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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 559)**

# PROPOSED TRANSFER OF CONVERTIBLE PREFERENCE SHARES

Reference is made to the announcement of the Company dated 13 September 2016 in relation to the First CPS Transfer.

On 7 October 2016 (after trading hours), the Company entered into the CPS Transfer Agreement with the Purchasers, pursuant to which the Company has conditionally agreed to procure the sale of and the Purchasers have agreed to purchase 100,000,000 Convertible Preference Shares in aggregate at the Transfer Price of HK$0.24 per Convertible Preference Share.

As at the date of this announcement:

(1) the 100,000,000 Convertible Preference Shares to be transferred under the CPS Transfer Agreement represent approximately 8.08% of the total number of the Convertible Preference Shares in issue; and

(2) the 100,000,000 Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the 100,000,000 Convertible Preference Shares represent approximately 2.23% of the existing issued share capital of the Company and approximately 1.91% of the enlarged issued share capital of the Company immediately following the allotment and issue of the 751,430,000 Conversion Shares, being the aggregate of the 100,000,000 Convertible Preference Shares under the CPS Transfer Agreement and the 651,430,000 Convertible Preference Shares under the First CPS Transfer.

The Transfer Price of HK$0.24 per Convertible Preference Share represents:

(1) a discount of approximately 15.79% to the closing price of HK$0.285 per Share as quoted on the Stock Exchange on 7 October 2016, being the date of the CPS Transfer Agreement;

(2) a discount of approximately 20.53% to the average of the closing prices of HK$0.302 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the CPS Transfer Agreement; and

(3) a discount of approximately 20.53% over the average of the closing prices of HK$0.302 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to the date of the CPS Transfer Agreement.

The aggregate gross proceeds from the Transfer are HK$24,000,000. The aggregate net proceeds from the Transfer, after deduction of the related expenses, will be approximately HK$23,500,000, representing a net transfer price of approximately HK$0.235 per Convertible Preference Share. The Company intends to use all of the net proceeds from the Transfer to settle part of the consideration of the acquisition of Emission Particle Solution Sweden AB.

**SGM**

A SGM will be convened and held to consider, and, if thought fit, to approve, the CPS Transfer Agreement and the transactions contemplated thereunder including but not limited to the Transfer. A circular containing, among other things, (i) further details of the CPS Transfer Agreement and the transactions contemplated thereunder; and (ii) a notice of the SGM will be despatched to the Shareholders on or before 28 October 2016.

**WARNING**

**Shareholders and potential investors should note that the CPS Transfer Agreement and the transactions contemplated thereunder including but not limited to the Transfer is subject to the approval by the Shareholders at the SGM and the Transfer may or may not proceed. Shareholders and potential investors are therefore urged to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcement of the Company dated 13 September 2016 in relation to the First CPS Transfer.

## CPS TRANSFER AGREEMENT

On 7 October 2016 (after trading hours), the Company entered into the CPS Transfer Agreement with the Purchasers, pursuant to which the Company has conditionally agreed to procure the sale of and the Purchasers have agreed to purchase 100,000,000 Convertible Preference Shares in aggregate at the Transfer Price of HK$0.24 per Convertible Preference Share.

**Date:**

7 October 2016 (after trading hours)

**Parties:**

(1) the Company; and

(2) Capital Farm and Jovial Sky, being the Purchasers

Each of Capital Farm and Jovial Sky is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Capital Farm and Jovial Sky are Independent Third Parties and are independent of the purchasers under the First CPS Transfer. As at the date of this announcement, the Purchasers, their ultimate beneficial owners and their respective associates do not hold any Shares.

**Convertible Preference Shares**

Subject to the fulfilment (or as the case may be, waiver) of the conditions of the Transfer and the terms of the CPS Transfer Agreement:

(1) the Company has agreed to procure the sale of and Capital Farm has agreed to purchase 50,000,000 Convertible Preference Shares at the Transfer Price of HK$0.24 per Convertible Preference Share; and

(2) the Company has agreed to procure the sale of and Jovial Sky has agreed to purchase 50,000,000 Convertible Preference Shares at the Transfer Price of HK$0.24 per Convertible Preference Share.

As at the date of this announcement:

(1) the 100,000,000 Convertible Preference Shares to be transferred under the CPS Transfer Agreement represent approximately 8.08% of the total number of the Convertible Preference Shares in issue; and

(2) the 100,000,000 Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the 100,000,000 Convertible Preference Shares represent approximately 2.23% of the existing issued share capital of the Company and approximately 1.91% of the enlarged issued share capital of the Company immediately following the allotment and issue of the 751,430,000 Conversion Shares, being the aggregate of the 100,000,000 Convertible Preference Shares under the CPS Transfer Agreement and the 651,430,000 Convertible Preference Shares under the First CPS Transfer.

The total notional value of the 100,000,000 Convertible Preference Shares to be transferred under the CPS Transfer Agreement is HK$21,000,000.

The principal terms of the Convertible Preference Shares are as follows:

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| Issuer: | the Company |
| Conversion price: | initially, each Convertible Preference Share of the notional value of HK$0.21 shall be convertible into one new Share, subject to adjustments in the customary manner, including share consolidations, share subdivision, capitalisation issues, capital distributions, rights issues and issues of other securities for cash |

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| Ranking: | the Convertible Preference Shares shall rank (i) in priority to the ordinary Shares and any other class of shares as to return of capital on liquidation and (ii) pari passu with ordinary shares of the Company as to any dividends accumulated on the Convertible Preference Shares |
| Dividend: | holder of Convertible Preference Shares shall be entitled to the dividends that would be paid with respect to the Shares on an "as converted" basis |
| Voting right: | holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company |
| Transferability: | the Convertible Preference Shares may be transferred to any transferee provided that (i) the relevant holders of the Convertible Preference Shares shall seek prior consent from the Company and (ii) if such transfer is to be made to a connected person (as defined under the Listing Rules) of the Company, such transfer shall comply with the requirements under the Listing Rules and/or other requirements imposed by relevant regulatory authority |
| Redemption: | neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares |
| Conversion period: | in respect of any Convertible Preference Shares, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Convertible Preference Shares and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the statutes). Subject to the aforesaid, there is no limit on the conversion period in respect of the Convertible Preference Shares |
| Listing: | the Convertible Preference Shares will not be listed on the Stock Exchange or any other stock exchange. The listing of, and permission to deal in, the Conversion Shares have been granted by the Stock Exchange |

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| Conversion restriction: | no conversion right attaching to the Convertible Preference Shares shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; (2) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with any of them, taken together, will be required to make a mandatory offer for all issued securities of the Company pursuant to the Takeovers Code; (3) to the extent that following such exercise, the relevant holders of the Convertible Preference Shares and parties acting in concert with it, taken together, will hold equal to or exceed 20% of the issued share capital of the Company; or (4) if immediately after such conversion, the public float of the shares of the Company falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange |

Further details of the terms of the Convertible Preference Shares are set out in the 2013 Circular and the First CPS Transfer Circular.

The Conversion Shares will be allotted and issued pursuant to the specific mandate granted by the Shareholders at the 2013 SGM.

**Transfer Price**

The Transfer Price of HK$0.24 per Convertible Preference Share represents:

(1) a discount of approximately 15.79% to the closing price of HK$0.285 per Share as quoted on the Stock Exchange on 7 October 2016, being the date of the CPS Transfer Agreement;

(2) a discount of approximately 20.53% to the average of the closing prices of HK$0.302 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the CPS Transfer Agreement; and

(3) a discount of approximately 20.53% over the average of the closing prices of HK$0.302 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to the date of the CPS Transfer Agreement.

The Transfer Price was arrived at after arm's length negotiations between the Company and each of the Purchasers with reference to the recent trading price of the Shares and the notional value of HK$0.21 of the Convertible Preference Shares. The aggregate Transfer Price will be payable by each of the Purchasers in cash at Completion.

**Conditions precedent**

Completion of the Transfer to Capital Farm and Jovial Sky are respectively conditional upon:

(1) the passing of the necessary resolution by the Shareholders at the SGM to approve the CPS Transfer Agreement and the transactions contemplated hereunder, including but not limited to the Transfer;

(2) the representations, warranties and undertakings given by the Company under the CPS Transfer Agreement remaining true and accurate in all material respects;

(3) the representations, warranties and undertakings given by the Purchasers under the CPS Transfer Agreement remaining true and accurate in all material respects;

(4) all necessary consents and approvals as may be required in respect of the CPS Transfer Agreement and the transactions contemplated hereunder having been obtained by the Company; and

(5) the EPS Acquisition Agreement having become unconditional and not being terminated in accordance with its terms.

The Company shall use its best endeavours to procure that conditions (1), (2), (4) and (5) above are satisfied not later than the Long Stop Date. The Purchasers shall use their best endeavours to procure that condition (3) above is satisfied not later than the Long Stop Date. The Company may in its absolute discretion at any time waive condition (3) above by notice to the Purchasers in writing. The Purchasers may in its absolute discretion at any time waive condition (2) above by notice to the Company in writing. Neither the Company nor the Purchasers may waive any of conditions (1), (4) and (5) above.

If the above conditions precedent shall not have been satisfied (or as the case may be, waived) at or before 5:00 p.m. on the Long Stop Date, all rights, obligations and liabilities of the parties to the CPS Transfer Agreement shall cease and terminate and none of the parties shall have any claim against any other hereunder save for any antecedent breaches of the CPS Transfer Agreement.

If either Capital Farm or Jovial Sky has waived condition (2) which has not been waived by the other Purchaser and all the remaining conditions precedent in respect of the Purchaser who has waived condition (2) has been satisfied or waived, Completion shall take place for such Purchaser.

Completion of the Transfer is not conditional upon completion of the First CPS Transfer.

**Completion**

Subject to fulfillment (or as the case may be, waiver) of the conditions precedent, Completion shall take place on the date falling on the third Business Day after the fulfillment (or as the case may be, waiver) of the conditions precedent or such other date as the parties to the CPS Transfer Agreement may agree.

## EFFECT OF THE TRANSFER ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at the date of this announcement and immediately upon completion and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the 751,430,000 Convertible Preference Shares in full, being the aggregate of 100,000,000 Convertible Preference Shares under the CPS Transfer Agreement and the 651,430,000 Convertible Preference Shares under the First CPS Transfer, assuming that there is no adjustment to the Conversion Preference Shares or other change in the share capital of the Company, are set out below:

| | **As at the date of this announcement** | | **Immediately upon completion and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attached to the Convertible Preference Shares in full** | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate %* | *Number of Shares* | *Approximate %* |
| **Directors** | | | | |
| Chi Chi Hung Kenneth | 23,000,000 | 0.51 | 23,000,000 | 0.44 |
| Chui Kwong, Kau | 660,000 | 0.01 | 660,000 | 0.01 |
| **Substantial Shareholders** | | | | |
| Choy Shiu Tim *(Note)* | 1,300,007,125 | 29.00 | 1,300,007,125 | 24.84 |
| Mr. Zhu Yongjun | 3,000,000 | 0.07 | 83,000,000 | 1.58 |
| Jumbo Grand Enterprise Development Limited | — | — | 571,430,000 | 10.91 |
| Capital Farm | — | — | 50,000,000 | 0.96 |
| Jovial Sky | — | — | 50,000,000 | 0.96 |
| **Public Shareholders** | | | | |
| Other public shareholders | 3,156,446,775 | 70.41 | 3,156,446,775 | 60.30 |
| Total | 4,483,113,900 | 100.00 | 5,234,543,900 | 100.00 |

*Note:* In respect of 1,300,007,125 Shares in which Mr. Choy Shiu Tim is interested, 180,000,000 Shares are directly held by him and 1,120,007,125 Shares are held through Intense Rise Holdings Limited which is wholly-owned by him.

## REASONS FOR THE TRANSFER AND USE OF PROCEEDS

The Group is principally engaged in the businesses of manufacturing and trading of electric cycles, trading and distribution of liquor and wine, provision of money lending services and investments in listed securities.

As disclosed in the announcement dated 29 July 2016 of the Company, on 29 July 2016, the Group entered into the EPS Acquisition Agreement, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of Emission Particle Solution Sweden AB that is principally engaged in the development, manufacturing and distribution of a fuel additive product namely EuroAd which can reduce fuel consumption and environmental impact. Completion of the EPS Acquisition Agreement is conditional upon, among others, fund raising exercise or corporate financing with proceeds (or amount) of not less than HK$221,000,000 to be conducted by the Company having becoming unconditional. As disclosed in the announcement dated 13 September 2016 and the circular dated 7 October 2016 of the Company in relation to the First CPS Transfer, all of the net proceeds from the First CPS Transfer will be used to settle part of the consideration of the acquisition of Emission Particle Solution Sweden AB.

The aggregate gross proceeds from the Transfer will be HK$24,000,000. The aggregate net proceeds from the Transfer, after deduction of the related expenses, will be approximately HK$23,500,000, representing a net transfer price of approximately HK$0.235 per Convertible Preference Share. The Company intends to use all of the net proceeds from the Transfer to settle part of the consideration of the acquisition of Emission Particle Solution Sweden AB.

The Directors consider that the Transfer, together with the First CPS Transfer, will facilitate the realisation of the Convertible Preference Shares to compensate the Group for the failure to meet the Total Net Profits in the sum of RMB300,000,000 by the 2013 Target Group and allow the Group to raise fund to satisfy part of the consideration of the acquisition under the EPS Acquisition Agreement. As such, the Directors (including the independent non-executive Directors) consider that the terms of the CPS Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## FUND RAISING EXERCISE IN THE PRECEDING 12-MONTH PERIOD

Set out below is the equity fund raising activity conducted by the Company in the past twelve months immediately preceding the date of this announcement.

| Date of announcement | Fund raising activity | Net proceeds (approximately) | Intended use of proceeds | Actual use of proceeds |
|---|---|---|---|---|
| 13 September 2016 | Transfer of 651,430,000 convertible preference shares at the transfer price of HK$0.21 per convertible preference share | Up to HK$136,300,300 | Used to settle part of the consideration of the acquisition of Emission Particle Solution Sweden AB | The transfer has not been completed yet |

## SGM

A SGM will be convened and held to consider, and, if thought fit, to approve, the CPS Transfer Agreement and the transactions contemplated thereunder including but not limited to the Transfer. A circular containing, among other things, (i) further details of the CPS Transfer Agreement and the transactions contemplated thereunder; and (ii) a notice of the SGM will be despatched to the Shareholders on or before 28 October 2016.

## WARNING

**Shareholders and potential investors should note that the CPS Transfer Agreement and the transactions contemplated thereunder including but not limited to the Transfer is subject to the approval by the Shareholders at the SGM and the Transfer may or may not proceed. Shareholders and potential investors are therefore urged to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

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| "2013 Acquisition" | acquisition of the entire issued share capital of the 2013 Target Company in accordance with the terms of the 2013 Acquisition Agreement, details of which were disclosed in the 2013 Circular |
| "2013 Acquisition Agreement" | the agreement dated 1 November 2012 (as amended and supplemented by the supplemental agreement dated 23 January 2013) entered into between the Investor as purchaser, the Company as the Investor's holding company, the Counterparty as vendor, and the Guarantor as guarantor in relation to the sale and purchase of the entire issued share capital of the 2013 Target Company |
| "2013 Circular" | the circular of the Company dated 8 February 2013 in relation to, among others, the 2013 Acquisition and the allotment and issue of the Convertible Preference Shares |
| "2013 SGM" | the special general meeting of the Company held on 4 March 2013 to approve, among others, the 2013 Acquisition and the allotment and issue of the Convertible Preference Shares |
| "2013 Target Company" | Total Grand Investments Limited (顯赫投資有限公司), a company incorporated in the BVI with limited liability |
| "2013 Target Group" | the 2013 Target Company and its subsidiaries |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |

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| "Business Day(s)" | any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |
| "BVI" | British Virgin Islands |
| "Capital Farm" | Capital Farm Limited, a company incorporated in the BVI with limited liability, being one of the Purchasers |
| "Company" | DeTai New Energy Group Limited, a company incorporated in Bermuda with limited liability whose issued Shares are listed on the main board of the Stock Exchange |
| "Completion" | completion of the Transfer under the CPS Transfer Agreement |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "Conversion Shares" | the new Share(s) credited as fully paid to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Preference Shares |
| "Convertible Preference Share(s)" | unlisted convertible preference shares of the notional value of HK$0.21 each in the share capital of the Company |
| "Counterparty" | Goldsure Limited (金信有限公司), a company incorporated in the BVI with limited liability which is wholly-owned by the Guarantor |
| "CPS Transfer Agreement" | the agreement for the Transfer dated 7 October 2016 and entered into between the Company of the one part and the Purchasers of the other part |
| "Director(s)" | the director(s) of the Company |
| "EPS Acquisition Agreement" | the agreement dated 29 July 2016 entered into between Perfect Essential Holdings Limited, a direct wholly-owned subsidiary of the Company, as purchaser and Quondino Holdings Limited, Robert Dwayne Leslie, Juralen Holdings Limited, Lestan Holdings Limited, Xerigue Holdings Limited, Rem Tene AB, Perfero AB and Per Pedes AB as vendors in relation to the acquisition of the entire issued share capital of Emission Particle Solution Sweden AB, further details of which are set out in the announcement of the Company dated 29 July 2016 |

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| "First CPS Transfer" | the proposed transfer of 651,430,000 Convertible Preference Shares in aggregate to Mr. Zhu Yongjun and Jumbo Grand Enterprise Development Limited under the convertible preference shares transfer agreement dated 13 September 2016 and entered into between the Company of the one part and Mr. Zhu Yongjun and Jumbo Grand Enterprise Development Limited of the other part |
| "First CPS Transfer Circular" | the circular of the Company dated 7 October 2016 in relation to the First CPS Transfer |
| "Group" | the Company and its subsidiaries |
| "Guarantor" | Mr. 唐通 (in English, for identification purpose only, Mr. Tang Tong) |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | any person(s) or company(ies) and their respective ultimate beneficial owner(s) are third parties independent of the Group and its connected persons in accordance with the Listing Rules |
| "Investor" | Max June Limited (萬津有限公司), a company incorporated in the BVI with limited liability which is a wholly-owned subsidiary of the Company |
| "Jovial Sky" | Jovial Sky Investments Limited, a company incorporated in the BVI with limited liability, being one of the Purchasers |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 31 December 2016 or such other date as the parties to the CPS Transfer Agreement may agree in writing |
| "PRC" | the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Purchasers" | together, Capital Farm and Jovial Sky, being the purchasers under the CPS Transfer Agreement |
| "RMB" | Renminbi, the lawful currency of the PRC |

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| "SGM" | the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other matters, the CPS Transfer Agreement and the transactions contemplated thereunder including but not limited to the Transfer |
| "Share(s)" | ordinary share(s) of HK$0.05 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of issued Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Takeovers Code" | the Hong Kong Code on Takeovers and Merger |
| "Total Net Profits" | the total net profits of the 2013 Target Group after tax calculated on a consolidated basis for the financial years ended 31 December 2013, 2014 and 2015 |
| "Transfer" | the proposed transfer of 100,000,000 Convertible Preference Shares to the Purchasers under the CPS Transfer Agreement |
| "Transfer Price" | the transfer price of HK$0.24 per Convertible Preference Share |

By order of the Board
**DeTai New Energy Group Limited**
**Wong Hin Shek**
*Chairman and Executive Director*

Hong Kong, 7 October 2016

*As at the date of this announcement, the executive Directors are Mr. Wong Hin Shek and Mr. Chi Chi Hung, Kenneth; the non-executive Director is Mr. Chui Kwong Kau; and the independent non-executive Directors are Mr. Chiu Wai On, Mr. Man Kwok Leung and Dr. Wong Yun Kuen.*