Centre, Harbour City, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for each of the two financial years ended 31 March 2019 and 31 March 2020;
- (iii) the interim report of the Company for the six months ended 30 September 2019;
- (iv) the Subscription Agreements;
- (v) the letter from the Board, the text of which is set out on pages 1 to 16 of this circular;
- (vi) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;

- (vii) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-20 of this circular;
- (viii) the written consents referred to the paragraph headed “8. Expert and Consent” in this appendix; and
- (ix) this circular.

NOTICE OF EGM



中国科技产业集团有限公司 CHINA TECHNOLOGY INDUSTRY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8111)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of China Technology Industry Group Limited (the “**Company**”) will be held at Turquoise Room, 3rd Floor, Gateway Hotel, Harbour City, 13 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 14 August 2020 at 2:30 p.m. (Hong Kong time) for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the subscription agreement entered into between the Company and Mr. Huang Yuan Ming (“**Mr. Huang**”) on 3 July 2020 (“**Mr. Huang Subscription Agreement**”) for the allotment and issuance by the Company, and the subscription by Mr. Huang, of 98,994,980 new ordinary shares of HK\$0.10 each (“**Mr. Huang Subscription Shares**”) in the share capital of the Company (the “**Shares**”) on and subject to the terms and conditions set out in Mr. Huang Subscription Agreement to capitalise the amount owed by the Company and its subsidiaries (the “**Group**”) to Mr. Huang of approximately HK\$9,624,859 as of 30 June 2020 and all transactions contemplated thereunder, be and is hereby approved;
- (b) conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, Mr. Huang Subscription Shares, the Directors be and are hereby granted a specific mandate to allot and issue Mr. Huang Subscription Shares credited as fully paid at the issue price of HK\$0.10 per Mr. Huang Subscription Share to Mr. Huang; and

NOTICE OF EGM

- (c) any one or more directors of the Company (each a “**Director**”) be and are hereby authorised generally to take all necessary steps and to do all such acts and things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/she/they may consider necessary, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to Mr. Huang Subscription Agreement and the allotment and issue of Mr. Huang Subscription Shares.”
2. “**THAT:**
- (a) the subscription agreement entered into between the Company and Mr. Tse Man Kit Keith (“**Mr. Tse**”) on 3 July 2020 (“**Mr. Tse Subscription Agreement**”) for the allotment and issuance by the Company, and the subscription by Mr. Tse, of 12,587,857 new Shares (“**Mr. Tse Subscription Shares**”) on and subject to the terms and conditions set out in Mr. Tse Subscription Agreement to capitalise the amount owed by the Group to Mr. Tse of approximately HK\$1,225,817 as of 30 June 2020 and all transactions contemplated thereunder, be and is hereby approved;
- (b) conditional upon the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, Mr. Tse Subscription Shares, the Directors be and are hereby granted a specific mandate to allot and issue Mr. Tse Subscription Shares credited as fully paid at the issue price of HK\$0.10 per Mr. Tse Subscription Share to Mr. Tse; and
- (c) any one or more Directors be and are hereby authorised generally to take all necessary steps and to do all such acts and things and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) which he/they may consider necessary, desirable or expedient for the purpose of or in connection with, the implementation of and giving effect to Mr. Tse Subscription Agreement and the allotment and issue of Mr. Tse Subscription Shares.”

By order of the Board
China Technology Industry Group Limited
Chiu Tung Ping
Chairman

Hong Kong, 28 July 2020

NOTICE OF EGM

Registered office:

Cricket Square Hutchins Drive
P.O. Box 2681 Grand
Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Suite 704, 7th Floor,
Ocean Centre,
Harbour City,
Kowloon,
Hong Kong

Notes:

1. A shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his/her/its stead. A Shareholder who is the holder of two or more shares of the Company (the “**Shares**”) may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company. A proxy needs not be a Shareholder. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he/she acts as proxy as such Shareholder could exercise if it were an individual Shareholder.
2. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 11 August 2020 to Friday, 14 August 2020, both days inclusive, during which no transfer of the Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 August 2020.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 2:30 p.m. on Wednesday, 12 August 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM.
5. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
6. In the case of joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
7. In compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the EGM will be voted by way of poll.
8. References to time and dates in this notice are to Hong Kong time and dates.

NOTICE OF EGM

As at the date of this notice, the Directors are as follows:

Executive Directors:

Chiu Tung Ping (*Chairman*)

Yuen Hing Lan

Hu Xin

Tse Man Kit Keith

Independent non-executive Directors:

Ma Xingqin

Meng Xianglin

Dong Guangwu

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

This notice will remain on the website of the Company at www.chinatechsolar.com and the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting.