

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

If you have sold or transferred all your shares in China Environmental Resources Group Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

**PROPOSALS FOR
RE-ELECTION OF RETIRING DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE SHARES AND
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening an annual general meeting of China Environmental Resources Group Limited (the “**Company**”) to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 11 November 2015 at 11:00 a.m. is set out on pages 26 to 30 of this circular.

Whether or not you are able to attend the annual 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 Hong Kong branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, 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 annual 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 annual general meeting or any adjournment thereof should you so wish.

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 11 November 2015 at 11:00 a.m.
“AGM Notice”	the notice convening the AGM as set out in Appendix IV to this circular
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	China Environmental Resources Group 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 (Stock code: 1130) and have a secondary listing on Singapore Exchange Securities Trading Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 16 December 2005
“Group”	the Company and its subsidiaries
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issuance Mandate”	as defined in paragraph 3 of the Letter from the Board in this circular
“Latest Practicable Date”	30 September 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	means the Main Board operated by the Stock Exchange
“PRC”	the People’s Republic of China
“Repurchase Mandate”	as defined in paragraph 3 of the Letter from the Board in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which are set out in Appendix III of this circular
“Shareholder(s)”	registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent

RESPONSIBILITY STATEMENT

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



CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

Executive Directors:

Mr. YEUNG Chi Hang (*Chairman and
chief executive officer*)
Mr. LEUNG Kwong Choi
Mr. WONG Po Keung
Mr. CHUNG Siu Wah
Mr. CHEN Yuyang

Independent Non-executive Directors:

Mr. WONG Kwai Sang
Mr. ONG Chi King
Mr. HEUNG Chee Hang, Eric

Registered office:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Head office and

principal place of business:
2/F., Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

12 October 2015

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
RE-ELECTION OF RETIRING DIRECTORS,
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE SHARES AND
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with the information regarding resolutions to be proposed at the AGM relating to: (i) re-election of retiring Directors; (ii) granting to the Directors of the Issuance Mandate and Repurchase Mandate; and (iii) termination of the Existing Share Option Scheme and adoption of the Share Option Scheme, and notice to convene the AGM to approve, among other things, (i) re-election of retiring Directors; (ii) granting of the Issuance Mandate and Repurchase Mandate and extension of Issuance Mandate; and (iii) termination of the Existing Share Option Scheme and adoption of the Share Option Scheme.

LETTER FROM THE BOARD

2. RE-ELECTION OF RETIRING DIRECTORS

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Pursuant to the Articles of Association, Mr. Leung Kwong Choi, Mr. Wong Po Keung and Mr. Chung Siu Wah, being the existing Directors longest in office since their last re-election, will retire by rotation and Mr. Chen Yuyang and Mr. Heung Chee Hang, Eric, the newly appointed Directors, will retire at the forthcoming AGM and, being eligible, all the retiring directors offer themselves for re-election.

Pursuant to Rule 13.74 of the Listing Rules, a listed issuer shall disclose the details required under Rule 13.51(2) of the Listing Rules of any directors proposed to be re-elected or proposed new director in the notice or accompanying circular to its shareholders of the relevant general meeting, if such re-election or appointment is subject to shareholders' approval at that relevant general meeting. Biographical details of the retiring Directors proposed to be re-elected are set out in Appendix I to this circular.

3. GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 19 November 2014, ordinary resolutions were passed for the granting of general mandates to the Directors, inter alia, to allot, issue or otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at that date (i.e. 188,570,901 Shares) (the “**Existing Issuance Mandate**”) and to repurchase Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at that date (i.e. 94,285,450 Shares) (the “**Existing Repurchase Mandate**”).

The Existing Issuance Mandate and Existing Repurchase Mandate will lapse upon the conclusion of the AGM. The Directors consider that the Existing Issuance Mandate and Existing Repurchase Mandate increase the flexibility in the Company's affairs and are in the interests of the Shareholders, and should continue to be adopted by the Company.

It will therefore be proposed at the forthcoming AGM to approve the granting of new general mandates to the Directors to exercise the power of the Company:

- (i) to allot, issue and deal with new Shares and to make or grant offers, agreements and options, including warrants to subscribe for Shares and other rights of subscription for or conversion into Shares, of not exceeding 20% of the number of issued Shares of the Company as at the date of passing of such resolution (the “**Issuance Mandate**”); and

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- (ii) to repurchase Shares on the Stock Exchange of not exceeding 10% of the number of issued Shares of the Company as at the date of passing of such resolution (the “**Repurchase Mandate**”).

Assuming that there is no further issuance and allotment of and dealing in new Shares from the Latest Practicable Date to the date of AGM, a maximum of 282,856,352 new Shares, representing approximately 20% of the number of issued Shares of the Company, shall be allotted, issued and dealt with under the Issuance Mandate.

A resolution authorising the extension of the Issuance Mandate to include the aggregate nominal amount of Shares repurchased (if any) under the Repurchase Mandate will be proposed as ordinary resolution 6 set out in the AGM Notice. With reference to the Issuance Mandate and Repurchase Mandate, the Directors wish to state that they have no immediate plan to issue any Shares or repurchase any Shares pursuant thereto.

An explanatory statement containing the particulars required by the Listing Rules to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of the Repurchase Mandate is set out in Appendix II to this circular.

4. TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme will expire on 16 December 2015. In view of the expiration of the Existing Share Option Scheme, an ordinary resolution will be proposed at the Annual General Meeting to terminate the Existing Share Option Scheme and adopt a new Share Option Scheme. Following the termination of the Existing Share Option Scheme, no further options will be granted under such scheme, but in all other respects the provisions of the Existing Share Option Scheme will remain in full force and effect and options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the Existing Share Option Scheme.

As at the Latest Practicable Date, there is no unissued option available for further grant under the Existing Share Option Scheme, and all options previously granted but not exercised thereunder have already lapsed.

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and/or providing benefits to the Eligible Persons (as defined in Appendix III) and to provide the Eligible Persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the Eligible Persons for the betterment of business and profitability of the Group and the Shareholders as a whole. Rule 17.02(1)(a) of the Listing Rules requires a share option scheme of a listed issuer to be approved by the shareholders of the listed issuer in general meeting.

The Eligible Persons include, inter alia, any Director, employee, Substantial Shareholder, consultant and professional adviser of the Group. The Group is principally engaged in the green businesses of research, development and application of technologies and solutions,

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manufacture, sale and trading of products, materials, systems and services for green market segment, etc. The Directors are of the view that, in addition to the employees of the Group (including the Directors), Substantial Shareholders, consultants, professional advisers, etc., are equally important to the long-term development of those businesses of the Group. Therefore, the Directors have decided to include those parties as Eligible Persons under the Share Option Scheme. Nevertheless, it must be stressed that, the grant of Options to any of those Eligible Persons will be subject to the discretion of the Directors taking into account their contribution to the Group and there is no assurance that any of those Eligible Persons will be absolutely entitled to such Options.

A summary of the principal terms of the Share Option Scheme is set out in Appendix III to this circular. A copy of the Share Option Scheme will be available for inspection during normal business hours at the principal place of business of the Company at 2/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to the date of the Annual General Meeting (both days inclusive). The Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an Option. The basis for determination of the subscription price is also specified in the rules of the Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage Eligible Persons to acquire proprietary interests in the Company. The adoption of the Share Option Scheme is conditional upon: (1) the Shareholders passing an ordinary resolution at the Annual General Meeting to approve and adopt the Share Option Scheme and the termination of the Existing Share Option Scheme; and (2) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options. If the above conditions are not satisfied within three months after the date of adoption of the Share Option Scheme, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

The Company currently has no share option scheme in force other than the Existing Share Option Scheme. Based on the 1,414,281,762 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company before the Annual General Meeting, the maximum number of Shares that can be issued upon exercise of options that may be granted under the proposed Share Option Scheme, and any other share option scheme, is 141,428,176 Shares, representing approximately 10% of the total number of Shares in issue.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the Options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the apparent non-availability of a number of variables which are crucial for the calculation of the Option value. In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical bases and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options would not be meaningful and may be misleading to the Shareholders in the circumstances.

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The Company does not at present intend to appoint a trustee to the Share Option Scheme.

Application will be made to the Stock Exchange for approval of the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of Options that may be granted under the Share Option Scheme. As at the Latest Practicable Date, all outstanding options granted under the Existing Share Option Scheme have lapsed. No Shareholder has a material interest in the termination of the Existing Share Option Scheme and the adoption of the Share Option Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

Taking into account the facts that (i) the Eligible Persons will be motivated to enhance the value of the Group and the Shares; (ii) subject to the restrictions under the Listing Rules, the Directors will have discretion to determine the actual grantees, the exercise price and other terms of the Options; (iii) the grant of Options will not impose financial pressure on the Group; and (iv) the exercise of the Options will enhance the shareholder base and increase the liquid financial resources of the Company, the Directors are of the view that the terms of the Share Option Scheme are fair and reasonable and the adoption of the Share Option Scheme is in the interest of the Company and the Shareholders as a whole.

5. ANNUAL GENERAL MEETING

The AGM Notice is set out in Appendix IV to this circular. At the AGM, ordinary resolutions will be proposed to approve, inter alia, (i) re-election of retiring Directors; (ii) granting of the Issuance Mandate and the Repurchase Mandate and extension of the Issuance Mandate; and (iii) termination of the Existing Share Option Scheme and adoption of the Share Option Scheme.

A form of proxy is enclosed with this circular for use at the AGM. Whether or not you are able to attend this meeting, you are requested to complete and return the enclosed form of proxy to the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for every resolution put to the vote at the AGM pursuant to the Articles of Association and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

7. RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for approval of (i) re-election of retiring Directors; (ii) granting of Issuance Mandate and Repurchase Mandate and extension of the Issuance Mandate; and (iii) termination of the Existing Share Option Scheme and adoption of the Share Option Scheme are each in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant resolutions to be proposed at the AGM.

8. GENERAL INFORMATION

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

Yours faithfully,
By Order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

The biographical details of the retiring Directors will shall retire from office at the AGM and, being eligible, offer themselves for re-election are as follows:

1. **Mr. Leung Kwong Choi**, aged 59, was appointed as Executive Director on 6 October 2008. He is also the Chairman of the investment committee of the Company.

Mr. Leung holds a Bachelor of Social Science Degree from the Chinese University of Hong Kong. He had been working for 10 years in the marketing department of Hang Lung Development Ltd. since graduation. Mr. Leung had also served the positions of executive director of Top Glory Holdings Ltd., China Food Ltd. and Cheung Tai Hong Holdings Ltd., all of which are companies with shares listed on The Stock Exchange of Hong Kong Limited. Mr. Leung has over 28 years of real estate and business experience in Hong Kong and the PRC concentrating in property investment and development, acquisition and merger, deal marking and investment projects arrangement.

Save as disclosed above, Mr. Leung does not hold any other positions in the Company or any subsidiaries of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Leung has entered into an appointment letter with the Company for a term of one year commencing from 6 October 2014. He is subject to retirement by rotation at the annual general meeting of the Company and re-election under the provision of the Articles of Association. Pursuant to the appointment letter, he is entitled to a director's fee of HK\$180,000 per annum which is determined with reference to his duties and responsibilities within the Company, the performance of the Company and the prevailing market situation and subject to the authorisation by the Shareholders at the annual general meeting and determination by the remuneration committee of the Company and the Board.

Mr. Leung does not have any relationships with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Leung does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Leung which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

2. **Mr. Wong Po Keung**, aged 44, was appointed as Executive Director on 30 September 2013.

Mr. Wong is also the director of certain subsidiaries of the Company, the financial controller and a member of the investment committee of the Company Mr. Wong holds a Master degree in business administration from the University of South Australia. He is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has ample experience in auditing, accounting, financial management and company secretarial practices in respect of listed companies.

Save as disclosed above, Mr. Wong does not hold any other positions in the Company or any subsidiaries of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Wong has entered into an appointment letter with the Company for a term of three years commencing from 30 September 2013. He is subject to retirement by rotation at annual general meeting of the Company and re-election under the provision of the Articles of Association. Pursuant to the appointment letter, he is entitled to a director's fee of HK\$300,000 per annum plus discretionary bonus which is determined with reference to his qualification and experience, his duties and responsibilities within the Company, the performance of the Company and the prevailing market situation and subject to authorisation by the Shareholder at the annual general meeting and determination by the remuneration committee of the Company and the Board.

Mr. Wong does not have any relationships with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Wong does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Wong which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

3. Mr. Chung Siu Wah, aged 58, was appointed as Executive Director on 14 August 2014.

Mr. Chung started his career in 1976 by joining the Hong Kong Government as a Customs Inspector. He obtained his law degree with honour at the University of London in 1986 and further obtained his Postgraduate Certificate of Laws at University of Hong Kong in 1987. He resigned from the Customs and Excise Department in 1987 and started his legal career. He has been a solicitor practicing in Hong Kong since 1989. He joined Messer. Tony Kan & Co. in 1987 and became a partner in 1992. He retired from the partnership in 2004 but continues to associate with the law firm as a consultant till now. Mr. Chung has also experience in the management of listed company at Hong Kong. He was appointed as an executive director of Daido Group Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 544) for the period from 9 September 2011 to 5 August 2013.

Save as disclosed above, Mr. Chung does not hold any other positions in the Company or any subsidiaries of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Chung has entered into an appointment letter with the Company for a term of three years commencing from 14 August 2014. He is subject to retirement by rotation at annual general meeting of the Company and re-election under the provision of the Articles of Association. Pursuant to the appointment letter, he is entitled to a director's fee of HK\$456,000 per annum plus discretionary bonus which is determined with reference to his qualification and experience, his duties and responsibilities within the Company, the

performance of the Company and the prevailing market situation and subject to authorisation by the Shareholder at the annual general meeting and determination by the remuneration committee of the Company and the Board.

Mr. Chung does not have any relationships with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Chung does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Chung which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

4. Mr. Chen Yuyang, aged 36, was appointed as Executive Director on 16 January 2015.

Mr. Chen is a Certified Public Accountants admitted to The Chinese Institute of Certified Public Accountants and Certified Internal Auditor admitted to China Institute of Internal Auditors. Mr. Chen received a bachelor's degree in Power Engineering from Shanghai University of Electric Power. He has more than 10 years of experience in accounting and financial control. He was the financial manager of Air Liquide (China) Holdings Co., Ltd. from 2004 to 2007 and was the chief financial officer of Videojet Technologies Inc., a subsidiary of Danaher Corporation from 2007 to 2013.

Save as disclosed above, Mr. Chen does not hold any other positions in the Company or any subsidiaries of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Chen has entered into an appointment letter with the Company for a term of three years commencing from 16 January 2015. He is subject to retirement by rotation at annual general meeting of the Company and re-election under the provision of the Articles of Association. Pursuant to the appointment letter, he is entitled to a director's fee of HK\$405,600 per annum plus discretionary bonus which is determined with reference to his qualification and experience, his duties and responsibilities within the Company, the performance of the Company and the prevailing market situation and subject to authorisation by the Shareholder at the annual general meeting and determination by the remuneration committee of the Company and the Board.

Mr. Chen does not have any relationships with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Chen does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Chen which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

5. **Mr. Heung Chee Hang, Eric**, aged 47, was appointed as Independent non-Executive Director on 16 January 2015. He is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. Heung is a qualified solicitor admitted to the Supreme Court of Hong Kong and a Civil Celebrant of Marriages. Mr. Heung received a bachelor's degree in Law from University of Leicester England. He has more than 20 years of experience in the legal profession. Mr. Heung is presently a partner of Messrs. Tung, Ng, Tse & Heung, an independent non-executive director of Zhong Fa Zhan Holdings Limited (stock code: 475), director of Lions Education Foundation, director of Lions Clubs of Kwai Tsing HKSAR and committee legal adviser of the Association of the Hong Kong Members of Shandong's Chinese People's Political Consultative Conference. He has resigned as independent non-executive director of Gold Tat Group International Limited (stock code: 8266) with effect from 3 March 2015.

Save as disclosed above, Mr. Heung does not hold any other positions in the Company or any subsidiaries of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Heung has entered into an appointment letter with the Company for a term of three years commencing from 16 January 2015. He is subject to retirement by rotation at annual general meeting of the Company and re-election under the provision of the Articles of Association. Pursuant to the appointment letter, he is entitled to a director's fee of HK\$120,000 per annum which is determined with reference to his qualification and experience, his duties and responsibilities within the Company, the performance of the Company and the prevailing market situation and subject to authorisation by the Shareholder at the annual general meeting and determination by the remuneration committee of the Company and the Board.

Mr. Heung does not have any relationships with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Heung does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Heung which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

This appendix includes an explanatory statement required by the Stock Exchange to be presented to the Shareholders concerning the Repurchase Mandate proposed to be granted to the Directors.

1. LISTING RULES FOR REPURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution at a general meeting, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be repurchased must be fully paid up.

2. FUNDING AND IMPACT OF REPURCHASES

Any repurchase will be made out of funds which are legally available for the purpose in accordance with the memorandum of association of the Company, the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. As compared with the financial position of the Company as at 30 June 2015 (being the date to which the latest audited financial statements of the Company have been made up), the Directors consider that there would be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing position which in the opinion of the Directors are from time to time appropriate for the Company.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

4. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,414,281,762 Shares.

Subject to the passing of the relevant ordinary resolutions to approve the general mandates to issue and repurchase Shares and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the AGM, the Directors would be authorised to exercise the powers of the Company to repurchase a maximum of 141,428,176 Shares.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands, the memorandum of association of the Company and the Articles of Association.

6. EFFECT OF THE TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of Substantial Shareholder in the voting rights of the Company, which may give rise to an obligation to make a mandatory offer in accordance with Rules 26 of the Takeovers Code. As at the Latest Practicable Date, the following Shareholders are taken to have 5% or more of the issued share capital of the Company:

Name of Shareholders	No. of Shares interested	Percentage of shareholding in the Company	
		As at the Latest Practicable Date	After exercise in full of the Repurchase Mandate
Mr. Yeung Chi Hang (<i>Note</i>)	187,500,000	13.26%	14.73%
Mr. Cheng Tun Nei	80,378,816	5.68%	6.31%

Note: Mr. Yeung Chi Hang was also an Executive Director of the Company.

On the basis that no further Shares are issued or repurchased prior to the AGM, in the event that the Directors exercise in full the Repurchase Mandate, the interests of the above Shareholders would be increased to such percentages of the issued share capital of the Company as set out in the fourth column of the above table and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25%.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective close associates has any present intention, in the event that the proposed Repurchase Mandate is granted, to sell Shares to the Company. No core connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make repurchases of Shares.

8. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company (whether on the Stock Exchange or otherwise) during the six months ended on the Latest Practicable Date.

9. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months up to the Latest Practicable Date were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2014		
October	0.320	0.260
November	0.290	0.232
December	0.240	0.170
2015		
January	0.305	0.160
February	0.270	0.215
March	0.255	0.200
April	0.400	0.204
May	0.780	0.250
June	0.950	0.520
July	0.577	0.323
August	0.480	0.300
September (till the Latest Practicable Date)	0.350	0.290

The following is a summary of the principal terms of the Share Option Scheme to be proposed at the Annual General Meeting:

For the purpose of this appendix, unless the context otherwise requires:

- “Auditors” means the auditors for the time being of the Company;
- “Chief Executive” shall have the meaning ascribed to it under the Listing Rules;
- “Eligible Employee” means any employee including executive directors (whether full time or part time) of the Company, any subsidiary or any invested entity;
- “Eligible Person” means:
- (a) any Eligible Employee;
 - (b) any non-executive director (including any independent non-executive director) of the Company, any subsidiary or any invested entity;
 - (c) Chief Executive or any Substantial Shareholder of the Company;
 - (d) any consultant or professional advisor to the Company, any subsidiary or any invested entity;
 - (e) any associate of Director, Chief Executive or Substantial Shareholder of the Company; or
 - (f) any discretionary object of a discretionary trust established by any of the above-mentioned persons;
- “Option” means an option to subscribe for the Shares granted pursuant to the Share Option Scheme;
- “Option Period” means in respect of any particular Option, the period to be notified by the Board to each Participant which shall not exceed 10 years from the date upon which the Option is deemed to be granted and accepted;

“Other Schemes”	means any other share option schemes (if any) adopted by any member of the Group from time to time; and
“Participant”	means any Eligible Person who accepts the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the Group with a flexible means of giving incentive to, rewarding, remunerating and/or providing benefits to the Eligible Persons and to provide the Eligible Persons with all opportunity to acquire a personal stake in the Group and to build common objectives of the Group and the Eligible Persons for the betterment of business and profitability of the Group and the Shareholders as a whole.

(b) Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for such period as may be determined by the Board.

(c) Grant of option

No grant of Options shall be made by the Board after the Board is in possession of inside information in relation to the Shares, until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of the Company’s quarterly, interim or annual results; and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement under the Listing Rules, and ending on the date of the results announcement, no Option may be granted.

The total number of the Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, provided that if approved by Shareholders in general meeting with such Participant and his associates abstaining from voting, the Company may make a further grant to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted under the Share Option Scheme and Other Schemes to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the

identity of the relevant Participant, the number and the terms of the Options to be granted (and options previously granted to such Participant under the Share option Scheme and Other Scheme) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' approval and the date of meeting of the Board meeting for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of the Shares

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and will be at least the highest of (i) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Option, which must be a business day; (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(e) Maximum number of the Shares

- (i) The total number of the Shares which may be issued upon exercise of all options granted or to be granted under the Share Option Scheme and the Other Scheme must not in aggregate exceed 141,428,176 Shares, representing approximately 10% of the Shares in issue as at the date of the Annual General Meeting, on the basis that no further Shares will be issued prior to the date of the Annual General Meeting (the "**Scheme Mandate Limit**") provided that options lapsed in accordance with the terms of the Share Option Scheme or the Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may refresh the Scheme Mandate Limit to the intent that the total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and the Other Scheme under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issued as at the date of such Shareholders' approval provided that options previously granted under the Share Option Scheme and the Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Share holders' approval referred to in this subparagraph (iii), the Company shall send a circular to its Shareholders containing a generic description of the identified Participants, the number and terms of the Options to be granted, the purpose of granting Options to the identified Participants, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules and as the Shareholders consider applicable.

- (iv) Notwithstanding the foregoing, the Company may not grant any Option if such grant will result in the number of the Shares which may be issued upon exercise of all outstanding options granted any yet to be exercise under the Share Option Scheme and Other Scheme exceeding 30% of the Shares in issue from time to time.

(f) Time of exercise of option

Unless the Board determines otherwise, an Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period. The Share Option Scheme does not require a minimum period for which an Option must be held or a performance target which must be achieved before an Option can be exercised.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

(h) Rights on death

If a Participant dies before exercising the Option in full, his or her personal representative(s) may exercise the Option in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which the Option will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever, then, in any such case the Company shall instruct the Auditors or independent financial adviser to the Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular Participant, to:

- (i) the number of Shares to which the Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any unexercised Option; and/or
- (iii) the maximum number of Shares referred to in (e) above,

as being fair and reasonable and an adjustment as so certified by the Auditors or the independent financial adviser to the Company shall be made, provided that:

- (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Participant would have been entitled to subscribe had he or she exercised all the Options held by him or her immediately prior to such adjustment; and
- (iv) the issue of Shares or securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

In respect of any such adjustments, other than any made on a capitalisation issue, the Auditors or independent financial adviser to the Company must confirm to the Directors in writing that such adjustments satisfy the requirements that they give a Participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

(j) Rights on take-over

If a general offer has been made to acquire all of the issued Shares other than those held by the offeror and any persons acting in concert with the offeror, and such offer, having been approved in accordance with applicable laws and regulatory requirements, become or is declared unconditional, the Participants shall be entitled to exercise his or her outstanding Option to its full extent or any part thereof at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. For the purposes of this paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code.

(k) Rights on a compromise, arrangement, etc.

- (i) If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Participants on the same date as it despatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Participant (or his or her personal representative(s)) shall be entitled to exercise all or any of his or her Options in whole or in part (to the extent not already exercised) at any time prior to 12 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all Participants to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Directors shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph (i) shall for the purposes of

such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of Participants to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Participant as a result of the aforesaid suspension.

- (ii) In the event of an effective resolution being proposed for the voluntary winding up of the Company during the Option Period, the Participant (or his or her personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company elect to exercise his or her Option in whole or in part (to the extent not already exercised) within 2 business days prior to the proposed general meeting of the Company considering such winding up, such notice to be accompanied by the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Participant shall be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to receive out of the assets available in the liquidation *pari passu* with the holders of the Shares such sum as would have been received in respect of the Shares that are the subject of such election.

(l) Lapse of option

The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:

- (i) the relevant Option Period of the Option having expired;
- (ii) the expiry of the period referred to in paragraph (h) above;
- (iii) in case of an employee (including director), the date on which the Participant ceases to be an employee by reason of a termination of his or her employment on the grounds that he or she has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Participant or the Group into disrepute) or any other grounds on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Participant's service contract with the Company or the relevant subsidiary or invested entity;
- (iv) in case of an employee (including director), 12 months following the date on which the Participant ceases to be an employee thereof by reason of his or her ill-health or retirement in accordance with his or her contract;

- (v) in case of an employee (including director), unless the Directors otherwise determine, the date on which the Participant ceases to be an employee thereof by reason other than his or her death, ill-health, or retirement in accordance with his or her contract of employment;
- (vi) the expiry of the relevant period referred to in paragraphs (j) and (k) above;
- (vii) subject to (k)(ii) above, the date of the commencement of the winding-up of the Company;
- (viii) the date on which the Participant commits any breach of the provisions of paragraph (g) above; and
- (ix) the date on which the Option is cancelled by the Directors as provided in paragraph (n) below.

(m) Ranking of the Shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Articles of Association and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such issue.

(n) Cancellation of options granted

The Directors may effect the cancellation of any Options granted but not exercised on such terms as may be agreed with the relevant Participant, as the Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancellation. Where the Company cancels any Options granted and offers to grant or grants new Options to the same Participant, the offer or grant of such new Options may only be made under the Share Option Scheme if there are available unissued Options (excluding the cancelled Options) within each of the limits as referred to in (e) above.

(o) Period of Share Option Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on the date of Annual General Meeting after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of any Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant.

(p) Alteration to and Termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Directors except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants or prospective Participants except with the prior sanction of a resolution of the Company in general meeting,

provided that no such alteration shall adversely affect the terms of issue of any Option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required of the holders of the Shares under the Articles of Association for the time being of the Company for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the Options must still comply with the applicable requirements of the Listing Rules.

Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in a general meeting.

The Company by ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination which shall continue to be exercisable in accordance with their terms of grant.

(q) Grant of options to connected persons, Directors or any of their associates

Where Options are proposed to be granted to a Director, Chief Executive or Substantial Shareholder, or any of their respective associates, the proposed grant must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the Options).

If a grant of Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted to such person under the Share Option Scheme and the Other Scheme (including both exercised and outstanding Options) in any 12-month period up to and including the proposed date of the grant exceeding 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the proposed date of each grant, in excess of HK\$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting taken on a poll. Such grantees, their respective associates and all core connected persons of the Company must abstain from voting at such general meeting, except that any the aforesaid parties may vote against the resolution provided that his or her intention to do so has been stated in the circular relating to such Shareholders' approval. Shareholders' approval will also be required for any change in the terms of any Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or their respective associates.

In relation to the Shareholders' approval, the circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the Options in question) to the independent Shareholders as to voting; and
- (iii) all other information as required by the Listing Rules including but not limited to Rules 2.17, 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4).



CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

NOTICE IS HEREBY GIVEN that an annual general meeting of China Environmental Resources Group Limited (the “**Company**”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 11 November 2015 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements for the year ended 30 June 2015 together with the report of the directors and the independent auditor’s report.
2. (a) To re-elect each of the retiring directors of the Company as follows by way of a separate resolution:
 - (i) Mr. LEUNG Kwong Choi
 - (ii) Mr. WONG Po Keung
 - (iii) Mr. CHUNG Siu Wah
 - (iv) Mr. CHEN Yuyang
 - (v) Mr. HEUNG Chee Hang, Eric
- (b) To authorise the board of Directors (the “**Board**”) to fix the directors’ remuneration for the year ending 30 June 2016.
3. To re-appoint ZHONGHUI ANDA CPA Limited as auditor of the Company and to authorise the Board to fix the remuneration of auditor of the Company.

SPECIAL BUSINESS**ORDINARY RESOLUTIONS**

The following resolutions 4 to 7 will be proposed to be considered and, if thought fit, passing with or without amendments, as ordinary resolutions of the Company:

4. **“THAT:**

- (a) subject to the provisions of paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares HK\$0.02 each in the capital of the Company (“**Shares**”) and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval given in paragraph (a) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of shares allotted and issued or agreed conditionally or unconditionally to be allotted, issued (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares upon the exercise of rights of subscription or conversion under the terms of warrants of the Company or any securities which are convertible into shares; (iii) an issue of Shares as scrip dividends or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company from time to time; (iv) an issue of shares under any share option scheme or similar arrangement of the Company; or (v) a specific mandate granted by the shareholders of the Company in general meeting, shall not exceed 20% of the total number of the issued shares of the Company at the date of passing of this resolution, provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be allotted and issued under the mandate in paragraph (a) above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the applicable laws of the Cayman Islands or the Company's articles of association to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the of the Company to holders of shares of the Company whose names on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory applicable to the Company)."

5. **"THAT:**

- (a) subject to the provisions of paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the Shares on The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) or on any stock exchange on which the securities of the Company may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the **"Listing Rules"**) or listing rules of any other stock exchange as amended from time to time and the articles of association of the Company, be and is hereby generally and unconditionally approved;
- (b) the total number of shares of the Company which the directors of the Company are authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of issued shares of the Company as at the date of the passing of this resolution, provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be allotted and issued under the mandate in paragraph (a) above as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of shares shall be adjusted accordingly; and

- (c) for the purpose of this resolution:
- “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of the Cayman Islands or the Company’s articles of association to be held; or
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution in general meeting.”
6. “**THAT** subject to the passing of the resolution nos. 4 and 5 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition thereto of a number representing the total number of shares of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such number of shares so repurchased shall not exceed 10% of the total number of the issued shares of the Company as at the date of the said resolution.”
7. “**THAT** the existing share option scheme of the Company adopted on 16 December 2005 be and is hereby terminated and conditional upon The Stock Exchange granting approval for the listing of, and permission to deal in, the Shares falling to be issued and allotted pursuant to the new share option scheme (the “**Share Option Scheme**”), the terms of which are set out in the document marked “A” which has been produced to this meeting and signed by the chairman of this meeting for the purpose of identification, the Share Option Scheme be and is hereby approved and adopted and the Board be and are hereby authorised to grant options and to allot, issue and deal with Shares pursuant to the exercise of any option granted thereunder and to take all such steps as they may consider necessary or expedient to implement the Share Option Scheme.”

Yours faithfully,
By Order of the Board
China Environmental Resources Group Limited
Yeung Chi Hang
Chairman and Chief Executive Officer

Hong Kong, 12 October 2015

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or, if such member is a holder of two or more shares, proxies to attend and vote in his stead. A proxy need not be a member of the Company but must attend the meeting in person to represent the appointing member.
2. To be valid, the form of proxy must be deposited with the Company's Hong Kong branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
4. With regard to item no. 2(a) in this notice, the Board proposes Mr. Leung Kwong Choi, Mr. Wong Po Keung, Mr. Chung Siu Wah, Mr. Chen Yuyang and Mr. Heung Chee Hang, Eric, the retiring Directors, for re-election as Directors. Details of the retiring Directors are set out in Appendix I to the circular to shareholders of the Company dated 12 October 2015.