

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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EYANG

EYANG HOLDINGS (GROUP) CO., LIMITED

宇陽控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



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



A notice convening an extraordinary general meeting of the Company to be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 5 November 2012 at 11:00 a.m. is set out on pages 33 to 34 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company's website at www.szeyang.com.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same 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 as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

17 October 2012

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to the Sale and Purchase Agreement, and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than a Saturday or Sunday on which banks are generally open for business in Hong Kong throughout their normal business hours
“Chairman”	the chairman of the Board
“Company”	EYANG Holdings (Group) Co., Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB36 million in cash (equivalent to approximately HK\$44 million) payable by the Company to the Vendors for the Sale Shares and subject to adjustments, pursuant to the Sale and Purchase Agreement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“GuocoCapital”	GuocoCapital Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, and their associates
“Latest Practicable Date”	12 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLCC”	multi-layer ceramic capacitor, of which the Group is engaged in the manufacturing and sale
“Mr. Chen”	Mr. Chen Weirong, a beneficial owner of the Controlling Shareholder of the Company and an executive Director, the Chairman
“Mr. Liao”	Mr. Liao Jie, an executive Director
“Mr. Luo”	Mr. Luo Jun, an independent third party to the Company
“Mr. Xu”	Mr. Xu Chuncheng, an executive Director
“Ms. Shuang”	Ms. Shuang Mei, a non-executive Director
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Purchaser” or “Shenzhen Weichang”	深圳市威長新能源有限公司 (Shenzhen Weichang New Energy Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 25 September 2012 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Sale Shares”	being the entire equity interests in the Target Company
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Eyang Investment Group”	深圳市宇陽投資集團有限公司 (Shenzhen Eyang Investment Group Limited*), a company established in the PRC with limited liability, owned as to 55%, 18%, 12%, 8% and 7% respectively, by Mr. Chen, Ms. Shuang, Mr. Liao, Mr. Xu and Mr. Luo as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳市宇陽能源有限公司 (Shenzhen Eyang Energy Company Limited*), a company established in the PRC with limited liability, owned as to 85%, 10% and 5% respectively, by Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao
“Target Group”	the Target Company and its subsidiaries
“Vendors”	Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao
“%”	per cent

* The English translation is for identification purposes only

For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HK\$ at the rate of RMB1 = HK\$1.22. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

LETTER FROM THE BOARD



EYANG HOLDINGS (GROUP) CO., LIMITED

宇陽控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

Executive Directors:

Mr. Chen Weirong (*Chairman*)

Mr. Liao Jie

Mr. Xu Chuncheng

Non-executive Directors:

Ms. Shuang Mei

Mr. Cheng Wusheng

Mr. Zhang Zhilin

Mr. Chen Hao

Independent non-executive Directors:

Mr. Pan Wei

Mr. Liu Huanbin

Mr. Chu Kin Wang, Peleus

Registered and principal office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place of
business in Hong Kong:*

8th Floor

Tien Chu Commercial Building

173-174 Gloucester Road

Wanchai

Hong Kong

17 October 2012

To Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 September 2012 in respect of the Sale and Purchase Agreement.

The purpose of this circular is to provide you with (i) further information in respect of the Acquisition; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) the recommendation of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; and (iv) a notice of the EGM at which resolution will be proposed to consider and if thought fit, approve, inter alia, such matters.

LETTER FROM THE BOARD

SALE AND PURCHASE AGREEMENT

Date

25 September 2012

Parties

Vendors: Shenzhen Eyang Investment Group
Ms. Shuang
Mr. Liao

Purchaser: Shenzhen Weichang

Subject matter

The Sale and Purchase Agreement sets out the terms and conditions to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being the entire equity interest in the Target Company.

Conditions precedent to the Sale and Purchase Agreement

Completion shall be subject to, amongst others, the following conditions precedent:

- (a) the Independent Shareholders having approved by way of poll at the EGM the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other relevant rules and regulations;
- (b) all necessary registrations, confirmations, consents and approvals in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (c) all representations, warranties and undertakings given by the Vendors under the Sale and Purchase Agreement remain true and accurate and not misleading in all respects; and
- (d) there having been no material breach of the terms and conditions of the Sale and Purchase Agreement by the Vendors before the date of Completion.

In the event that the above conditions precedent have not been fulfilled or waived (other than Condition (a) which may not be waived) by the Purchaser on or before 31 December 2012 (or such later date as may be agreed by the parties in writing), the Sale and Purchase Agreement shall lapse and thereafter neither party to the Sale and Purchase Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

LETTER FROM THE BOARD

Consideration

The consideration payable by the Purchaser to the Vendors for the Sale Shares is in aggregate RMB36 million (equivalent to approximately HK\$44 million) (subject to adjustments set out below) based on the portion of the shareholding of the Target Company held by each of the Vendors. The Consideration shall be satisfied entirely by cash on 31 December 2013 (or such later date as may be agreed by the parties in writing) (“**Payment Date**”).

The Consideration was determined on normal commercial terms and arrived at after arm’s length negotiation among the parties of the Sale and Purchase Agreement after taking into consideration of (i) the business prospect of the Target Group; (ii) the Guaranteed Profit; and (iii) the price-to-earnings ratios of other listed companies in Hong Kong engaging in similar business of the Target Group. Based on the Guaranteed Profit, the Consideration represents a price-to-earnings ratio of approximately 4.5 times which is lower than the prevailing average price-to-earnings ratio of approximately 6 times of five listed companies in Hong Kong (namely, Scud Group Limited, Coslight Technology International Group Limited, Leoch International Technology Limited, Chaowei Power Holdings Limited and Tianneng Power International Limited) with businesses similar to the Target Group as at the date of the Sale and Purchase Agreement.

In view of the above, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Profit Guarantee and adjustments to the Consideration

Pursuant to the Sale and Purchase Agreement, the Vendors have jointly and severally guaranteed to the Purchaser that the audited consolidated net profit after tax and before extraordinary items of the Target Group for the year ending 31 December 2012 (“**Actual Net Profit**”), as recorded in the audited consolidated accounts of the Target Group prepared in accordance with generally accepted accounting principles in Hong Kong (“**2012 Audited Accounts**”), shall not be less than RMB8 million (equivalent to approximately HK\$9.8 million) (“**Guaranteed Profit**”).

The Guaranteed Profit was arrived at after arm’s length negotiation among the parties of the Sale and Purchase Agreement after taking into consideration of (i) the historical financial performance of the Target Group and (ii) the assessment on the business prospect of the Target Group for the year ended 31 December 2012.

In the event that the Actual Net Profit is less than the Guaranteed Profit, the Vendors shall pay to the Purchaser an amount (“**Shortfall Compensation**”) calculated in accordance with the following formula:

Shortfall Compensation = (Guaranteed Profit – Actual Net Profit) X 4.5 (representing a price-to-earnings ratio of approximately 4.5 times, which form the basis of the determination of the Consideration),

where the Target Group records a net loss in the 2012 Audited Accounts, the Actual Net Profit shall be deemed as zero (0).

LETTER FROM THE BOARD

In the event that the Guaranteed Profit can be achieved, the Consideration shall be settled in cash on the Payment Date. However, in the event that the Guaranteed Profit cannot be achieved, the Consideration after deduction of the Shortfall Compensation shall be settled in cash on the Payment Date.

Nevertheless, the Consideration after deduction of the Shortfall Compensation shall not in any event be lower than the net assets value of the Target Group as at 31 December 2012 in the 2012 Audited Accounts.

In the event that the Guaranteed Profit cannot be achieved, the Company will publish an announcement in accordance with Rule 2.07C of the Listing Rules and will include details in its published annual report and accounts for the year ending 31 December 2012, under which the independent non-executive Directors will provide an opinion thereon.

Completion

Completion shall take place within five Business Days following the date on which the last of the above conditions precedent is fulfilled or waived (where applicable), or such other date as the parties to the Sale and Purchase Agreement may agree in writing prior to Completion.

Upon Completion, the Target Group will become an indirect wholly-owned subsidiary of the Company and its financial result will be consolidated into the financial result of the Company. It is expected that the Acquisition may give rise to a possible goodwill which would be determined by the fair value of the Target Company as at the date of Completion. The extent to which any impairment provision for the goodwill might be made in the Group's future financial statements would depend on the result of the review on the fair value of the Target Company as at the date of the related reporting period.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in manufacturing, sale and trading of multi-layer ceramic chips ("MLCC") and trading of mobile phones.

The MLCC business represents approximately 74.2% of the total revenue of the Company for the year ended 31 December 2011. For the year ended 31 December 2011, the Company recorded a decrease in net profit of approximately 57.1% to RMB14.6 million as compared to the corresponding period of 2010, due to the intensified competition in the industry. For the six months ended 30 June 2012, the Company recorded a loss after tax attributable to shareholders of the Company of approximately RMB7.5 million. As disclosed in the Company's 2012 interim report, the overcapacity of the MLCC industry is set to give rise to keen competition.

In view of the performance of the MLCC business, the management of the Company has continued to review its existing businesses from time to time and has strived to improve its business operation and financial position. The Directors consider that it is beneficial for the Company to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its sources of income.

LETTER FROM THE BOARD

The Directors consider that entering into the Sale and Purchase Agreement would allow the Company to expand into the development and sale of lead-acid batteries, which have a wide application on renewable energy, and further allow the Company to benefit from the rapid growth of China's economy which is higher than the average growth rate of gross domestic product of the world, and the fast emergence of the renewable energy.

Despite the Acquisition may give rise to a goodwill as at the date of Completion, having considered (i) the Guaranteed Profit; (ii) the Shortfall Compensation and (iii) the abovementioned reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that the Acquisition offers the Company a good opportunity to diversify its business and enhance its income stream and are of the opinion that the Acquisition is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE VENDORS AND THE TARGET GROUP

The Vendors

Shenzhen Eyang Investment Group is a company established in the PRC with limited liability and owned as to 55%, 18%, 12%, 8% and 7% respectively, by Mr. Chen, Ms. Shuang, Mr. Liao, Mr. Xu and Mr. Luo as at the Latest Practicable Date. It is principally engaged in investment holding.

Ms. Shuang, being a non-executive Director of the Company, holds 10% of the equity interest in the Target Company directly and 15.3% of the equity interest in the Target Company indirectly through her 18% ownership in Shenzhen Eyang Investment Group.

Mr. Liao, being an executive Director of the Company, holds 5% of the equity interest in the Target Company directly and 10.2% of the equity interest in the Target Company indirectly through his 12% ownership in Shenzhen Eyang Investment Group.

The Target Group

The Target Company was established in the PRC with limited liability on 24 June 2008. The Target Group is principally engaged in research, development and sale of batteries, electronic materials, electronic components and electronic products, manufacturing of mobile phone batteries; and research, development and sale of lead-acid batteries.

LETTER FROM THE BOARD

Shareholding structure of the Target Group

As at the Latest Practicable Date and immediately before Completion:



Immediately after Completion:



As at the Latest Practicable Date, the Purchaser is an indirect wholly-owned subsidiary of the Company.

* For identification purpose only

LETTER FROM THE BOARD

Financial information of the Target Group

Set out below is the consolidated financial information of the Target Group for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 prepared and audited under the PRC generally accepted accounting principles:

	For the year ended		For the six
	31 December		months ended
	2010	2011	30 June
	<i>(approximately</i>	<i>(approximately</i>	<i>(approximately</i>
	<i>RMB'000)</i>	<i>RMB'000)</i>	<i>RMB'000)</i>
Turnover	12,829	69,421	34,719
Net profit/(loss) before tax	(6,273)	3,609	3,083
Net profit/(loss) after tax	(6,273)	3,609	3,077
	As at 31 December		As at 30 June
	2010	2011	2012
	<i>(approximately</i>	<i>(approximately</i>	<i>(approximately</i>
	<i>RMB'000)</i>	<i>RMB'000)</i>	<i>RMB'000)</i>
Current assets	10,831	20,602	32,197
Current liabilities	15,442	17,739	21,678
Total assets	12,086	22,991	35,043
Total liabilities	15,442	17,739	21,678
Net assets/(liabilities)	(3,356)	5,252	13,365

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of the Stock Exchange. As at the Latest Practicable Date, the Group is principally engaged in the manufacturing and sale of MLCC and trading of mobile phones.

The Purchaser

The Purchaser is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

In addition, Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao, each being one of the Vendors, directly holds 85%, 10% and 5% of the equity interest in the Target Company respectively, as at the Latest Practicable Date. Given that (1) Shenzhen Eyang Investment Group is owned as to 55% by Mr. Chen and is an associate of Mr. Chen; (2) Mr. Chen is an executive Director, the Chairman and a beneficial owner of the Controlling Shareholder of the Company; (3) Ms. Shuang is a non-executive Director; and (4) Mr. Liao is an executive Director, the Vendors are the connected persons of the Company, and the Sale and Purchase Agreement constitutes a connected transaction for the Company under Rule 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, being the Directors and the shareholders of Shenzhen Eyang Investment Group, together with their associates, and all parties involved in or interested in the transaction as contemplated under the Sale and Purchase Agreement are required to abstain from voting with respect to the resolution for approving the Acquisition.

The Independent Board Committee and independent financial adviser

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no member of the Independent Board Committee has any material interest in the Acquisition. GuocoCapital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated therein and such appointment has been approved by the Independent Board Committee.

EGM

Set out on pages 33 to 34 of this circular is a notice convening the EGM which will be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 5 November 2012 at 11:00 a.m. at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder by poll.

The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event no less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

As Completion is subject to the satisfaction (or waiver, where applicable) of the conditions precedent under the Sale and Purchase Agreement, the Acquisition may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and the independent financial adviser as set out on pages 13 and 14 to 26 respectively of this circular. As set out in the letter from the Independent Board Committee, members of the Independent Board Committee, having taken into account the advice of GuocoCapital, consider that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Independent Shareholders.

Accordingly, the Directors recommend that all Independent Shareholders should vote in favour of the resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By order of the Board
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



EYANG HOLDINGS (GROUP) CO., LIMITED

宇陽控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

17 October 2012

To Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 17 October 2012 (the “**Circular**”), in which this letter forms part of. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular. We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular and the letter from GuocoCapital, the independent financial adviser, as set out on pages 14 to 26 of the Circular which contain, among other things, their advice and recommendation in respect of the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into consideration for their advice and recommendation.

Having considered the terms and conditions of the Sale and Purchase Agreement and the opinion of GuocoCapital, we consider that the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

INDEPENDENT BOARD COMMITTEE

EYANG Holdings (Group) Co., Limited

Mr. Pan Wei

Mr. Liu Huanbin

Mr. Chu Kin Wang, Peleus

Independent non-executive Directors

LETTER FROM GUOCOCAPITAL

The following is the full text of a letter of advice from GuocoCapital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition prepared for the purpose of inclusion in this circular.



GuocoCapital Limited
12/F, The Center,
99 Queen's Road Central,
Hong Kong.

17 October 2012

*To the Independent Board Committee
and the Independent Shareholders of
EYANG Holdings (Group) Co., Ltd.*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in this circular (the "**Circular**") dated 17 October 2012 issued by the Company, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company announced on 25 September 2012, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the entire equity interest of the Target Company.

As one of the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao, each being one of the Vendors, directly holds 85%, 10% and 5% of the equity interest in the Target Company respectively, as at the Latest Practicable Date. Given that (1) Shenzhen Eyang Investment Group is owned as to 55% by Mr. Chen and is an associate of Mr. Chen; (2) Mr. Chen is an executive Director, the Chairman and a beneficial owner of the Controlling Shareholder of the Company; (3) Ms. Shuang is a non-executive Director; and (4) Mr. Liao is an executive Director, the Vendors are the connected persons of the Company, and the Sale and Purchase Agreement constitutes a connected transaction for the Company under Rule 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

LETTER FROM GUOCOCAPITAL

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, being the Directors and the shareholders of Shenzhen Eyang Investment Group, together with their associates, and all parties involved in or interested in the transaction as contemplated under the Sale and Purchase Agreement are required to abstain from voting with respect to the resolutions for approving the Acquisition.

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information 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 assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true up to the date of the EGM.

We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated therein and such appointment has been approved by the Independent Board Committee.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or its subsidiaries or the Target Group.

LETTER FROM GUOCOCAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the Acquisition and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

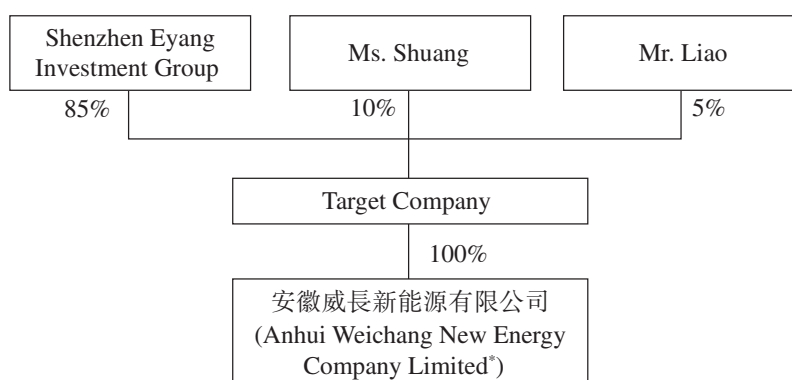
A. The background of and reasons for the Acquisition

The Target Group

The Target Company was established in the PRC with limited liability on 24 June 2008. The Target Group is principally engaged in research, development and sale of batteries, electronic materials, electronic components and electronic products, manufacturing of mobile phone batteries; and research, development and sale of lead-acid batteries.

Shareholding structure of the Target Group

As at the Latest Practicable Date and immediately before Completion:



Immediately after Completion:



As at the Latest Practicable Date, the Purchaser is an indirect wholly-owned subsidiary of the Company.

* For identification purpose only

LETTER FROM GUOCOCAPITAL

Financial information of the Target Group

Set out below is the consolidated financial information of the Target Group for the years ended 31 December 2010 and 2011 and for the six months ended 30 June 2012 prepared and audited under the PRC generally accepted accounting principles:

	For the year ended 31 December		For the six months ended 30 June
	2010	2011	2012
	<i>(approximately RMB'000)</i>	<i>(approximately RMB'000)</i>	<i>(approximately RMB'000)</i>
Turnover	12,829	69,421	34,719
Net profit/(loss) before tax	(6,273)	3,609	3,083
Net profit/(loss) after tax	(6,273)	3,609	3,077
	As at 31 December		As at 30 June
	2010	2011	2012
	<i>(approximately RMB'000)</i>	<i>(approximately RMB'000)</i>	<i>(approximately RMB'000)</i>
Current assets	10,831	20,602	32,197
Current liabilities	15,442	17,739	21,678
Total assets	12,086	22,991	35,043
Total liabilities	15,442	17,739	21,678
Net assets/(liabilities)	(3,356)	5,252	13,365

Reasons for the Acquisition

The Company is principally engaged in manufacturing, sale and trading of multi-layer ceramic chips (“MLCC”) and trading of mobile phones.

As disclosed in the Board Letter, The MLCC business represents approximately 74.2% of the total revenue of the Company for the year ended 31 December 2011. For the year ended 31 December 2011, the Company recorded a decrease in net profit of approximately 57.1% to RMB14.6 million as compared to the corresponding period of 2010, due to the intensified competition in the industry. For the six months ended 30 June 2012, the Company recorded a loss after tax attributable to shareholders of the Company of approximately RMB7.5 million. As disclosed in the Company’s 2012 interim report, the overcapacity of the MLCC industry is set to give rise to keen competition.

In view of the performance of the MLCC business, the management of the Company has continued to review its existing businesses from time to time and has strived to improve its business operation and financial position. The Directors

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consider that it is beneficial for the Company to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its sources of income.

The Directors are of the view that the international oil price is volatile and keep rising in recent years. It has a great impact on the economy and social developments of the PRC. Developing new and clean energy and increasing energy usage efficiency has been one of the latest China's economic policies which paves the way for new energy sector. The Directors believe that acquiring the Target Company provides a good opportunity for the Company to enter into the new energy sector.

The Directors further confirmed that synergy effect is not the purpose of the Acquisition and there is little synergy effect in the Acquisition. On the contrary, little correlation between the Target Group and the Company can diversify the Group's source of income.

Based on the financial information of the Target Group disclosed in the Board Letter, we note that the turnover and net profit after tax of the Target Company are approximately RMB34.8 million and RMB3.1 million respectively for the six months ended 30 June 2012. The net assets for the six months ended 30 June 2012 is approximately RMB13.4 million representing an increase of 59.3% for the year ended 31 December 2011 excluding the capital injection of approximately RMB5.0 million during the period. In this respect, we note that the financial performance of the Target Group is improving.

As such, we consider that it is reasonable for the Directors to diversify its business and acquire the Target Company due to the reasons that the Company is making loss recently and the Target Group is profitable as disclosed in the Board Letter. Further, the Vendors are connected persons of the Company as disclosed in the Board Letter and we consider that the management of the Company has some knowledge the Target Groups' business.

Having considered the abovementioned reasons and benefits and our discussion disclosed in section B — "The Lead-acid Battery Industry" below, we concur with the Directors (including the independent non-executive Directors) are of the view that the Acquisition offers the Company a good opportunity to diversify its business and enhance its income stream and are of the opinion that the Acquisition is in the interests of the Company and its Shareholders as a whole.

B. The Lead-acid Battery Industry

We have searched for public information and obtained the following public information released by China Commerce Information Net (中商情報網) (<http://www.askci.com>), China Energy Storage Net (中國儲能網) (<http://www.escn.com.cn>) and Asia Battery Association (亞洲電池協會) (<http://www.asiabat.org>) which we have assessed their background and consider to be acceptable.

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The lead-acid battery has widespread applications due to the downstream demand. Lead-acid battery is of high security, low cost and high utilization of renewable penetration to a number of important areas of the national economy, such as transportation, communications, electricity, railways, mines, ports, defense, computer and scientific research. In particular, the application of lead-acid batteries currently focused on four main areas, (i) the car starts battery; (ii) the electric bike motive batteries; (iii) back-up and storage batteries, such as application of uninterruptible power supply systems (UPS) in transportation and communication equipment; and (iv) the hybrid car batteries in the new energy vehicles.

The market size of the global lead-acid battery has increased from approximately 345.7 million kilovolt-ampere-hour (“KVAH”) in 2005 to approximately 372.9 million KVAH in 2009. The market size of the global lead-acid battery is expected to be approximately 413.7 million KVAH in 2012. In the Asian market, especially the rapidly expanding PRC market, market size increased from approximately 54.0 million KVAH in 2005 to approximately 142.3 million KVAH in 2011, representing a compound annual growth rate of approximately 17.5%. The production is estimated to be approximately 165 million KVAH in 2012. With the new energy plan determined in the Twelfth Five-Year Plan (十二五計劃) for development of the wind and solar energy, that will greatly enhance the development of the energy storage lead-acid batteries.

The State Council approved the comprehensive prevention and control of heavy metal pollution in the Twelfth Five-Year Plan (十二五計劃) with the focus on the remediation of lead-acid battery industry. The Environmental Protection Department of the PRC (中華人民共和國環境保護部) has implemented the Conditions for Entering the Lead-acid Battery Industry (《鉛蓄電池行業准入條件》) in July 2012 accordingly. The number of valid production licenses in the industry is expected to drop substantially from approximately 2,000 to approximately 300 as a result. This new entry barrier to the industry is expected to have a positive impact on the business of the Target Group for being an existing player in the sector with a sizeable production scale.

Hence, we concur with the Directors that entering into the Sale and Purchase Agreement would allow the Company to expand into the development and sale of lead-acid batteries, which have a wide application on renewable energy, and further allow the Company to benefit from the rapid growth of China’s economy which is higher than the average growth rate of gross domestic product of the world, and the fast emergence of the renewable energy. We also consider that entering into the lead-acid battery industry will be able to capitalize on the favorable policies and enhance the earnings ability of the Group.

C. Terms of the Acquisition

Conditions precedent to the Sale and Purchase Agreement

Completion shall be subject to, amongst others, the following conditions precedent:

- (a) the Independent Shareholders having approved by way of poll at the EGM the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other relevant rules and regulations;
- (b) all necessary registrations, confirmations, consents and approvals in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (c) all representations, warranties and undertakings given by the Vendors under the Sale and Purchase Agreement remain true and accurate and not misleading in all respects; and
- (d) there having been no material breach of the terms and conditions of the Sale and Purchase Agreement by the Vendors before the date of Completion.

In the event that the above conditions precedent have not been fulfilled or waived (other than Condition (a) which may not be waived) by the Purchaser on or before 31 December 2012 (or such later date as may be agreed by the parties in writing), the Sale and Purchase Agreement shall lapse and thereafter neither party to the Sale and Purchase Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

Consideration

As disclosed in the Board Letter, the consideration payable by the Purchaser to the Vendors for the Sale Shares is in aggregate RMB36 million (equivalent to approximately HK\$44 million) (subject to adjustments set out below) based on the portion of the shareholding of the Target Company held by each of the Vendors. The Consideration shall be satisfied entirely by cash on 31 December 2013 (or such later date as may be agreed by the parties in writing).

The Consideration was determined on normal commercial terms and arrived at after arm's length negotiation among the parties of the Sale and Purchase Agreement after taking into consideration (i) the business prospect of the Target Group; (ii) the Guaranteed Profit; and (iii) the price-to-earnings ratios of other listed companies in Hong Kong engaging in similar business of the Target Group. Based on the Guaranteed Profit, the Consideration represents a price-to-earnings ratio of approximately 4.5 times which is lower than the prevailing average price-to-earnings ratio of approximately 6 times of five listed companies in Hong Kong (namely, Scud

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Group Limited, Coslight Technology International Group Limited, Leoch International Technology Limited, Chaowei Power Holdings Limited and Tianneng Power International Limited) with businesses similar to the Target Group as at the date of the Sale and Purchase Agreement.

Profit Guarantee and adjustments to the Consideration

As disclosed in the Board Letter, pursuant to the Sale and Purchase Agreement, the Vendors have jointly and severally guaranteed to the Purchaser that the audited consolidated net profit after tax and before extraordinary items of the Target Group for the year ending 31 December 2012, as recorded in the audited consolidated accounts of the Target Group prepared in accordance with generally accepted accounting principles in Hong Kong, shall not be less than RMB8 million (equivalent to approximately HK\$9.8 million).

The Guaranteed Profit was arrived at after arm's length negotiation among the parties of the Sale and Purchase Agreement after taking into consideration (i) the historical financial performance of the Target Group and (ii) the assessment on the business prospect of the Target Group for the year ended 31 December 2012.

In the event that the Actual Net Profit is less than the Guaranteed Profit, the Vendors shall pay to the Purchaser an amount ("**Shortfall Compensation**") calculated in accordance with the following formula:

$$\text{Shortfall Compensation} = (\text{Guaranteed Profit} - \text{Actual Net Profit}) \times 4.5$$
(representing a price-to-earnings ratio of approximately 4.5 times, which forms the basis of the determination of the Consideration), where the Target Group records a net loss in the 2012 Audited Accounts, the Actual Net Profit shall be deemed as zero (0).

In the event that the Guaranteed Profit can be achieved, the Consideration shall be settled in cash on the Payment Date. However, in the event that the Guaranteed Profit cannot be achieved, the Consideration after deduction of the Shortfall Compensation shall be settled in cash on the Payment Date.

Nevertheless, the Consideration after deduction of the Shortfall Compensation shall not in any event be lower than the net assets value of the Target Group as at 31 December 2012 in the 2012 Audited Accounts.

We assess the Consideration under three conditions. First of all, when the Actual Net Profit is more than the Guaranteed Profit, the Consideration will still be in aggregate of RMB36 million (equivalent to approximately HK\$44 million) making the price-to-earnings ratio of the Consideration lower than 4.5 times. Secondly, when the Actual Net Profit is equal or less than the Guaranteed Profit, the Consideration will be adjusted according to the Shortfall Compensation making the price-to-earnings ratio of the Consideration to be of approximately 4.5 times (subject to the condition that the Consideration after deduction of the Shortfall Compensation shall not in any event be lower than the net assets value of the Target Group as at 31

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December 2012 in the 2012 Audited Accounts). Thirdly, when the Target Group is making loss for the year ending 31 December 2012, the Consideration will be equal to the net assets value of the Target Group as at 31 December 2012. In other words, the consideration of the Acquisition represents a price-to-earnings ratio of approximately 4.5 times and the minimum consideration of the Acquisition represents a price to net asset ratio of approximately 1 time.

Since the price-to-earnings ratio of the Consideration could be lower than 4.5 times when the Guaranteed Profit is provided, we are of the view that the Guaranteed Profit provided by the Vendors is favourable to the Company and the Independent Shareholders. Further, with the Shortfall Compensation terms, the Consideration is kept adjusting to the price-to-earnings ratio to be of approximately 4.5 times (subject to the condition that the Consideration after deduction of the Shortfall Compensation shall not in any event be lower than the net assets value of the Target Group as at 31 December 2012 in the 2012 Audited Accounts). As such, we consider that it is fair and reasonable to the Company and the Independent Shareholders.

In light of the foregoing, we consider that the terms and conditions of the Sale and Purchase Agreement are in normal commercial terms and fair and reasonable to the Company and the Independent Shareholders.

D. Valuation of the Acquisition

In assessing the market value of 100% equity interest in the Target Company, we have identified six comparable companies engaging in the same or similar line of businesses as the Target Company, all comparable companies are listed on the Stock Exchange. We consider the list of comparable companies to be exhaustive and meaningful in relation to the business of the Target Company.

We also wish to highlight that the following comparisons with the comparable companies are for illustrative purposes only as each of the comparable companies may not be identical to the Target Group in terms of the geographical spread of activities, scale of operations, asset base, risk profile, track record, composition of their business activities, future prospects and other relevant criteria. All these factors may affect the valuation of a company.

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Company name (Stock code)	Principal business	Closing share price <i>(Note 1)</i> <i>(HK\$)</i>	Market capitalization <i>(Note 1)</i> <i>(HK\$ million)</i>	price-to- earnings ratio <i>(Note 2)</i> <i>(times)</i>	Annualized price-earnings ratio <i>(Note 3)</i> <i>(times)</i>	Price to net asset ratio <i>(Note 4)</i> <i>(times)</i>
Scud Group Limited (1399)	Manufacture and sale of rechargeable battery packs and related accessories for mobile phones, notebook computers, digital cameras and also engaged in manufacture and sale of lithium bare battery cells for mobile phones	0.39	402.5	5.5	13.7	0.3
Coslight Technology International Group Limited (1043)	Sale of sealed lead acid batteries and related accessories, lithiumion batteries, nickel batteries and electricity control devices	1.60	598.7	5.6	10.7	0.3
Leoch International Technology Limited (842)	Manufacture, develop and sale of lead-acid batteries	1.04	1,389.0	4.0	8.5	0.5
Chaowei Power Holdings Limited (951)	Production and sale of lead-acid motive battery for electric bikes and electric cars, and storage batteries for wind and solar	4.34	4,363.0	7.9	5.6	2.0
Tianneng Power International Limited (819)	Production and sale of lead-acid motive battery for the electric vehicle market, manufactures storage battery for new energy, mainly for wind and solar power generation system	4.68	5,144.9	6.8	5.6	1.7
Sinopoly Battery Limited (729)	Production, sale and distribution of electric battery products, securities dealing and investment, provision of securities brokerage services and general trading	0.29	3,218.4	Not applicable <i>(Note 5)</i>	Not applicable <i>(Note 5)</i>	6.1
			Maximum	7.9	13.7	6.1
			Minimum	4.0	5.6	0.3
			Average	6.0	8.8	1.8
The Acquisition	Research, development and sale of batteries, electronic materials, electronic components and electronic products, manufacturing of mobile phone batteries; and research, development and sale of lead-acid batteries		44 <i>(Note 6)</i>	4.5	—	2.7 <i>(Note 7)</i>
			Adjusted ratios for the Acquisition	—	5.9 <i>(Note 8)</i>	1 <i>(Note 9)</i>

Source: website of the Stock Exchange (www.hkex.com.hk) and Bloomberg

Notes:

1. As at the date of the Sale and Purchase Agreement
2. Based on closing share price as at the date of the Sale and Purchase Agreement and the latest annual earnings per share prior to the date of the Sale and Purchase Agreement
3. Based on closing share price as at the date of the Sale and Purchase Agreement and the latest interim earnings per share multiplied by 2 prior to the date of the Sale and Purchase Agreement
4. Based on closing share price as at the date of the Sale and Purchase Agreement and the latest net asset/(liability) value per share prior to the date of the Sale and Purchase Agreement
5. The company is loss making
6. Consideration of the Acquisition
7. Based on the consideration of the Acquisition and the audited net assets value for the six months ended 30 June 2012 of the Target Group
8. Based on the consideration of the Acquisition and the audited net profit after tax for the six months ended 30 June 2012 of the Target Group multiplied by 2
9. Based on the minimum consideration of the Acquisition and the audited net assets value for the year ending 31 December 2012 of the Target Group

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(a) price-to-earnings ratio basis

We consider that price-to-earnings ratio is one of the most commonly used benchmarks for valuing the Acquisition.

As illustrated above, the comparable companies have price-to-earnings ratios ranged from approximately 4.0 times to 7.9 times, with an average of approximately 6.0 times. The price-to-earnings ratio of the Acquisition of approximately 4.5 times is within the range of the comparable companies and lower than the average. It is also below the low end of the comparable companies in the annualized price-to-earnings ratio of approximately 5.6 times.

We further note the annualized price-to-earnings ratio represented by the consideration of the Acquisition of approximately 5.9 times is within the range of the comparable companies and is below the average of approximately 8.8 times.

In addition, a marketability discount should also be applied to the market value of the equity interest in the Target Company to reflect the differences in liquidity between the Target Company, which is a private company, and the comparable companies, which are public companies.

Since all price-to-earnings ratios of the Consideration calculated above are either below or within the range of the comparable companies, we concur with the Directors that the consideration of the Acquisition is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

(b) Price to net asset ratio

As illustrated in the table above, the price to net asset ratio as represented by the consideration for the Acquisition of approximately 2.7 times is within the range of the price to net asset ratios of the comparable companies from approximately 0.3 times to approximately 6.1 times but is higher than the average of approximately 1.8 times.

We also note the price to net asset ratio as represented by the minimum consideration for the Acquisition of approximately 1 time is also within the range of the comparable companies and lower than the average of approximately 1.8 times.

In any event, it may not be the most relevant to assess the consideration for the Acquisition by price to net asset ratio due to the non-asset business nature of the Target Group, as research, development and sale of batteries is the substance of the operations of the Target Group and price to net asset ratio simply does not taking into account of the going concern of the business.

Since all price to net asset ratios of the Consideration calculated above are within the range of the comparable companies, we concur with the Directors that the consideration of the Acquisition is fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned.

E. Financial effects of the Acquisition

(a) Cashflow

As disclosed in the Board Letter, the Consideration shall be satisfied entirely by cash on 31 December 2013 (or such later date as may be agreed by the parties in writing), it is currently expected that there will be a cash outflow of RMB36 million on the Payment Date. According to the interim report of the Company for the six months ended 30 June 2012, the Company had cash and cash equivalents of approximately RMB34.4 million and pledged cash of approximately RMB29.3 million on balance sheet as at 30 June 2012. In addition, the Company had aggregate banking facilities of approximately RMB170 million as at 30 Jun 2012, of which approximately RMB140 million had not been utilized. As such, we consider that there is no immediate effect on the cashflow of the Group.

(b) Net assets

Upon Completion, the Target Group will become an indirect wholly-owned subsidiary of the Company and its financial result will be consolidated into the financial result of the Company. It is expected that the Acquisition may give rise to a possible goodwill which would be determined by the fair value of the Target Company as at the date of Completion. The extent to which any impairment provision for the goodwill might be made in the Group's future financial statements would depend on the result of the review on the fair value of the Target Company as at the date of the related reporting period.

(c) Gearing

According to the interim report of the Company for the six months ended 30 June 2012, the gearing ratio of the Group was approximately 30.9% (being net liabilities divided by the sum of capital plus net liabilities). As confirmed by the Directors, it is expected that the Acquisition will not have any material impact on the gearing ratio of the Group.

(d) Earnings

Upon Completion, the Target Group will be accounted for as an indirect wholly-owned subsidiary of the Company and as such, the Target Group's earnings will be recognised into the consolidated financial statements of the Group. We consider that the impact of the Acquisition on the future earnings of the Group will depend on the actual operating performance of the Target Group following Completion.

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RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, in particular:

- (i) the prospect of the lead-acid battery industry and new entry barrier of such industry due to implementation of new government policy;
- (ii) the performance of the Group recently and that the Acquisition would provide an additional source of revenue for the Group from the new business;
- (iii) the terms and conditions of the Acquisition are in normal commercial terms;
- (iv) there is no immediate impact on the cashflow of the Group; and
- (v) all price-to-earnings ratios and price to net asset ratios of the Consideration calculated are either below or within the range of the comparable companies,

on balance, we concur with the Directors that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We also consider that the terms of the Acquisition were entered into upon normal commercial terms and in the ordinary and usual course of business of the Group. We recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
GuocoCapital Limited

Charlotte Ng
Associate Director

Ong Tiang Lock
General Manager

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information regarding to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material 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' interests in the Company

As at the Latest Practicable Date, the interests or short positions of the Directors in the Shares and the underlying Shares and 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity/Nature of Interest	Beneficial interests	Corporate Interests	Interests in underlying shares ⁷	Total	Approximate percentage of interest in the Company/ associated corporations
Mr. Chen Weirong	Interest of controlled corporations ¹	—	143,044,000	1,400,000	144,444,000	35.62%
Ms. Shuang Mei	Corporate and Beneficial Interest ²	424,000	18,000,000	1,300,000	19,724,000	4.86%
Mr. Liao Jie	Corporate interest ³	—	18,000,000	1,300,000	19,300,000	4.76%
Mr. Xu Chuncheng	Corporate and Beneficial Interest ⁴	25,000,000	3,299,000	2,000,000	30,299,000	7.47%
Mr. Cheng Wusheng	Corporate interest ⁵	—	16,174,000	—	16,174,000	3.99%
Mr. Zhang Zhilin	Corporate interest ⁶	—	23,106,000	—	23,106,000	5.70%

Notes:

1. Mr. Chen Weirong legally owned 100% of the issued share capital of Eversharp Management Limited (“**Eversharp**”), which in turn legally owned 36.71% of the issued share capital of EY SHINE Management Limited (“**EY Shine**”). Mr. Chen also legally owned 53.15% of the issued share capital of Everbright Management Limited which in turn owned 19.40% of the issued share capital of EY Shine. EY Shine legally owned 100% of EY Ocean Management Limited (“**EY Ocean**”) which was interested in 143,044,000 shares of the Company. For the purposes of Part XV of the SFO, Mr. Chen was deemed to be interested in all the shares held by EY Ocean.
2. Ms. Shuang Mei legally owned 100% of the issued share capital of HE-YANG Management Limited, which in turn legally owned 12.58% of the issued share capital of EY Shine. EY Shine legally owned 100% of EY Ocean. Ms. Shuang therefore was also indirectly interested in approximately 18,000,000 shares.
3. Mr. Liao Jie legally owned 100% of the issued share capital of LJ Management Limited, which in turn legally owned 12.58% of the issued share capital of EY Shine. EY Shine legally owned 100% of EY Ocean. Mr. Liao therefore was indirectly interested in approximately 18,000,000 shares.
4. Mr. Xu Chuncheng legally owned 11.89% of the issued capital of Everbright Management Limited which in turn owns 19.40% of EY Shine, therefore Mr. Xu was also indirectly interested in approximately 3,299,000 shares of the Company.
5. These shares were owned by WUSHENG Management Limited of which Mr. Cheng Wusheng had 100% equity interest in the issued share capital.
6. These shares were owned by ZHILIN Management Limited of which Mr. Zhang Zhilin had 100% equity interest in the issued share capital.
7. These represented interests in the share options granted under the share option scheme adopted on 30 November 2007, further details of the share option scheme are set out in the section “Share Option Scheme” in the Annual Report of the Company for the year ended 31 December 2011.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company and their associates had any interests or short positions in any 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Substantial Shareholders' Interests

So far as the directors and management of the Company were aware, as at the Latest Practicable Date, the shareholders (other than the interest disclosed above in respect of the directors and the chief executive of the Company) who had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage
EY Ocean Management Limited	Beneficial owner	143,044,000	35.28%
EY SHINE Management Limited	Interest of a controlled corporation ¹	143,044,000	35.28%
Eversharp Management Limited	Interest of a controlled corporation ¹	143,044,000	35.28%
Legend New-Tech Investment Limited	Beneficial owner	26,910,000	6.64%
Right Lane Limited	Interest of a controlled corporation ²	26,910,000	6.64%
聯想控股有限公司 (Legend Holdings Limited*)	Interest of a controlled corporation/ Beneficiary of trusts ²	26,910,000	6.64%
中國科學院國有資產經營有限公司 (Chinese Academy of Sciences Interest of a controlled corporation*)	Interest of a controlled corporation ²	26,910,000	6.64%
聯想控股有限公司職工持股會 (Employees' Shareholding Society of Legend Holding Limited*)	Interest of a controlled corporation ²	26,910,000	6.64%
Mr. Li Heqiu	Interest of a controlled corporation	20,795,000	5.13%
HEQ Management Limited	Beneficial owner ³	20,795,000	5.13%
ZHILIN Management Limited	Beneficial owner ⁴	23,106,000	5.70%

Notes:

1. EY Shine was interested in 100% of the issued capital of EY Ocean and was entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. EY Shine was therefore deemed to be interested in all the Shares held by EY Ocean.

Eversharp was interested in approximately 36.71% of the issued capital of EY Shine and was entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. Eversharp was therefore deemed to be interested in all the Shares held by EY Ocean.

2. Right Lane Limited (“**Right Lane**”) legally owned the entire issued share capital of Legend New-Tech Investment Limited. Right Lane was therefore deemed to be interested in all the Shares held by Legend New-Tech Investment Limited.

聯想控股有限公司 (Legend Holdings Limited*) (“**Legend Holdings**”) was interested in the entire issued share capital of Right Lane. Legend Holdings legally owned 50% of the issued share capital of Right Lane and also owned the remaining 50% of the issued share capital of Right Lane as a beneficiary of two trusts. Liu Chuanzhi was holding 25% of the issued share capital of Right Lane as a trustee for and on behalf of Legend Holdings. Zhang Zuxiang was holding 25% of the issued share capital of Right Lane as a trustee for and on behalf of Legend Holdings. Legend Holdings was owned as to 65% by 中國科學院國有資產經營有限公司 (Chinese Academy of Sciences Holdings Co., Ltd.*) and 35% by 聯想控股有限公司職工持股會 (Employees’ Shareholding Society of Legend Holdings Limited*).

3. Mr. Li Heqiu, a former Director and resigned from his office upon the conclusion of the annual general meeting of the Company held on 31 May 2010, legally owned 100% of the issued share capital of HEQ Management Limited, which beneficially owned 20,795,000 shares of the Company. Mr. Li Heqiu therefore was indirectly interested in 20,795,000 shares.
4. ZHILIN Management Limited beneficially owned the 23,106,000 shares of the Company, was 100% owned by Mr. Zhang Zhilin, a non-executive director of the Company.

Save as disclosed above, the Company had not been notified of any other person who had an interest or short position in the Company’s shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

3. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
GuocoCapital Limited	Licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

GuocoCapital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, GuocoCapital (i) was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) did not have any direct or indirect interest in any assets which have been, since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in (i) the interim report of the Company for the six months ended 30 June 2012, (ii) the profit warning announcement of the Company dated 2 August 2012 and (iii) the announcement of the Company dated 28 August 2012 in relation to the continuing connected transactions, the Board confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2011 (being the date of the latest published audited consolidated accounts of the Group).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

7. MISCELLANEOUS

- (i) As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).
- (ii) There were no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.
- (iii) Save as disclosed in the announcement of the Company dated 28 August 2012 in relation to the continuing connected transactions, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or

disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2011, the date of the latest published audited consolidated financial statements of the Group.

- (iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the office of the Company at 8th Floor, Tien Chu Commercial Building, 173–174 Gloucester Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the Sale and Purchase Agreement;
- (b) the letter of advice from GuocoCapital to the Independent Board Committee and the Independent Shareholders dated 17 October 2012, the text of which is set out on pages 14 to 26 of this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders dated 17 October 2012, the text of which is set out on page 13 of this circular; and
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix.

* *For identification purpose only*

NOTICE OF EGM



EYANG HOLDINGS (GROUP) CO., LIMITED

宇陽控股(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of EYANG Holdings (Group) Co., Limited (the “**Company**”) will be held at Plaza 1–2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 5 November 2012 at 11:00 a.m. for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- i. the conditional sale and purchase agreement (the “**Agreement**”) dated 25 September 2012 entered into between 深圳市威長新能源有限公司 (Shenzhen Weichang New Energy Co., Limited^{*}), an indirect wholly-owned subsidiary of the Company, as the purchaser; 深圳市宇陽投資集團有限公司 (Shenzhen Eyang Investment Group Limited^{*}), Ms. Shuang Mei and Mr. Liao Jie as the vendors (a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the sale and purchase of the entire equity interest in 深圳市宇陽能源有限公司 (Shenzhen Eyang Energy Company Limited^{*}) at a total consideration of RMB36 million (equivalent to approximately HK\$44 million) in cash, subject to adjustments pursuant to the Agreement and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- ii. any one or more of the director(s) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder.”

By order of the Board
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

Hong Kong, 17 October 2012

^{*} *For identification purpose only*

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting (the “EGM”) convened by the above notice 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 stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from Friday, 2 November 2012 to Monday, 5 November 2012 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the EGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Hong Kong branch registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 1 November 2012.
4. A form of proxy for use at the EGM is enclosed with the circular to the shareholders.
5. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the EGM, whether in person or by proxy, that one of the joint holder whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
6. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM. If such shareholder attends the EGM, his form of proxy will be deemed to have been revoked.
7. The ordinary resolution as set out above will be determined by way of a poll.

As at the date of this notice, the Board comprises Mr. Chen Weirong, Mr. Liao Jie and Mr. Xu Chuncheng as Executive Directors; Ms. Shuang Mei, Mr. Cheng Wusheng, Mr. Zhang Zhilin and Mr. Chen Hao as Non-executive Directors; Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus as Independent Non-executive Directors.