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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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### CHINA BEST GROUP HOLDING LIMITED

國華集團控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

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

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A notice convening an annual general meeting of the Company to be held at Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Tuesday, 22 May 2012 at 11:00 a.m. ("2012 AGM") or any adjournment thereof is set out on pages 34 to 38 of this circular.

Whether or not you are able to attend the 2012 AGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return as soon as practicable to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong and in any event not less than 48 hours before the time appointed for holding of the 2012 AGM or any adjourned meeting. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)). Completion and the delivery of form of proxy will not preclude you from attending and voting at the 2012 AGM or any adjourned meeting should you so wish.

\* For identification purpose only

16 April 2012

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## DEFINITIONS

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

“Annual General Meeting” or “AGM”	an annual general meeting of the Company to be held at Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Tuesday, 22 May 2012 at 11:00 a.m., or any adjournment thereof, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 34 to 38 of this circular
“Associates”	has the meaning ascribed to such term in the Listing Rules
“Auditors”	the auditors for the time being of the Company (acting as experts and not as arbitrators)
“Board”	the board of Directors of the Company
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities (except Saturday, Sunday, and public holiday)
“Bye-laws”	the Bye-laws of the Company adopted at a special general meeting of the Company held on 5 March 1996 and subsequently amended at the annual general meetings of the Company held on 30 August 2004, 26 May 2006 and 7 June 2010 respectively
“Commencement Date”	in respect of any particular Option, the date upon which the offer of the Option is made to the Grantee in accordance with this Scheme
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time

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## DEFINITIONS

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“Company”	China Best Group Holding Limited, a company duly incorporated in Bermuda with limited liability, whose shares are listed and traded on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to such term in the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the necessary resolution is passed by the Shareholders in general meeting for the adoption of the Scheme, thereby rendering the Scheme effective
“Employee”	any employee (whether full time or part time) of the Company, any of its Subsidiaries or any Invested Entity, including any executive director of the Company, any of such subsidiaries or any Invested Entity
“Grantee”	any Participant who accepts the offer of the grant of any Option in accordance with the terms of this Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its Subsidiaries or, whether the context so requires, in respect of the period before the Company became the holding company of its present Subsidiaries, such Subsidiaries as if they were the Company’s Subsidiaries at that date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Issuance Mandate”	as defined in the section headed “REPURCHASE AND ISSUANCE MANDATES” of the Letter from the Board

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## DEFINITIONS

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“Latest Practicable Date”	12 April 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Share Option Scheme”	the share option scheme to be adopted by the Shareholders at the AGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Old Share Option Scheme”	the share option scheme adopted by the Shareholders on 18 March 2002
“Option(s)”	an option to subscribe for the Shares granted pursuant to this Scheme
“Option Period”	in respect of any particular Option, the period within which the Shares must be taken up by the Grantee under the Option and such period as the Board may in its absolute discretion determine and in any event such period shall not be more than ten (10) years from the Commencement Date
“Participant”	As defined in the Appendix III to this circular
“Repurchase Mandate”	as defined in the section headed “REPURCHASE AND ISSUANCE MANDATES” of the Letter from the Board
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company (or such other nominal value as shall result from a subdivision, consolidation, reclassification or restructuring of such shares from time to time)
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for the Shares on the exercise of an Option
“Subsidiary” or “Subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2 of the Companies Ordinance) of the Company
“Substantial Shareholder”	has the same meaning ascribed in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission in Hong Kong, as amended from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## LETTER FROM THE BOARD

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### CHINA BEST GROUP HOLDING LIMITED

國華集團控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

*Executive Directors:*

Mr. Huang Boqi (*Chairman*)

Mr. Du Chunyu (*Deputy Chairman*)

*Independent non-executive Directors:*

Mr. Zhou Mingchi

Ms. Wong Yan Ki, Angel

Mr. Zhang Liang

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

Room 3405

Bank of America Tower

12 Harcourt Road

Central

Hong Kong

16 April 2012

*To the Shareholders*

Dear Sir and Madam,

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

#### **1. INTRODUCTION**

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the Annual General Meeting for the approval of (i) the granting of the Repurchase Mandate and the Issuance Mandate to the Directors; (ii) the re-election of the retiring Directors; and (iii) the adoption of the New Share Option Scheme.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 2. REPURCHASE AND ISSUANCE MANDATES

The Listing Rules contain provisions to regulate the repurchase by companies with primary listings on the Stock Exchange of their own Shares on the Stock Exchange.

At the annual general meeting of the Company held on 29 May 2011, general mandates were given to the Directors to exercise the powers of the Company to undertake repurchases of the Company's fully paid up shares of an aggregate nominal amount of up to a maximum of 10% of the issued share capital of the Company on the date of passing the said ordinary resolution at the annual general meeting and to allot, issue and deal with new shares of an aggregate nominal amount of up to 20% of the issued share capital of the Company on the date of passing the said ordinary resolution at the annual general meeting. Such general mandates will continue in force until the conclusion of the forthcoming Annual General Meeting.

Hence, ordinary resolutions will be proposed at the Annual General Meeting of the Company:

- (i) to grant to the Directors a general mandate to exercise the powers of the Company to undertake repurchases of the Company's fully paid up Shares up to a maximum of 10% of the issued share capital of the Company on the date of passing the relevant ordinary resolution (the "Repurchase Mandate");
- (ii) to grant a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company on the date of passing the relevant ordinary resolution (the "Issuance Mandate"); and
- (iii) to extend the Issuance Mandate by the number of shares repurchased by the Company under the Repurchase Mandate.

The Repurchase Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in resolution nos. 4A and 4B set out in the notice of Annual General Meeting. Based on 2,431,670,845 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the date of the AGM, the Directors will be able to allot, issue and deal with for up to a total of 486,334,169 Shares if the Issuance Mandate is granted at the AGM.



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## LETTER FROM THE BOARD

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In accordance with the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the grant of the Repurchase Mandate. An explanatory statement as required by the Listing Rules in connection with the Repurchase Mandate is set out in Appendix I of this circular.

### **3. RE-ELECTION OF RETIRING DIRECTORS**

The Board currently consists of five Directors namely Mr. Huang Boqi and Mr. Du Chunyu as executive Directors, Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang as independent non-executive Directors.

In accordance with Bye-law 86(2) of the Bye-laws, the Director appointed to fill a casual vacancy or as an additional to the Board shall hold office only until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. As such, Mr. Huang Boqi, Mr. Du Chunyu, Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang shall retire at the Annual General Meeting and all of them, being eligible, will offer themselves for re-election at the Annual General Meeting.

Details of the retiring Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II of this circular.

### **4. EXPIRY OF THE OLD SHARE OPTION SCHEME**

The Old Share Option Scheme was adopted by the then Shareholders of the Company at general meeting on 18 March 2002. Pursuant to the Old Share Option Scheme, the Directors were authorised to grant to eligible participants options to subscribe for Shares. The Old Share Option Scheme had a term of ten (10) years and expired on 17 March 2012. As at the Latest Practicable Date, there were a total of 118,442,807 options granted and outstanding, of which the holders were entitled to subscribe for a total of 118,442,807 Shares. These options shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects, the provisions of the Old Share Option Scheme shall remain in full force and effect notwithstanding the expiry of the Old Share Option Scheme. The Company has not adopted any share option scheme other than the Old Share Option Scheme as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The following table discloses the details of the 118,442,807 outstanding options granted under the Old Share Option Scheme:–

	Date of grant	Exercisable period	Exercise price	Outstanding as at 31.12.2011
Consultants and service providers	5.10.2004	5.10.2004 to 5.10.2014	0.3170	5,618,729
	26.9.2005	26.9.2005 to 25.9.2015	0.3695	67,649,498
	20.8.2007	20.8.2007 to 20.8.2017	0.6275	27,194,648
	7.9.2007	7.9.2007 to 7.9.2017	0.6850	13,484,949
	28.9.2007	28.9.2007 to 28.9.2017	0.7385	<u>4,494,983</u>
Total				<u><u>118,442,807</u></u>

### 5. ADOPTION OF NEW SHARE OPTION SCHEME

After the expiry of the Old Share Option Scheme, the Company currently does not have any share option scheme. The Directors consider that the Company should adopt the New Share Option Scheme and wish to take the opportunity of the AGM to seek Shareholders' approval therefor. The terms of the New Share Option Scheme have been prepared in compliance with Chapter 17 of the Listing Rules and are essentially the same as the Old Share Option Scheme. The Company will continue to comply with the relevant Listing Rules from time to time in force in respect of the New Share Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

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## LETTER FROM THE BOARD

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The eligibility of any Grantee (falling with the class of eligible participants to the New Share Option Scheme) of an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his/her contribution to the development and growth of the Group (details of which are shown in the Appendix III to this circular), which is the same as the Old Share Option Scheme. The Directors are of the view that a broad scope of eligible participants enable the Company to continue to grant Options to those, who in the sole discretion of the Board, have made or may make contribution to the development and growth of the Group and to provide them a direct economics interest in attaining the long term business objectives of the Group.

The Directors believe that (i) the minimum period (which is not fixed and will be decided on a case by case basis by the Board) for which an Option has to be held before it is exercised (details of which are shown in the Appendix III to this circular); and (ii) the determination of the Subscription Price, which must be higher of (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day; (b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share, mean that the Grantees would only be able to obtain benefits from the Options granted to them if the price of Shares rises after the date of grant and that will drive the Grantees to work for the best interests of the Company, which hopefully will be reflected on the price of the Shares and in turn will give the Grantees benefits when realizing the Shares pursuant to exercise of the Options granted to them. The Directors therefore believe that the authority given to the Board under the New Share Option Scheme to determine the eligibility of any grantee of any option based on his/her contribution and specify any minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price will serve to protect the value of the Company and to achieve the purpose of attracting, retaining and motivating high-calibre personnel to contribute to the growth and development of the Group.

Save as disclosed in Appendix III, no dividends will be payable and no voting rights will be exercisable in relation to an Option that has not been exercised (including those arising on a liquidation of the Company).

None of the Director is trustee of the New Share Option Scheme nor has a direct or indirect interest in the trustee.

The total number of Shares which may be issued on the Effective Date under the New Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 243,167,084 Shares, representing 10 per cent of the Shares in issue as at the date of the passing of the resolution at the AGM, assuming that no further Shares shall have been issued between the Latest Practicable Date and the Effective Date. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such limit.

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## LETTER FROM THE BOARD

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The maximum aggregate number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30 per cent of the Shares in issue from time to time. No options may be granted under any schemes of the Company (or the Subsidiary) if this will result in such limit being exceeded. On the basis 30 per cent of the Shares in issue as at the Latest Practicable Date and assuming that there is no change in the number of Shares in issue from the Latest Practicable Date to the Effective Date, the total number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme and any other share option schemes is 729,501,253 Shares.

The Directors consider that it is not appropriate to state the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include, the subscription price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription right may be exercised and any other conditions that the Board imposed on the Options and whether or not such Options if granted will be exercised by the Grantees. The Subscription Price depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the Subscription Price given the volatility the Share price may be subject to during the 10-year life span of the New Share Option Scheme. 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 basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options as at the Latest Practicable Date will not be meaningful and may be misleading to Shareholders in the circumstances.

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## LETTER FROM THE BOARD

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The adoption of the New Share Option Scheme conditional upon:

1. the passing of the necessary resolution in the AGM approving the adoption of the New Share Option Scheme; and
2. the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in any Shares which may be allotted and issued upon the exercise of the Options to be granted under the New Share Option Scheme.

Application will be made to the Stock Exchange for listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the New Share Option Scheme. If any of the above conditions are not satisfied on or before 31 July 2012, the New Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the New Share Option Scheme.

To the extent that the Directors are aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the resolution in relation to the adoption of the New Share Option Scheme.

A copy of the rules of the New Share Option Scheme will be available for inspection at the head office and principal place of business of the Company at Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM and at the AGM. Summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

### **6. ANNUAL GENERAL MEETING**

The notice of Annual General Meeting is set out on pages 34 to 38 of this circular. At the Annual General Meeting, resolutions will be proposed to approve the granting of the Repurchase Mandate and the Issuance Mandate, the re-election of retiring Directors and the adoption of New Share Option Scheme.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the extent that the Directors are aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the proposed resolutions in the AGM.

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## LETTER FROM THE BOARD

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A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)). If you intend to appoint a proxy to attend the Annual General Meeting, you are requested to complete and sign the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting at the Annual General Meeting or any adjourned meeting if you so wish.

### 7. RECOMMENDATIONS

The Directors consider that the proposed granting of the Repurchase Mandate and the Issuance Mandate, the re-election of retiring Directors of the Company and the adoption of New Share Option Scheme are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

### 8. GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix I (Explanatory Statement on the Repurchase Mandate), Appendix II (Details of Retiring Directors proposed to be re-elected at the Annual General Meeting) and Appendix III (Adoption of New Share Option Scheme) of this circular.

### 9. 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.

Yours faithfully,  
By Order of the Board  
**China Best Group Holding Limited**  
**Huang Boqi**  
*Chairman*

*The following is the explanatory statement required to be sent to the Shareholders under the Listing Rules to enable them to make an informed decision on whether to vote for or against the ordinary resolution in relation to the granting of the Repurchase Mandate to be proposed at the Annual General Meeting.*

*The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their fully-paid up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:*

### **1. REASONS FOR SHARE REPURCHASE**

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

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 2,431,670,845 Shares of HK\$0.05 each.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 243,167,084 Shares.

### **3. FUNDING OF REPURCHASES**

In repurchasing Shares under the Repurchase Mandate, the Company may only apply funds legally available for such purpose in accordance with its Bye-laws, the Listing Rules and the applicable laws of Bermuda. It is envisaged that the funds required for any purchase would be derived from the distributable profits of the Company.

There might be material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, 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 requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

**4. GENERAL**

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company in the event that the granting of the Repurchase Mandate is approved by the Shareholders.

**5. MARKET PRICES OF SHARES**

The highest and lowest prices per Share at which the Shares have been traded on the Stock Exchange during the previous 12 months preceding the Latest Practicable Date were as follows:

<b>Month</b>	<b>Price per Share</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2011</b>		
April	0.205	0.171
May	0.180	0.138
June	0.174	0.130
July	0.164	0.131
August	0.138	0.090
September	0.115	0.080
October	0.108	0.071
November	0.120	0.081
December	0.107	0.084
<b>2012</b>		
January	0.106	0.088
February	0.190	0.100
March	0.184	0.125
April (up to the Latest Practicable Date)	0.130	0.123

**6. DISCLOSURE OF INTEREST**

The Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company or has undertaken not to do so in the event that the granting of the Repurchase Mandate is approved by the Shareholders.



7. EFFECT OF THE TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, would obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

As at the latest Practicable Date, to the best of the knowledge and belief of the Directors, the Shareholders who were interested in 5% or more of the issued share capital of the Company, according to the register of interests required to be kept by the Company under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), were as follows:

Name of Shareholders	Capacity	Number of shares beneficially held	Percentage interest in the issued share capital of the Company as at the Latest Practicable Date	Percentage interest in the issued share capital of the Company in the event the Repurchase Mandate is exercised in full
Fortune Ever Investments Limited (“Fortune Ever”)	Beneficial owner (Note 1)	626,161,600	25.75%	28.61%
Capital Lane Holdings Limited (“Capital Lane”)	Interest in a controlled corporation (Note 1)	626,161,600	25.75%	28.61%
Mr. Huang Boqi	Interest in a controlled corporation (Note 1)	626,161,600	25.75%	28.61%
Great Soar Holdings Limited (“Great Soar”)	Beneficial owner (Note 2)	321,875,000	13.24%	14.71%
Ms. Yuen Sze Man	Interest in a controlled corporation (Note 2)	321,875,000	13.24%	14.71%
Graceful Mind Group Limited (“Graceful Mind”)	Persons having a security (Note 3)	321,875,000	13.24%	14.71%

*Notes:*

1. The entire issued share capital of Fortune Ever was held by Capital Lane, which is wholly-owned by Mr. Huang Boqi, an executive Director and chairman of the Company.
2. The 321,875,000 shares held by Great Soar Holdings Limited (“Great Soar”). The entire issued share capital of Great Soar was held by Ms. Yuen Sze Man. By virtue of the SFO, Ms. Yuen Sze Man was deemed to be interested in all the shares held by Great Soar.
3. The 321,875,000 shares has been pledged to Graceful Mind by Great Soar as per the Mortgage Agreement dated 23 September 2011 between Graceful Mind and Great Soar.

On the basis that no further Shares are issued or repurchased between the Latest Practicable Date and prior to the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, if so approved, in the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, the interests of the Shareholders in the Company would be increased by more than 3%. Nevertheless, such increases will not give rise to any Shareholder of the Company of an obligation to make offer in accordance with Rule 26 and 32 of the Code.

Save as aforesaid, the Directors are not aware of any consequences which will arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not make repurchase of Shares on the Stock Exchange if the result of the repurchase would reduce the issued share capital of the Company in the public to less than 25%.

## **8. SHARE REPURCHASES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company nor any of its subsidiaries (whether on the Stock Exchange or otherwise) during the last six months immediately preceding the Latest Practicable Date.

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## APPENDIX II                      DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

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*Stated below are the details of the following Directors who will retire and be eligible for re-election at the Annual General Meeting according to the Bye-laws of the Company:*

(a)     **Mr. Huang Boqi (“Mr. Huang”)**, aged 46, *Chairman and Executive Director*

Mr. Huang, aged 46, obtained his bachelor degree in engineering at Southern China University of Technology, the PRC in 1987 and obtained a master degree in economics from Jiangxi University of Finance and Economics in 1999. He was an executive director and interlocking chief executive officer of Goldmond Holdings Limited (Stock Code: 8190) from 2005 to 2010. He has over 15 years experience in sales and operations management, corporate finance and merger and acquisition transactions. He also has experience in the field of information technology and electronics industries as well as mining industry.

As at the Latest Practicable Date, except indirectly owned for 626,161,600 shares of the Company through his 100% owned company, Capital Lane Holdings Limited and its 100% owned subsidiary, Fortune Ever Investments Limited, Mr. Huang does not have any other interest in the shares, underlying shares or debenture in the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Huang has no relationship with any directors, senior management, substantial or controlling shareholders of the Company.

Mr. Huang has not entered into any service contracts with the Company and is subject to retirement by rotation and be eligible for re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company. Mr. Huang is entitled to a director’s remuneration of HK\$80,000 per month with year end double paid, which is determined by the board of the Company with reference to his duties, responsibilities and market condition. Mr. Huang will, at the discretion of the Board, be entitled to an annual bonus and/or stock options of such amount as determined by the Board from time to time with reference to his scope of duties and performance.

Save as disclosed herein, there are no matters that are required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor is there any other matter which needs to be brought to the attention of the shareholders in connection with Mr. Huang’s re-election.

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## APPENDIX II                      DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

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(b)    **Mr. Du Chunyu (“Mr. Du”)**, aged 52, *Deputy Chairman and Executive director*

Mr. Du, aged 52, received a doctor degree in business administration at the Shanghai Jiao Tong University and an executive master of business administration degree at Cheung Kong Graduate School of Business. He is a director of a logistic company which is set up in China. Specializing in the logistics of dangerous goods for years, he is an expert in the logistics of dangerous goods and supply chain management in China. He is chairman member of the Committee of Fireworks and Firecrackers under China Federation of Logistics & Purchasing.

Mr. Du does not have other directorship held or major appointments held in other listed public companies in the past three years. As at the Latest Practicable Date, Mr. Du does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. Mr. Du does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Du has not entered into any service contracts with the Company and is subject to retirement by rotation and be eligible for re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company. Mr. Du is entitled to an annual fee of HK\$150,000 with quarterly payment. The directors’ fee of Mr. Du is determined by the board of the Company subject to the market condition and there is no proposed length of service. Mr. Du will, at the discretion of the Board, be entitled to an annual bonus and/or stock options of such amount as determined by the Board from time to time with reference to his scope of duties and performance.

Save as disclosed herein, there are no matters that are required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor is there any other matter which needs to be brought to the attention of the shareholders in connection with Mr. Du’s re-election.

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## APPENDIX II                      DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

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(c)    **Mr. Zhou Mingchi (“Mr. Zhou”)**, aged 52, *Independent non-executive director*

Mr. Zhou, aged 52, appointed on 24 June 2011 as independent non-executive director and members of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company.

Mr. Zhou is a senior mining engineer and has extensive experience in coal mining industry over 25 years. He received his bachelor degree in mining from Hebei Mining Industry College. He is currently the Deputy head of the Shanxi Branch of Hefei Design and Research Institute of Coal Industry.

Mr. Zhou does not have other directorship held or major appointments held in other listed public companies in the past three years. As at the Latest Practicable Date, Mr. Zhou does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. Mr. Zhou does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Zhou has not entered into any service contract with the Company and is subject to retirement by rotation and be eligible for re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company. Mr. Zhou is entitled to an annual fee of HK\$120,000 with quarterly payment. The directors’ fee of Mr. Zhou is determined by the board of the Company subject to the market condition and there is no proposed length of service. Mr. Zhou will, at the discretion of the Board, be entitled to an annual bonus and/or stock options of such amount as determined by the Board from time to time with reference to his scope of duties and performance.

Save as disclosed herein, there are no matters that are required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor is there any other matter which needs to be brought to the attention of the shareholders in connection with Mr. Zhou’s re-election.

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## APPENDIX II                      DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

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(d) **Ms. Wong Yan Ki , Angel (“Ms. Wong”)**, aged 40, *Independent non-executive director*

Ms. Wong, aged 40, appointed on 24 June 2011 as independent non-executive director and members of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company.

Ms. Wong obtained a Bachelor degree of Arts in International Accounting from Xiamen University, a Post-Graduated certificate in Professional Accounting from the City University of Hong Kong and a master degree of business administration from Cheung Kong Graduate School of Business. Ms. Wong is a fellow member to the Institute of Financial Accountants, a full member to the Society of Registered Planners and a full member of Singapore Institute of Directors.

Ms. Wong has extensive experience in the accounting, consultancy and investment industry. Ms. Wong is also the independent non-executive director of Oriental Unicorn Agricultural Group Limited, a company listed in the GEM board of The Stock Exchange of Hong Kong Limited. (Stock Code: 8120).

Ms. Wong does not have other directorship held or major appointments held in other listed public companies in the past three years. As at the Latest Practicable Date, Ms. Wong does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. Ms. Wong does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Ms. Wong has not entered into any service contract with the Company and is subject to retirement by rotation and be eligible for re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company. Ms. Wong is entitled to an annual fee of HK\$120,000 with quarterly payment. The directors’ fee of Ms. Wong is determined by the board of the Company subject to the market condition and there is no proposed length of service. Ms. Wong will, at the discretion of the Board, be entitled to an annual bonus and/or stock options of such amount as determined by the Board from time to time with reference to her scope of duties and performance.

Save as disclosed herein, there are no matters that are required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor is there any other matter which needs to be brought to the attention of the shareholders in connection with Ms. Wong’s re-election.

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## APPENDIX II                      DETAILS OF THE RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED AT ANNUAL GENERAL MEETING

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(e) **Mr. Zhang Liang (“Mr. Zhang”)**, aged 59, *Independent non-executive director*

Mr. Zhang, aged 59, appointed on 4 October 2011 as independent non-executive director and members of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company.

Mr. Zhang has extensive experience in coal industry over fifteen years. He received his master degree from Dongbei University of Finance and Economics. He is currently the President of The Coal Bed Methane Industry Association of Shanxi Province (山西省煤層氣行業協會) and the Chairman of Zhaohui Industry Investment Fund Management Limited (朝暉產業投資基金管理公司).

Mr. Zhang does not have other directorship held or major appointments held in other listed public companies in the past three years. As at the Latest Practicable Date, Mr. Zhang does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations within the meaning of Part XV of the SFO. Mr. Zhang does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Zhang has not entered into any service contract with the Company and is subject to retirement by rotation and be eligible for re-election at the Annual General Meeting in accordance with the Bye-Laws of the Company. Mr. Zhang is entitled to an annual fee of HK\$120,000 with quarterly payment. The directors’ fee of Mr. Zhang is determined by the board of the Company subject to the market condition and there is no proposed length of service. Mr. Zhang will, at the discretion of the Board, be entitled to an annual bonus and/or stock options of such amount as determined by the Board from time to time with reference to his scope of duties and performance.

Save as disclosed herein, there are no matters that are required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor is there any other matter which needs to be brought to the attention of the shareholders in connection with Mr. Zhang’s re-election.

*This Appendix III summaries the principal terms of the New Share Option Scheme.*

**(A) PURPOSE OF THE SCHEME**

The purpose of the New Share Option Scheme is to enable the Company to grant Options to Participants as incentive or rewards for their contributions to the Group.

**(B) WHO MAY JOIN**

The Board may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“Participant”), to take up Options to subscribe for Shares:

- (i) any Employee or proposed Employee;
- (ii) any directors, non-executive directors (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and
- (vii) any other group or classes of persons or entities from time to time determined by the Board as having contributed or may contribute by way of joint venture, business alliances or other business arrangements to the development and growth of the Group,

and, for the purpose of the New Share Option Scheme, the Options may be granted to any company wholly owned by one or more person belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Board otherwise determine, be construed as grant of Options under the New Share Option Scheme.



The eligibility of any of the above class of participants to the grant of any Options shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

**(C) MAXIMUM NUMBER OF SHARES**

- (i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not, subject to the conditions set out below, exceed 30 per cent of the Shares of the Company (or the Subsidiary) in issue from time to time (“Overall Scheme Limit”). No options may be granted under any schemes of the Company (or the Subsidiary) if this will result in the Overall Scheme Limit being exceeded.
- (ii) The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes must not in aggregate exceed 10 per cent of the Shares of the Company (or the Subsidiary) in issue as at the Effective Date (“Scheme Mandate Limit”). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) Subject to (C)(i) above, the Company may seek approval by its Shareholders in general meeting for “refreshing” the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company (or the Subsidiary) under the Scheme Mandate Limit as “refreshed” must not exceed 10 per cent of the Shares in issue as at the date of approval of the refreshing of the Scheme Mandate Limit (“Refreshed Scheme Mandate Limit”). Options to subscribe for Shares previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. The Company must send a circular to its Shareholders containing the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

- (iv) Subject to (C)(i) above, the Company may seek separate approval by its Shareholders in general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided the Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose, the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

**(D) MAXIMUM ENTITLEMENT OF EACH PARTICIPANT**

Unless approved by Shareholders in the manner set out in the Note to rule 17.03(4) of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the Shares of the Company (or the Subsidiary) in issue from time to time (“Individual Limit”). Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his/her Associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and options previously granted to such Participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before Shareholders’ approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price under Note 1 to rule 17.03(9) of the Listing Rules.

**(E) GRANT OF OPTIONS TO CONNECTED PERSONS**

If Options are granted to a Connected Person, the granting of such Options will be subject to approval by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is a Grantee of the Options). Where any grant of Options to a Substantial Shareholder or an independent non-executive director of the Company, or any of their respective Associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.10 per cent of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million; such further grant of Options must be approved by the Shareholders in compliance with rule 13.40, 13.41 and 13.42 of the Listing Rules. A circular to Shareholders in connection with obtaining the aforesaid Shareholders' approval shall be prepared by the Company.

**(F) TIME OF ACCEPTANCE AND EXERCISE OF AN OPTION**

An offer of grant of an Option shall remain open for acceptance by a Participant to whom the offer is made for a period of 21 days from the date upon which the offer is made. A nominal consideration of HK\$1.00 is payable on acceptance of the grant of an Option.

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period subject to the provisions for early termination thereof.

**(G) PERFORMANCE TARGETS**

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a Grantee, a Grantee shall not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted.

**(H) SUBSCRIPTION PRICE FOR SHARES**

The subscription Price in respect of any particular Option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the Subscription Price must be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the date of grant; (iii) the nominal value of a Share. Without prejudice to the generality of the foregoing, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period.

**(I) RANKING OF SHARES**

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force including voting, and transfer rights and other rights arising on a liquidation of the Company and will rank *pari passu* with the fully paid Shares in issue as from the day when the name of the particular Grantee is registered on the register of members of the Company and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the day when the name of Grantee is registered on the register of members of the Company other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the day when the name of Grantee is registered on the register of members of the Company. The Shares to be allotted and issued upon the exercise of an Option shall be separately designated. A Share allotted and issued upon the exercise of an option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

**(J) RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS**

No grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting for approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules) (as such date is first notified to the Stock Exchange in accordance with the Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules); and ending on the date of the results announcement, no Options may be granted.

**(K) PERIOD OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the New Share Option Scheme.

**(L) RIGHTS ON CEASING EMPLOYMENT**

If the Grantee is an Employee at the time when the relevant Option shall have been granted ceases to be an Employee for any reason other than his or her death or the termination of his or her employment on one or more of the grounds specified in (N) below, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent not already exercised) within the period of three months following the date of such cessation, which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not.

**(M) RIGHTS ON DEATH**

If the Grantee of an Option dies before exercising the Options in full and in the case where the Grantee is an Employee, none of certain events which would be grounds for the termination of his or her employment as specified under (N) below arises or in the case where the Grantee is not an Employee, none of certain events which would be grounds for the termination of his or her relationship with the relevant member of the Group or Invested Entity as specified under (X)(ix) below arises, the legal personal representative(s) of this Grantee shall be entitled within a period of twelve(12) months from the date of death to exercise the Option up to the entitlement of the Grantee as at the date of death (to the extent not already exercised).

**(N) RIGHT ON DISMISSAL**

If the Grantee is an Employee at the time when the relevant Option shall have been granted, the date on which the Grantee ceases to be an Employee by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts 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 involving his or her integrity or honesty, his or her Option will lapse automatically on the date of cessation to be an Employee.

**(O) RIGHTS ON GENERAL OFFER**

If a general offer by way of takeover is made to all Shareholders (or all Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Grantee (or his or her legal personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

**(P) RIGHTS ON WINDING UP**

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees (together with a notice of the existence of the provisions of this Clause) and thereupon, each Grantee (or his or her legal personal representatives) shall be entitled to exercise all or any of his Options at any time not later than four (4) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, not later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

**(Q) RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY  
AND ITS CREDITORS**

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls on such exercise credited as fully paid and registered the Grantee as holder thereof.

**(R) RIGHTS ON REORGANISATION**

In the event of a reorganisation or proposed reorganisation, the Company, at its option, may do either of the following:

- (i) the Company may irrevocably commute for or into any other security or other property or cash any Option that is still capable of being exercised, upon giving to the Grantee to whom such Option has been granted at least twenty one days written notice of its intention to commute the Option, and during such period of notice the Option may be exercised (to the extent that it has not been exercised) by the Grantee by notice in writing to the Company either to its full extent or to the extent specified in such notice and on the expiry of such period of notice, the unexercised portion of the Option shall lapse and be cancelled, or
- (ii) the Company or any company which is or would be the successor to the Company or which may issue securities in exchange for Shares upon the reorganisation becoming effective, may offer any Grantee the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or convertible or exchangeable, on a basis proportionate to the number of Shares under the Option. In such event, the Grantee shall, if the Grantee accepts such offer, be deemed to have released such Grantee's Option over Shares or such Option shall be deemed to have lapsed.

**(S) RIGHTS ON SCHEME OF ARRANGEMENT**

If a general offer by way of scheme of arrangement is made to all Shareholders with such scheme having been approved by the necessary number of Shareholders at the requisite meetings, the Grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company exercise the Option (to the extent not already exercised) to its full extent specified in such notice.

**(T) ALTERNATIONS OF CAPITAL STRUCTURE**

In the event of capitalization issue (“Capitalization Issue”), rights issue, consolidation, subdivision, or reduction of the share capital of the Company, other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, whilst any Option remains exercisable, corresponding adjustment (if any) shall be made to:

- (i) the number or nominal amount of the Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof. In respect of any adjustments, other than a Capitalization Issue, the Company’s independent financial adviser or Auditors shall certify in writing to the Board, either generally or as regard any particular Grantee, to have, in their opinion, satisfied the requirement that such adjustments give a Participant the same proportion of the equity capital as that to which that person was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

**(U) CANCELLATION OF OPTIONS**

Any cancellation of Options granted but not exercised must be approved by the Shareholders in general meeting. If such cancellation has been approved by the Shareholders in general meeting, Options may be re-issued after such cancellation, provided that re-issued Options shall only be granted in compliance with the terms of this New Share Option Scheme. The relevant Grantees and their respective Associates shall abstain from voting at any such Shareholders’ meeting to approve the cancellation and any vote taken at the general meeting for approving such cancellation shall be taken on a poll. Where the Company cancels Options to a particular Grantee, and issues new Options to the same Grantee, the issue of such new Options may only be made under a scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the refreshed Scheme Mandate Limit (as the case may be).



**(V) TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of this New Share Option Scheme and in such event no further Option shall be offered but the provisions of this New Share Option Scheme shall remain in full force and effect in all other respects. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of this New Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of this New Share Option Scheme shall continue to be exercisable thereafter.

**(W) RIGHTS ARE PERSONAL TO THE GRANTEE**

An Option is personal to the grantee and shall not be assignable and no grantee 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.

**(X) LAPSE OF OPTION**

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:–

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in (L), (M) or (R) above;
- (iii) subject to any court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in (O) above;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in (S) above;
- (v) the date on which the winding-up of the Company commences;
- (vi) subject to (Q) above, the date when the proposed compromise or arrangement becomes effective;

- (vii) the date on which the Grantee ceases to be an Employee by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts 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 involving his or her integrity or honesty;
- (viii) the date on which the Grantee commits a breach of (W) above; or
- (ix) if the Grantee is an not Employee at the time when the relevant Option shall have been granted, the date on which the Grantee ceases to be an eligible Participant by reason of the termination of his or her relationship (whether by appointment or otherwise) with any member of the Group or any Invested Entity, on any one or more of the grounds that he or she has become unable to pay his or her debts (within the meaning of section 6A of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has become otherwise insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of any member of the Group or any Invested Entity. A resolution of the Board or the board of directors of the relevant Subsidiary or Invested Entity to the effect that the relationship of a Grantee has been terminated on one or more of the grounds specified in this (ix) shall be conclusive and binding on the Grantee.

**(Y) ALTERNATION OF SCHEME**

- (i) Subject to the Listing Rules and (Y)(ii) to (Y)(v), all provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board without the approval of Shareholders in general meeting.
- (ii) The provisions of the New Share Option Scheme relating to the matters set out in rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants without the prior approval of the Shareholders in general meeting.
- (iii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options already granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

- (iv) Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.
- (v) The amended terms of this New Share Option Scheme or the Options to be granted thereunder must still comply with relevant requirements of Chapter 17 of the Listing Rules as amended from time to time.

**(Z) MINIMUM PERIOD BEFORE AN OPTION CAN BE EXERCISED**

The Board may in its absolute discretion impose a minimum period for which an Option has to be held before it is exercised. As at the date of passing of the necessary resolution at the AGM, the New Share Option Scheme does not contain any requirement of a minimum period and the Board considers it is not necessary and too rigid to have a fixed minimum period. The Board is currently unable to determine the minimum period. The imposition of a minimum period requirement for each Option granted will be made by the Board on a case by case basis and will not be made to the advantage of the Participants.

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## NOTICE OF ANNUAL GENERAL MEETING

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### CHINA BEST GROUP HOLDING LIMITED

國華集團控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an annual general meeting (the “Annual General Meeting”) of China Best Group Holding Limited (the “Company”) will be held at Room 3405, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong on Tuesday, 22 May 2012 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and of the auditors for the year ended 31 December 2011;
2. To re-elect Directors and to authorize the board of Directors to appoint additional directors not exceeding the maximum number determined and to fix directors’ remuneration;
3. To re-appoint auditors and to authorize the board of Directors to fix their remuneration;

To consider as special business and, if thought fit, pass the following resolutions as ordinary resolutions:–

#### ORDINARY RESOLUTIONS

4A. “**THAT**

- (a) subject to paragraph (b) below, the directors of the Company be hereby generally and unconditionally authorized to exercise during the Relevant Period (as defined below) all the powers of the Company to issue, allot and deal with additional shares of the Company and to make or grant offers, agreements and options which would or might require the exercise of any of such powers during or after the end of the Relevant Period;

\* For identification purpose only

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the aggregate nominal amount of the shares allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, other than pursuant to (i) a Rights Issue (as defined below); or (ii) an issue of shares of the Company by way of scrip dividend pursuant to the bye-laws of the Company from time to time; or (iii) the exercise of any option granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or its subsidiaries, of options to subscribe for, or rights to acquire, shares of the Company, shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of passing this resolution; 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 revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; and

“Right Issue” means an offer of shares for subscription open for a fixed period by the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, or in any territory outside Hong Kong).”

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## NOTICE OF ANNUAL GENERAL MEETING

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4B. “**THAT**

- (a) the directors of the Company be generally and unconditionally authorized to exercise during the Relevant Period (as defined below) all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws;
- (b) the total nominal amount of shares which may be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this resolution; 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 revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held.”

4C. “**THAT** conditional upon the ordinary resolutions no. 4A and no. 4B contained in the notice of the Annual General Meeting of which this resolution forms part being approved, the aggregate nominal amount of the shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with ordinary resolution no. 4B shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution no. 4A.”

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## NOTICE OF ANNUAL GENERAL MEETING

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5. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the Shares fall to be issued pursuant to the exercise of any options granted under the new share option scheme, a copy of which marked “A” is produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “New Share Option Scheme”), the New Share Option Scheme be and is hereby approved and adopted by the Company and that the directors of the Company be and are hereby authorised to grant options to the eligible participants under the New Share Option Scheme and to allot and issue Shares upon the exercise of any options granted thereunder and pursuant to the terms and conditions thereof, and to do all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the New Share Option Scheme.”

By Order of the Board  
**China Best Group Holding Limited**  
**Huang Boqi**  
*Chairman*

Hong Kong, 16 April 2012

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Huang Boqi and Mr. Du Chunyu and three independent non-executive Directors namely Mr. Zhou Mingchi, Ms. Wong Yan Ki, Angel and Mr. Zhang Liang.

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

- (1) For the purpose of determining the Shareholders who are entitled to attend and vote at the 2012 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive. In order to qualify for attending and voting at the 2012 Annual General Meeting, all transfer documents should be lodged for registration with Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:30 p.m. Thursday, 17 May 2012.
- (2) In accordance with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and for good corporate governance practice, the Chairman of the Board has indicated that she would direct that each of the resolutions set out in the notice of the Annual General Meeting be voted on by poll. The results of the poll will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)) respectively.
- (3) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Annual General Meeting. A proxy need not be a member of the Company.
- (4) In order to be valid, the form of proxy must be deposited at the Company's branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.
- (5) A form of proxy for use in connection with the Annual General Meeting is enclosed and such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)) respectively.