

CIRCULAR DATED 8 NOVEMBER 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of C&G Environmental Protection Holdings Limited (the “**Company**”) held through the Central Depository (Pte) Limited (“**CDP**”), you need not forward this Circular with the Notice of Special General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of Special General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Circular, the Notice of Special General Meeting and the attached Proxy Form to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.



C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)

(Company Registration Number: 35842)

CIRCULAR TO SHAREHOLDERS

in relation to

- 1. THE PROPOSED DISPOSAL OF THE BUSINESS, ASSETS AND PRINCIPAL OPERATING SUBSIDIARIES OF THE COMPANY THROUGH:**
 - I. THE DISPOSAL OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF C&G ENVIRONMENTAL PROTECTION (THAILAND) COMPANY LIMITED; AND**
 - II. THE DISPOSAL OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF C&G ENVIRONMENTAL PROTECTION INTERNATIONAL LIMITED,**

BEING A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL;
- 2. THE PROPOSED DISTRIBUTION OF A SPECIAL DIVIDEND; AND**
- 3. THE PROPOSED SHARE PREMIUM ACCOUNT REDUCTION.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	30 November 2016 at 9:30 a.m.
Date and time of Special General Meeting	:	2 December 2016 at 9:30 a.m.
Place of Special General Meeting	:	Studio 1&2, 3rd Level (Lobby Level), Concorde Hotel Singapore, 100 Orchard Road, Singapore 238840

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or it is otherwise stated:–

- “Act”** : The Companies Act, Cap. 50, of Singapore, as amended from time to time
- “Aggregate Payment”** : An aggregate sum of RMB500 million which New Sky has agreed to pay pursuant to the C&G Thailand SPA consisting of the Total Debts and C&G Thai Share Consideration, details of which are set out in Section 1.1(a) of this Circular
- “Ahead Auto”** : Ahead Auto Limited (British Virgin Islands Registration Number 676618), a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporated Centre, Road Town, Tortola, British Virgin Islands
- “Bermuda Companies Act”** : The Companies Act 1981 of Bermuda, as amended from time to time
- “BOT”** : Build, Operate and Transfer
- “Bye-Laws”** : The Bye-Laws of the Company, as amended, varied or supplemented from time to time
- “C&G China”** : C&G Environmental Protection (China) Company Limited is a private company limited by shares incorporated in the PRC
- “C&G HK”** : C&G Environmental Protection (Hong Kong) Company Limited is a private company limited by shares incorporated in Hong Kong, a Group Company
- “C&G International”** : C&G Environmental Protection International Limited is a private company limited by shares incorporated in the British Virgin Islands, a Group Company
- “C&G International Sale Shares”** : 85,868,000 issued and paid up ordinary shares of par value of US\$1.00 each of C&G International, being the entire issued share capital of C&G International
- “C&G International SPA”** : The conditional sale and purchase agreement dated 26 August 2016 entered into between the Company and Ahead Auto pursuant to which the Company had agreed to dispose of all its group companies (other than C&G Thailand) through the sale of the C&G International Sale Shares to Ahead Auto
- “C&G Thai Sale Shares”** : 75,184,000 issued and paid up ordinary shares of C&G Thailand, being the entire issued share capital in C&G Thailand

DEFINITIONS

“C&G Thai Share Consideration”	:	The purchase consideration of RMB187.7 million payable by New Sky for the C&G Thai Sale Shares, being an amount equivalent to the difference between the Aggregate Payment and the Total Debts, as set out in Section 1.1(a) of this Circular
“C&G Thai SPA”	:	The share sale and purchase agreement dated 26 August 2016 entered into between C&G HK and New Sky pursuant to which the Company had agreed to dispose of its principal and wholly-owned subsidiary, C&G Thailand, through the sale of the C&G Thai Sale Shares to New Sky
“C&G Thailand”	:	C&G Environmental Protection (Thailand) Company Limited is a private company limited by shares incorporated in the Kingdom of Thailand, a Group Company
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 8 November 2016
“Clawback Agreement”	:	The clawback agreement dated 29 January 2014 entered into between C&G HK and Grandblue pursuant to which C&G HK had agreed, <i>inter alia</i> , to compensate Grandblue should C&G China fail to meet certain profit targets set out thereunder, details of which are more particularly set out in Section 4.2.6 of this Circular
“Company”	:	C&G Environmental Protection Holdings Limited
“Contributed Surplus Account”	:	The contributed surplus account of the Company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen per cent (15%) or more of the nominal amount of all voting shares in a company; or (b) in fact exercises control over such company
“Directors”	:	The directors of the Company as at the date of this Circular
“EPC”	:	Equipment, procurement and construction
“FY”	:	Financial year ended or ending 31 December, as the case may be

DEFINITIONS

“Grandblue”	:	Grandblue Environment Company Limited, a public limited company established under the laws of the PRC and listed on the Shanghai Stock Exchange
“Grandblue Quoted Shares”	:	91,019,417 shares in the capital of Grandblue (listed and quoted on the Shanghai Stock Exchange) issued by Grandblue to the Group in 2014 as part of the sale consideration paid by Grandblue for the acquisition of the Group’s then WTE business and operating assets in the PRC, details of which are more particularly set out in Section 4.2.1 of this Circular
“Group” or “Group Company(ies)”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	28 October 2016, being the latest practicable date
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“LPS”	:	Loss per Share
“Moratorium Period”	:	The period of 36 months, commencing from January 2014 to December 2017, during which C&G HK is prohibited from selling or otherwise disposing of the Grandblue Quoted Shares
“NAV”	:	Net Asset Value
“Net Proceeds”	:	The sum of approximately HK\$811.5 million being the amount derived after deducting estimated transactional costs and expenses of HK\$3.2 million from the sale proceeds arising from the Proposed Transactions of approximately HK\$814.7 million
“New Sky”	:	New Sky Energy (Thailand) Company Limited, a company incorporated in the Kingdom of Thailand and having its registered office at 127/15 12th Floor Panjathani Tower, Nonsee Road Chongnonsee Sub-district, Yannawa District, Bangkok, Thailand. New Sky is a wholly owned subsidiary of New Sky China
“New Sky China”	:	New Sky (China) Environmental & Tech Co. Ltd., a company incorporated in the PRC and having its registered office at B503, North Building, No.65 Wang Hai Road, Software Park II, Xiamen, PRC
“Notice of SGM”	:	The notice of SGM as set out on pages N-1 to N-3 of this Circular

DEFINITIONS

“Official List”	:	The official list of the SGX-ST
“Ordinary Resolutions”	:	The ordinary resolutions as set out on page N-1 and N-2 of this Circular
“Proposed Disposal of All Group Companies (other than C&G Thailand)”	:	The proposed sale of the C&G International Sale Shares, comprising the entire issued and paid up share capital of C&G International by the Company to Ahead Auto, on the terms and subject to the conditions as set out in the C&G International SPA
“Proposed Disposal of C&G Thailand”	:	The proposed sale of C&G Thai Sale Shares, comprising the entire issued and paid up share capital of C&G Thailand by C&G HK to New Sky, on the terms and subject to the conditions as set out in the C&G Thai SPA
“Proposed Share Premium Account Reduction”	:	The proposed reduction and cancellation of the entire amount of HK\$188,517,477 standing to the credit of the Company’s Share Premium Account and transfer of the credit arising therefrom to the Company’s Contributed Surplus Account
“Proposed Special Dividend”	:	The proposed distribution of approximately HK\$777.7 million or such other amount as shall be recommended by the Directors, to Shareholders in cash on a <i>pro-rata</i> basis, details of which are more particularly set out in Section 9 of this Circular
“Proposed Transactions”	:	The Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand)
“PRC”	:	The People’s Republic of China
“Retained Cash”	:	The sum of approximately HK\$11.2 million which the Company estimates to be the amount required to cover the Company’s general working capital requirements following completion of the Proposed Transactions and the costs of acquiring a new business for a period of 12 months, details of which are more particularly set out in Section 7.5.2 of this Circular
“Securities Account”	:	Securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Cap. 289, of Singapore, as amended from time to time
“SGM”	:	The special general meeting of the Company, notice of which is set out on pages N-1 to N-3 of this Circular

DEFINITIONS

“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Premium Account”	:	The share premium account of the Company
“Shareholders”	:	Registered holders of Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors in the Depository Register maintained by CDP and to whose Securities Accounts are credited with Shares
“Shares”	:	Issued and paid up ordinary shares of par value HK\$0.10 each in the share capital of the Company
“Special Resolution”	:	The special resolution for the Proposed Share Premium Account Reduction as set out in the Notice of SGM on Page N-3 of this Circular
“Substantial Shareholder”	:	A substantial shareholder as defined under the Act
“Total Debts”	:	The aggregate sum of approximately THB1,668 million (equivalent to RMB312.3 million) comprising (i) all debts recorded in the books of C&G Thailand; and (ii) all payables arising from all uncompleted construction contracts entered into by C&G Thailand, details of which are more particularly set out in Section 1.1(a) of this Circular
“WTE”	:	Waste-to-energy
“WTE Sale Agreement”	:	The agreement dated 29 January 2014 entered into between the Company’s wholly-owned subsidiary, C&G HK and Grandblue pursuant to which the Company had agreed to dispose of all its WTE business and operating assets in the PRC to Grandblue through the sale of the entire issued and paid up capital of C&G China, details of which are more particularly set out in Section 4.2.2 of this Circular
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore
“THB”	:	Thai Baht, the lawful currency of the Kingdom of Thailand
“US\$”	:	United States of America dollars, the lawful currency of the United States of America

DEFINITIONS

“%” : Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

The terms “**associate**”, “**associate company**” and “**subsidiary**” shall have the same meanings ascribed to them respectively in the Listing Manual and the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to “**persons**” shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word or term defined under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning ascribed to it under the Act, the Bermuda Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Any discrepancies in figures in the tables included in this Circular between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and to dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Certain terms and names in Chinese characters have been translated into the English language. Such translations are provided solely for the convenience of Shareholders. They may not be registered with the relevant authorities and should not be construed as representations that the English translations actually represent the characters and terms in the Chinese language.

Exchange Rates

For the purpose of this Circular, unless otherwise stated, the following exchange rates as published on Bloomberg as at the Latest Practicable Date will be applied throughout this Circular for illustrative purposes only:–

HK\$1 to S\$0.1795

RMB1 to S\$0.2056

THB1 to S\$0.0397

US\$1 to S\$1.3919

HK\$1 to RMB0.8742

LETTER TO SHAREHOLDERS

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)
(Company Registration Number: 35842)

Board of Directors:

Mr Lam Chik Tsan	Executive Chairman and Group Chief Executive Officer
Ms Tam Sau Fung	Executive Director and Group Deputy Chief Executive Officer
Mr Alfred Cheong Keng Chuan	Lead Independent Director
Mr Ng Li Yong	Independent Director

Registered Office:

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

8 November 2016

To: The Shareholders of C&G Environmental Protection Holdings Limited

Dear Sir/Madam,

-
- (1) **THE PROPOSED DISPOSAL OF THE BUSINESS, ASSETS AND PRINCIPAL OPERATING SUBSIDIARIES OF THE COMPANY THROUGH:**
- I. **THE DISPOSAL OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF C&G ENVIRONMENTAL PROTECTION (THAILAND) COMPANY LIMITED; AND**
 - II. **THE DISPOSAL OF THE ENTIRE ISSUED AND PAID UP CAPITAL OF C&G ENVIRONMENTAL PROTECTION INTERNATIONAL LIMITED,**
- BEING A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL;**
- (2) **THE PROPOSED DISTRIBUTION OF A SPECIAL DIVIDEND; AND**
- (3) **THE PROPOSED SHARE PREMIUM ACCOUNT REDUCTION.**
-

1. INTRODUCTION

1.1. The Proposed Transactions

- (a) On 29 August 2016, the Company announced that it had, on 26 August 2016, through its wholly-owned subsidiary, C&G Environmental Protection (Hong Kong) Company Limited (“**C&G HK**”) entered into a share sale and purchase agreement (“**C&G Thai SPA**”) with New Sky pursuant to which the Company has agreed to dispose of its principal and wholly-owned subsidiary, C&G Environmental Protection (Thailand) Company Limited (“**C&G Thailand**”) through the sale of 75,184,000 issued and paid up ordinary shares of C&G Thailand (“**C&G Thai Sale Shares**”), representing its entire issued and paid up share capital, owned by the Company, on the terms and subject to the conditions of the C&G Thai SPA (the “**Proposed Disposal of C&G Thailand**”).

LETTER TO SHAREHOLDERS

In consideration thereof, New Sky had agreed to pay an aggregate sum of RMB500 million (the “**Aggregate Payment**”) comprising:–

- an aggregate sum of approximately THB1,668 million (equivalent to RMB312.3 million) (the “**Total Debts**”), which New Sky shall assume and discharge for and on behalf of C&G Thailand, comprising (i) all debts recorded in the books of C&G Thailand (including but not limited to inter-company loans and advances made by the Group to C&G Thailand of approximately THB1,328 million (equivalent to RMB248.6 million)) as at 29 February 2016; and (ii) all payables arising from all uncompleted construction contracts entered into by C&G Thailand on or before 29 February 2016, on or before the completion date of the C&G Thai SPA; and
 - a sum of approximately RMB187.7 million being the purchase consideration for the C&G Thai Sale Shares which is a sum equivalent to the difference between the Aggregate Payment and the Total Debts (the “**C&G Thai Share Consideration**”).
- (b) In connection with the Proposed Disposal of C&G Thailand, the Company had also announced that it had on 26 August 2016 entered into a conditional sale and purchase agreement (“**C&G International SPA**”) with Ahead Auto Limited (“**Ahead Auto**”) pursuant to which the Company had agreed to dispose of all its group companies (other than C&G Thailand) through the sale of 85,868,000 issued and paid up ordinary shares of par value of US\$1.00 each (“**C&G International Sale Shares**”) of C&G Environmental Protection International Limited (“**C&G International**”), representing the entire issued and paid up share capital of C&G International, owned by the Company, on the terms and subject to the conditions of the SPA (the “**Proposed Disposal of All Group Companies (other than C&G Thailand)**”), for an aggregate purchase consideration of HK\$600 million.

The aggregate consideration for the sale of C&G Thai Sale Shares and C&G International Sale Shares, taking into the account the amount of approximately RMB248.6 million owing from C&G Thailand to the Group which New Sky would assume and discharge for and on behalf of C&G Thailand, represented an imputed value of S\$0.197 per Share to Shareholders and a premium of approximately 74% to the volume weighted average trading price for trades done on 24 August 2016, being a trading day immediately prior to the signing of the C&G Thai SPA and the C&G International SPA where there were trades done on the Shares on the SGX-ST (there were no trades done on the Shares on 25 August 2016).

It represented a premium of 66%, 47% and 44% to the volume weighted average price in the past 30 days, 60 days and 90 days, respectively, prior to the signing of the C&G Thai SPA and the C&G International SPA.

The Proposed Transactions constitute a “major transaction” under Chapter 10 of the Listing Manual and are therefore, subject to the provisions of the Listing Manual governing the same, including but not limited to approval of Shareholders in a general meeting.

Upon the completion of the Proposed Transactions, C&G Thailand and C&G International would cease to be subsidiaries of the Company. The Company will also cease to have any business, subsidiaries or associated companies thereafter, and its assets will consist substantially of cash.

LETTER TO SHAREHOLDERS

A copy of the Announcement is available on SGXNET. Further details of the Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand) are set out in Sections 3 and 4 of this Circular respectively.

Shareholders, please note that the resolutions for the Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand) are proposed to be made inter-conditional upon the passing of each other for the following reasons:

- following the Company's disposal of its principal operating subsidiary, C&G Thailand, the Company would essentially become a cash company with the Grandblue Quoted Shares being the principal asset left in the Group. The Grandblue Quoted Shares are subject to a moratorium from disposal until December 2017. For further information on the moratorium, please see Section 4.2 of this Circular;
- the Group is liable to compensate Grandblue under the Clawback Agreement. For further information on the Clawback Agreement, please see Section 4.2.6 of this Circular;
- the Company is of the view that it would be difficult for the Company to seek the acquisition of a new business through a reverse takeover by expecting a potential buyer to be willing to assume the potential obligations (a) to compensate for excess capital expenditure for the three WTE projects arising under the asset transfer agreement, (b) meet the profit targets under the Clawback Agreement, and (c) accept the purchase of the Grandblue Quoted Shares which are subject to a moratorium. Accordingly, it was proposed that the Grandblue Quoted Shares be sold with a condition that the buyer assumes the moratorium obligation and the potential obligations under the asset transfer agreement and Clawback Agreement. For further information on the asset transfer agreement, please see Section 4.4(c) of this Circular; and
- completion of the C&G Thailand SPA is a condition precedent to the completion of the C&G International SPA. Please see Section 4.3.3(a)(iii) of this Circular.

LETTER TO SHAREHOLDERS

1.2. Major Transaction

The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Transactions, and based on the audited consolidated financial results of the Company for FY2015 are as follows:

Rule 1006	Description	Relative Figure (%)
(a)	NAV ⁽¹⁾ of C&G International (including C&G Thailand) of approximately HK\$1,032 million, compared with the NAV of the Group	67.5%
(b)	Net loss ⁽²⁾ attributable to C&G International (including C&G Thailand) of approximately HK\$121 million, compared with the Group's net loss	87.4%
(c)	Aggregate value of the consideration ⁽³⁾ for the Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand), compared with the Company's market capitalisation ⁽⁴⁾ based on the total number of issued Shares excluding treasury shares	174.0%
(d)	Number of equity securities issued by the Company as consideration for the Proposed Transactions, compared with the number of equity securities previously in issue	Not applicable to a disposal of assets

Notes:

- (1) NAV means total assets less total liabilities and minority interests.
- (2) Net loss is defined as loss after income tax and minority interests before extraordinary items.
- (3) Please see Sections 3.2.2 and 4.3.2 of this Circular for more details on the purchase consideration for the Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand) respectively.
- (4) The market capitalisation is calculated based on S\$0.1135 per Share, being the volume weighted average price of the Shares traded on 24 August 2016 (as there were no trades done on the Shares on 25 August 2016), this being the last trading day immediately preceding the date of the C&G Thai SPA and the C&G International SPA where there were trades done on the Shares on the SGX-ST, multiplied by 977,755,354 Shares in issue.

As the relative figures under Rules 1006(a), (b) and (c) of the Listing Manual exceed 20% and having taken into account that the Proposed Disposal of C&G Thailand and the Proposed Disposal of All Group Companies (other than C&G Thailand) are inter-conditional upon each other, the Proposed Transactions constitute a major transaction pursuant to Rule 1014 of the Listing Manual. Accordingly, the Proposed Transactions are subject to the approval of Shareholders in general meeting.

1.3. The Proposed Special Dividend

As set out in the Announcement, following the completion of the Proposed Transactions, the Company intends to distribute such amount of the Net Proceeds after deducting the accrued liabilities of the Company and the Retained Cash, as shall be recommended by the Directors to Shareholders on a *pro-rata* basis by way of a special dividend.

LETTER TO SHAREHOLDERS

The Company proposes to distribute an estimated amount of HK\$777.7 million or such other amount, as shall be recommended by the Directors in cash to Shareholders on a *pro-rata* basis by way of a special dividend (the “**Proposed Special Dividend**”).

The Proposed Special Dividend of HK\$777.7 million was arrived at by deducting from the Net Proceeds (a) the accrued liabilities of HK\$22.6 million, being the estimated amount intended to cover the projected ongoing expenses of the Group’s working capital requirements until completion of the Proposed Transactions and (b) the Retained Cash of approximately HK\$11.2 million, being the amount essentially intended to cover the Company’s general working capital requirements and the costs of acquiring a new business for a period of 12 months after completion of the Proposed Transactions. The aggregate of the projected ongoing expenses of the Group’s working capital requirements until completion of the Proposed Transactions of HK\$22.6 million and the Retained Cash amount of HK\$11.2 million represents approximately 4.17% of the Net Proceeds.

Shareholders, please note that it would be impractical for the Retained Cash amount to be put in escrow pursuant to the Rule 1018 Escrow Requirement as it is intended to cover the Company’s continuing ongoing operating costs and expenditure for a period of 12 months after completion of the Proposed Transactions and the costs of acquiring a new business. For more information on the Rule 1018 Escrow Requirement, please refer to Section 7 of this Circular.

The Proposed Special Dividend will amount to HK\$0.7954 (equivalent to S\$0.143) per Share.

Shareholders who hold Shares in the share capital of the Company as at the date on which the Register of Members will be closed will be entitled to the proposed distribution and will receive their respective entitlements.

Shareholders please note that the Proposed Transactions are conditional upon the Shareholders concurrently approving the Proposed Special Dividend and the Proposed Share Premium Account Reduction, i.e. if the Proposed Special Dividend and/or the Proposed Share Premium Account Reduction are not approved by the Shareholders then the Proposed Transactions will not proceed.

Further details of the Proposed Special Dividend and Proposed Share Premium Account Reduction are set out in Sections 9 and 10 of this Circular respectively.

1.4. Proposed Share Premium Account Reduction

The Company proposes to seek Shareholders’ approval for the reduction and cancellation of the entire amount of HK\$188,517,477 standing to the credit of the Share Premium Account and transfer the credit arising from the Proposed Share Premium Account Reduction to the Contributed Surplus Account.

The Company intends to increase the amount of funds that may be distributed to Shareholders and hence, give the Company greater flexibility in relation to its distributions.

LETTER TO SHAREHOLDERS

1.5. Maintaining listing status as a cash company following the Proposed Transactions

The Company intends to maintain its listing status on the SGX-ST as a cash company following the completion of the Proposed Transactions to seek a suitable new business to be injected.

It intends to seek the approval of the SGX-ST in accordance with Rule 1018 of the Listing Manual to have a period of 12 months from the completion of the Proposed Transactions to seek a suitable new business to be injected or it will face delisting.

1.6. Circular

The purpose of this Circular is to explain the reasons for, and to provide Shareholders with, *inter alia*, information relating to, and to seek the approval of Shareholders for the Proposed Transactions, the Proposed Special Dividend and the Proposed Share Premium Account Reduction at the SGM to be held on 2 December 2016 at 9:30 a.m. at Studio 1&2, 3rd Level (Lobby Level), Concorde Hotel Singapore, 100 Orchard Road, Singapore 238840. The Notice of SGM is set out on pages N-1 to N-3 of this Circular.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. INFORMATION ON THE BUYERS, NAMELY NEW SKY AND AHEAD AUTO

2.1. Information on New Sky

New Sky is a company recently incorporated in the Kingdom of Thailand and having its registered office at 127/15 12th Floor Panjathani Tower, Nonsee Road Chongnonsee Sub-district, Yannawa District, Bangkok, Thailand. It is currently looking for new businesses, including WTE businesses and other environmental-related projects in Thailand. The directors of New Sky are Miss Yuan Rong and Mr. Nophadol Briksavand. New Sky is a wholly-owned subsidiary of New Sky (China) Environmental & Tech Co. Ltd. (“**New Sky China**”).

New Sky China is a company incorporated in the PRC. Mr. Yau King Fung, its ultimate controlling shareholder, owns 94% of New Sky China. The remaining shareholders are Anta Capital Limited, a company incorporated in the British Virgin Islands which owns 4% and Xi Wang Developments Limited, a company incorporated in the British Virgin Islands which owns the remaining 2%.

Anta Capita Limited is a wholly-owned subsidiary of Anta Capital Holdings Limited of which Mr. Ding Shijia is the ultimate controlling shareholder. Xi Wang Developments Limited is wholly-owned by Mr. Ke Jiaqi.

LETTER TO SHAREHOLDERS

New Sky China and its group companies are primarily engaged in the waste-to-energy (“WTE”) business in the PRC and act as equipment, procurement and construction (“EPC”) contractors for environmental-related projects and also investing in BOT projects in the PRC.

New Sky China had been the Group’s EPC contractor back in 2010 and continued until late 2013 when the arrangement was terminated. The Company has since 2014 divested all its WTE business and plants in the PRC.

New Sky’s principal obligation under the C&G Thailand SPA is a payment obligation which if it is not fulfilled, completion thereof will not take place. The Company did not see the need to obtain a guarantee from New Sky China, its parent company, to secure the obligation of New Sky thereunder.

Save as disclosed herein, none of the Company, its subsidiaries, the Directors and the Controlling Shareholders and their respective associates have any other business dealings with New Sky, New Sky China and/or any of its group companies, directors or shareholders.

In addition, to the best of the Company’s knowledge, none of New Sky China and its group companies (including New Sky), its directors and shareholders are related to Ahead Auto, its group companies, directors or shareholders.

2.2. Information on Ahead Auto

Ahead Auto is a company incorporated in the British Virgin Islands and having its registered office at P.O. Box 957, Offshore Incorporated Centre, Road Town, Tortola, British Virgin Islands. Ms Huang Jin Zhi is the sole director and shareholder of Ahead Auto.

Ahead Auto is principally engaged in environmental-related businesses in the PRC and the Group has purchased environmental-related equipment from Ahead Auto in the past.

Following the termination of the strategic partnership with New Sky China as its EPC contractor in 2013, the Group entered into two transactions in 2015 with Ahead Auto amounting to a total of RMB52.9 million (approximately S\$10.88 million) to purchase waste transfer station and medical waste treatment equipment.

Save as disclosed herein, none of the Company, its subsidiaries, the Directors and the Controlling Shareholders and their respective associates have any other business dealings with Ahead Auto and/or any of its group companies, directors or shareholders.

In addition, to the best of the Company’s knowledge, none of Ahead Auto and its group of companies, directors or shareholders are related to New Sky China and its group of companies (including New Sky), directors or shareholders.

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3. PROPOSED DISPOSAL OF C&G THAILAND (INCLUDING THE PRINCIPAL TERMS OF THE C&G THAI SPA)

3.1. Information on C&G Thailand

C&G Thailand is a private limited company incorporated in Thailand and, as at the Latest Practicable Date, had a registered share capital of THB375,920,000 with a paid up share capital of THB342,330,470 divided into 75,184,000 ordinary shares with a par value of THB5 each.

C&G Thailand is a wholly-owned subsidiary of the Company held through C&G HK. C&G Thailand is principally engaged in the WTE business in Thailand. It has invested in, constructed and is operating a waste incineration power plant under a BOT investment scheme in Thailand.

C&G Thailand has secured a 500 tonnes WTE project in Nong Khaem in Bangkok, Thailand with a concessionary term of 20 years. The construction of the WTE plant was completed in May 2016 and is currently under trial run operation.

3.2. Principal terms of the C&G Thai SPA

3.2.1. Agreement to sell the C&G Thai Sale Shares comprising the entire issued and paid up share capital of C&G Thailand

Subject to the terms and conditions of the C&G Thai SPA, C&G HK shall sell, and New Sky shall acquire, the C&G Thai Sale Shares comprising the entire issued and paid up share capital of C&G Thailand free and clear from all encumbrances, and together with all rights, benefits, entitlements, title and interests attaching thereto, with effect from the completion date of the C&G Thai SPA.

The completion date of the C&G Thai SPA shall be on the date falling 15 business days immediately after the last of the conditions precedent set forth in the C&G Thai SPA is fulfilled, satisfied or waived (if capable of being waived), provided that such date shall not be later than the date falling six months from the date of the C&G Thai SPA.

3.2.2. Consideration and Payment Terms

Pursuant to the C&G Thai SPA, New Sky has agreed to pay the Aggregate Payment of RMB500 million comprising:

- (a) the Total Debts which New Sky shall assume and discharge for and on behalf of C&G Thailand; and
- (b) the C&G Thai Share Consideration being a sum of RMB187.7 million which is equivalent to the difference between the Aggregate Payment and the Total Debts.

The C&G Thai Share Consideration was arrived at by C&G HK and New Sky after arm's length negotiations and agreed upon a "willing-buyer-willing-seller" basis, taking into account the following:-

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- (i) the Total Debts, in particular the sum of THB 1,328 million (equivalent to RMB248.6 million) owing from C&G Thailand to the Group, which New Sky has agreed to assume and discharge for and on behalf of C&G Thailand;
- (ii) the valuation of C&G Thailand, being the sum of THB 2,469,125,000 (equivalent to approximately RMB462.3 million), conducted by Grant Sherman Appraisal Limited, a professional firm of valuers appointed by New Sky, adopting a "Present Earnings Value" method of the future earnings of C&G Thailand; and
- (iii) the business enterprise value of C&G Thailand as at 29 February 2016 of THB 2,469,125,000 (equivalent to approximately RMB462.3 million).

The Total Debts shall be discharged by New Sky on or before the completion date of the C&G Thai SPA and the C&G Thai Share Consideration shall be paid within 15 business days from the completion date of the C&G Thai SPA.

The Company announced on 30 September 2016 that the Group had received approximately THB 930.4 million (equivalent to RMB179.4 million), being part of the Group's aggregate inter-company loans, from New Sky, in partial discharge of the Total Debts.

3.2.3. Conditions Precedent to be fulfilled by C&G HK

The obligations of New Sky to complete the C&G Thai SPA is subject to the fulfilment of the following conditions precedent by C&G HK:–

- (a) Resolutions of Board of Directors' Meetings and Shareholders' Meeting: The required resolutions of the general meeting of the shareholders' meeting and/or the board of directors' meeting of C&G Thailand, necessary to permit the consummation of the transactions contemplated by the C&G Thai SPA by C&G Thailand shall have all been duly passed, issued, granted and received and in full force and effect and not revoked on or before the Completion Date of the C&G Thai SPA.
- (b) The C&G Thai Sale Shares: The C&G Thai Sale Shares exist and are validly and legally owned by C&G HK and free and clear of any encumbrance and New Sky has been authorised by C&G HK to verify such existence, ownership and good title of the C&G Sale Shares with C&G Thailand and the share registrar of C&G Thailand and New Sky is reasonably satisfied with the evidence or documents indicating such existence, ownership and good title of the C&G Thai Sale Shares.
- (c) No Changes in the Shares or Share Structure: There being no change in the number of issued shares or capital structure of C&G Thailand to that previously disclosed during the preliminary review process prior to the completion of the C&G Thai SPA except as affected by transactions expressly permitted by the C&G Thai SPA.
- (d) Holding and Transfer: C&G HK being able to sell all the Sale Shares to New Sky.

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- (e) Fulfilment by C&G HK and C&G Thailand: All of the obligations, covenants and undertakings to be performed by C&G HK and C&G Thailand as contained in the C&G Thai SPA at or prior to the completion of the C&G Thai SPA, shall be duly performed.
- (f) Accuracy of the Warranties: All and each of the warranties given by C&G HK contained in the C&G Thai SPA shall be true in all material respects when made and shall be true in all material respects on and at the Completion Date of the C&G Thai SPA with the same force and effect as though made on, at and as of the Completion Date of the C&G Thai SPA (provided that if a representation and warranty is expressly made only as of the Completion Date of the C&G Thai SPA, it needs only be true and correct in all material respects as of the Completion Date of the C&G Thai SPA), except as affected by transactions expressly permitted by the C&G Thai SPA, or as expressly waived in writing by New Sky.
- (g) Consents Required under Contracts: C&G HK and C&G Thailand shall have obtained all consents, approvals and/or waivers under contracts entered into by C&G HK or C&G Thailand, if any, to permit the completion of the transactions contemplated by the C&G Thai SPA without causing or resulting in a default, event of default or termination under the C&G Thai SPA and without entitling any third party to exercise any right or remedy under such contracts adverse to the interests of New Sky.
- (h) Actions, Suits or Proceedings: Save as disclosed to New Sky, no legal action, suit or proceeding for the amount higher than THB100,000,000 shall have been commenced or threatened by any government agency or other person seeking to enjoin any transaction contemplated at the completion of the C&G Thai SPA.
- (i) Calling of the Board of Directors' Meetings: The Chairman of the board of directors of C&G Thailand shall have issued notices to call for the board of directors' meetings which will be held on or before the Completion Date of the C&G Thai SPA. The meeting shall be called to consider the agenda relating to the appointment of the new director(s) as notified by New Sky.
- (j) Governmental Action: No Thai governmental entity legislation or governmental action shall promulgate or take effect between the date of the C&G Thai SPA and the Completion Date of the C&G Thai SPA which will (i) prohibit the consummation of the transactions contemplated herein, (ii) prohibit the acquisition of the Sale Shares by New Sky, (iii) require New Sky to divest itself of any of the Sale Shares, or (iv) prohibit the participation by New Sky in the board of directors of C&G Thailand.

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- (k) Other Required Approvals, Notices and Consents: The following shall have been obtained, as the case may be, at no expense to New Sky and shall not be withdrawn or modified (i) any other notices, consents, approvals and/or waivers which may be required under law or the memorandum or articles of association of C&G Thailand and for the transactions contemplated by the C&G Thai SPA, and (ii) all consents, approvals and/or waivers required under any contracts entered into by C&G Thailand or C&G HK in order to permit the consummation of the transactions contemplated by the C&G Thai SPA without causing or resulting in a default, event of default, acceleration event or termination event under any of such documents and without entitling any party to any such documents to exercise any other right or remedy adverse to the interests of New Sky or C&G Thailand.
- (l) Valid Existence of C&G Thailand: C&G Thailand validly exists and none of the following events have occurred or are continuing: C&G Thailand (i) is insolvent, (ii) applies for, consents to or acquiesces in the appointment of a receiver for C&G Thailand or any of their property, (iii) admits in writing that it is unable to pay its debts, (iv) files a petition in bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution liquidation proceeding.
- (m) No Material Adverse Change: There being no material adverse change in the financial condition, assets, businesses and operations of C&G Thailand and C&G Thailand does not perform any acts which may result in a significant decrease of the value of the shares of C&G Thailand.

Material adverse changes shall include any change that causes a decline in the value of C&G Thailand in an amount of THB100,000,000 or more or the following:

- (i) Entering into any contract, agreement, memorandum of understanding or any other form of transaction that may materially adversely affect C&G Thailand;
 - (ii) Entering into any contract, agreement, memorandum of understanding or any other form of transaction creating or that may create any long-term commitment(s) that may materially adversely affect C&G Thailand; or
 - (iii) The occurrence of any events or any acts, that may result in a material adverse change in the conditions or prospects of C&G Thailand, either financial, political or economic conditions, such that would be likely to materially prejudice the rights of New Sky, provided that such an event was not deliberately caused by New Sky.
- (n) SGX-ST Approval*: The SGX-ST has granted approval for C&G HK, a subsidiary of the Company to sell the C&G Thai Sale Shares, if required.

***Note:** Shareholders please note that this condition precedent is an extract of the condition precedent as set out in the C&G Thai SPA (which is governed by Thai law) and was phrased on the basis that if required, the approval of the SGX-ST must be obtained. Under the Listing Manual, the approval of the SGX-ST is not required for the disposal of assets by a listed issuer.

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3.2.4. Conditions Precedent to be Fulfilled by New Sky

The obligations of C&G HK under the C&G Thailand SPA are conditional upon the completion of all of the following conditions precedent by New Sky:

- (a) New Sky has the authority to enter into and perform its obligations under the C&G Thai SPA and the transactions contemplated hereby and all necessary corporate action has been taken by it to authorise the execution and the performance of its obligations under the C&G Thai SPA.
- (b) All of the obligations, covenants and undertakings to be performed by New Sky at or prior to the Completion of the C&G Thai SPA contained in the C&G Thai SPA shall be duly performed.
- (c) All and each of the warranties given by New Sky contained in the C&G Thai SPA shall be true when made and shall be true in all material respects on and at the Completion Date of the C&G Thai SPA with the same force and effect as though made on, at and as of the Completion Date of the C&G Thai SPA, except as affected by transactions expressly permitted by the C&G Thai SPA, or as expressly waived in writing by C&G Thailand.
- (d) No legal action, suit or proceeding shall have been commenced or threatened by any government agency seeking to enjoin any transaction contemplated at the Completion of the C&G Thai SPA.
- (e) No Thai Governmental Entity legislation or governmental action shall promulgate or take effect after the date of the C&G Thai SPA which will prohibit the consummation of the transactions contemplated herein.
- (f) New Sky shall pass a resolution of the board of directors and/or shareholders meeting of New Sky authorizing the execution of and performance by New Sky of its obligations under the C&G Thai SPA.
- (g) New Sky shall have obtained all consents and approvals which are necessary for the acquisition of the Sale Shares by New Sky, including without limitation, approval by any other regulatory and/or government authority (if any).
- (h) The following shall have been obtained, as the case may be, at no expense to C&G Thailand and shall not be withdrawn or modified by (i) any other notices, consents, approvals and/or waivers which may be required under law or the memorandum or articles of association of New Sky and for the transactions contemplated by the C&G Thai SPA, and (ii) all consents, approvals and/or waivers required under any contracts entered into by New Sky in order to permit the consummation of the transactions contemplated by the C&G Thai SPA without causing or resulting in a default, event of default, acceleration event or termination event under any of such documents and without entitling any party to any such documents to exercise any other right or remedy adverse to the interests of New Sky or the Company thereunder.

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- (i) New Sky validly exists and none of the following events have occurred or are continuing:

New Sky (i) is insolvent, (ii) applies for, consents to, or acquiesces in the appointment of a receiver for New Sky or any of their property, (iii) admits in writing that it is unable to pay its debts, (iv) files a petition in bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution liquidation proceeding.

- (j) No Thai government entity legislation or governmental action shall promulgate or take effect between the date of the C&G Thai SPA and the Completion Date of the C&G Thai SPA which will (i) prohibit the consummation of the transactions contemplated herein, (ii) prohibit the acquisition of the C&G Thai Share Consideration by C&G Thailand or (iii) require C&G Thailand to divest itself of any of the C&G Thai Share Consideration.
- (k) New Sky being able to issue and make payment of all the consideration and payment to C&G Thailand in accordance with the C&G Thai SPA.
- (l) All of the obligations, covenants and undertakings to be performed by New Sky at or prior to the Completion of the C&G Thai SPA contained in the C&G Thai SPA shall be duly performed.
- (m) All and each of the warranties given by New Sky contained in the C&G Thai SPA shall be true in all material respects when made and shall be true in all material respects on and at the Completion Date of the C&G Thai SPA with the same force and effect as though made on, at and as of the Completion Date of the C&G Thai SPA (provided that if a representation and warranty is expressly made only as of the Completion Date of the C&G Thai SPA, it needs only be true and correct in all material respects as of the Completion Date of the C&G Thai SPA), except as affected by transactions expressly permitted by the C&G Thai SPA or as expressly waived in writing by C&G Thailand.

3.2.5. Non-fulfilment or Waiver (if capable of being waived) of Conditions Precedent

If any of the conditions precedent set out in Sections 3.2.3 and 3.2.4 above is not fulfilled or satisfied or waived (if capable of being waived) on or before the date falling six months from the date of the C&G Thai SPA, or such other date as may be mutually agreed in writing between the Company and New Sky, the C&G Thai SPA shall *ipso facto* cease and all further obligations of the parties under the C&G Thai SPA, except for any antecedent breaches which shall continue in full force and effect, shall terminate.

3.2.6. Non-Competition

C&G HK has covenanted and warranted that it and its subsidiaries shall not engage in any business having the same or a materially similar nature to the business of New Sky in Thailand for a period of five years following the date of the C&G Thai SPA. This restriction shall cease and shall no longer be applicable or enforceable upon the ultimate shareholder of C&G HK having been changed.

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3.2.7. Covenants Prior to Completion

- (a) C&G HK has furnished New Sky with customary covenants during the period from the signing of the C&G Thai SPA to the completion thereof for transactions of this nature.
- (b) In particular, C&G HK has covenanted with New Sky that New Sky shall be entitled to the profits (and losses) of C&G Thailand with effect from the signing of the C&G Thai SPA.

3.2.8. Representations, Warranties and Undertakings

C&G HK and New Sky have furnished each other with customary representations, warranties and undertakings for transactions of this nature.

3.2.9. Limitation of Liabilities

- (a) The liability of C&G HK under the C&G Thai SPA shall cease following the date falling 60 months after the date of termination of the C&G Thai SPA or the date falling 60 months after the completion date of the C&G Thai SPA, whichever is the earlier.
- (b) C&G HK shall not be liable for any breach of its representations, warranties and covenants under the C&G Thai SPA, unless and until the amount of any individual claim for compensation of actual loss or damage caused by the breach exceeds RMB500,000 and provided that the aggregate liability of C&G HK under the C&G Thai SPA shall not exceed the sum of RMB50,000,000.

3.2.10. Indemnity

- (a) Each of C&G HK and New Sky has agreed to indemnify, defend and hold harmless the other (and its directors, employees, advisors) from and against any and all losses, liabilities, damages, deficiencies, demands, claims, actions, judgments or causes of actions, assessments, costs or expenses (including, without limitation, bonds, interest, penalties and reasonable attorneys' fees and disbursements) based upon, arising out of or otherwise in respect of any material inaccuracy in or any material breach of any representation, warranty, covenant or agreement (as contained in the C&G Thai SPA) which it has given thereunder.
- (b) The indemnity given by C&G HK above shall cease following the date falling 60 calendar months after termination of this Agreement, or 60 calendar months following Completion, whichever is earlier (the "Cut-Off Date"), except in respect of matters which have been the subject of a written claim made before the Cut-Off Date by New Sky to C&G HK, and such claim shall be treated as withdrawn unless proceedings in respect thereof have been commenced and served on C&G HK before the Cut-Off Date.

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- (c) In the event the C&G Thai SPA is terminated, C&G HK has to repay the paid up Total Debts and the C&G Thai Share Consideration to New Sky together with a 1.5 times interest in accordance with the People's Bank of China benchmark lending rate over the same period as a liquidated damage by 31 March 2018.
- (d) In the event that New Sky fails to pay the Total Debts and the C&G Thai Share Consideration in accordance to the timeframe as stated out in the C&G Thai SPA, an interest will be charged at a 1.5 times interest in accordance with the People's Bank of China benchmark lending rate over the same period.

3.2.11. Governing Law

The C&G Thai SPA is governed by and construed in accordance with the laws of Thailand.

3.3. **Rationale for the Proposed Disposal of C&G Thailand**

The Directors are of the view that the Proposed Disposal of C&G Thailand is in the best interests of the Company for the following reasons:–

- (a) On 14 September 2015, the Company announced that its former Executive Chairman and Group Chief Executive Officer, namely, Mr Lin Yan, was in a coma after suffering from a severe stroke. Subsequently, on 5 February 2016, the Company announced that Mr Lin Yan had passed away on 4 February 2016.
- (b) The late Mr Lin Yan (former Executive Chairman and Group Chief Executive Officer) was instrumental in the Group's venture into the WTE business in Thailand and the construction of its WTE plant in Thailand. He had the expertise, experience and connections to operate the business of C&G Thailand. The management team of C&G Thailand has also resigned since Mr Lin Yan's passing.
- (c) The Company has been unable to find a suitable management team which has the requisite expertise, experience and connections to operate the WTE business of C&G Thailand.
- (d) Accordingly, without a suitable management team which has the requisite expertise, experience and connections to operate the WTE business of C&G Thailand, the Board is of the view that it is in the best interests of the Company to dispose of C&G Thailand.

While the Proposed Disposal of C&G Thailand will result in the Company ceasing to have any operating business and be deemed a cash company under Rule 1018 of the Listing Manual, as at the Latest Practicable Date, the Directors have not considered the feasibility of any exit offer as the Company is seeking to acquire potential target businesses or assets via a reverse takeover exercise to comply with the SGX-ST's requirements for a cash company. Further information on the SGX-ST's requirements for a cash company is set out in Section 7 of this Circular.

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3.4. Valuation of C&G Thailand

The valuation of C&G Thailand (being the sum of THB 2,469,125,000 (equivalent to approximately RMB462.3 million) as at 29 February 2016) was conducted by Grant Sherman Appraisal Limited, a professional firm of valuers appointed by New Sky. Grant Sherman Appraisal Limited is a Hong Kong incorporated company established in 2002 providing valuation and consulting services for a wide range of industries. Further information on Grant Sherman Appraisal Limited may be found on its website at <http://www.grantsherman.com>.

Grant Sherman Appraisal Limited adopted a “Present Earnings Value” valuation method of projected future earnings of C&G Thailand. The “Present Earnings Value” method seeks to recognise the present value of future projected earnings of C&G Thailand over a 20-year period of operations under the BOT investment scheme granted by the Thai government and a time-value discount factor, taking into consideration the inherent uncertainties present in the 20-year future earnings projections. The projected future earnings were derived from, *inter alia*, projected revenues, costs and expenses and cashflows of the WTE project of C&G Thailand.

3.5. Net Asset Value of C&G Thailand

The unaudited NAV of C&G Thailand as at 30 June 2016 amounted to approximately HK\$358 million. The net gain on the Proposed Disposal of C&G Thailand as at 30 June 2016 would have been approximately HK\$141 million, on the assumption that the Proposed Disposal of C&G Thailand had been completed on 30 June 2016.

4. THE PROPOSED DISPOSAL OF ALL GROUP COMPANIES (OTHER THAN C&G THAILAND) (INCLUDING THE PRINCIPAL TERMS OF THE C&G INTERNATIONAL SPA)

4.1. Information on C&G International and its group of companies

C&G International is a limited liability company incorporated in the British Virgin Islands and, as at the Latest Practicable Date, has an authorised share capital of US\$200,000,000 comprising 200,000,000 ordinary shares with a par value of US\$1 each, of which 85,868,000 ordinary shares have been issued and fully paid up.

C&G International is an investment holding company which holds the equity interests of the following companies:–

- 4.1.1. C&G HK;
- 4.1.2. C&G Green Energy (Hong Kong) Company Limited;
- 4.1.3. C&G Industrial Services (Hong Kong) Company Limited;
- 4.1.4. C&G Energy Management (Thailand) Company Limited (currently in the winding up process);
- 4.1.5. C&G Energy (Shenzhen) Company Limited;
- 4.1.6. C&G Thailand; and

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4.1.7. Grandblue.

C&G International and its group of companies are principally engaged in the following principal activities:-

Name	Principal Activities	Shareholdings held by the Group
C&G HK	Investment holding	100%
C&G Green Energy (Hong Kong) Company Limited	Inactive	100%
C&G Industrial Services (Hong Kong) Company Limited	Inactive	100%
C&G Energy Management (Thailand) Company Limited (currently in the winding up process)	Inactive	100%
C&G Green Energy (Shenzhen) Company Limited ⁽¹⁾	Engaged in the provision of technical advisory and services, as well as environmental protection-related equipment sales.	100% held through C&G Green Energy (Hong Kong) Company Limited
C&G Thailand	Engaged in the WTE business in Thailand and is operating a waste incineration power plant under a BOT investment scheme in Thailand.	100%
Grandblue	Listed on Shanghai Stock Exchange. Engaged in tap water supply, sewage treatment, solid waste treatment and disposal, gas services and waste incineration power generation businesses in the PRC.	11.88% For further details of the Company's shareholding in Grandblue, please refer to Section 4.2. of this Circular.

Note:

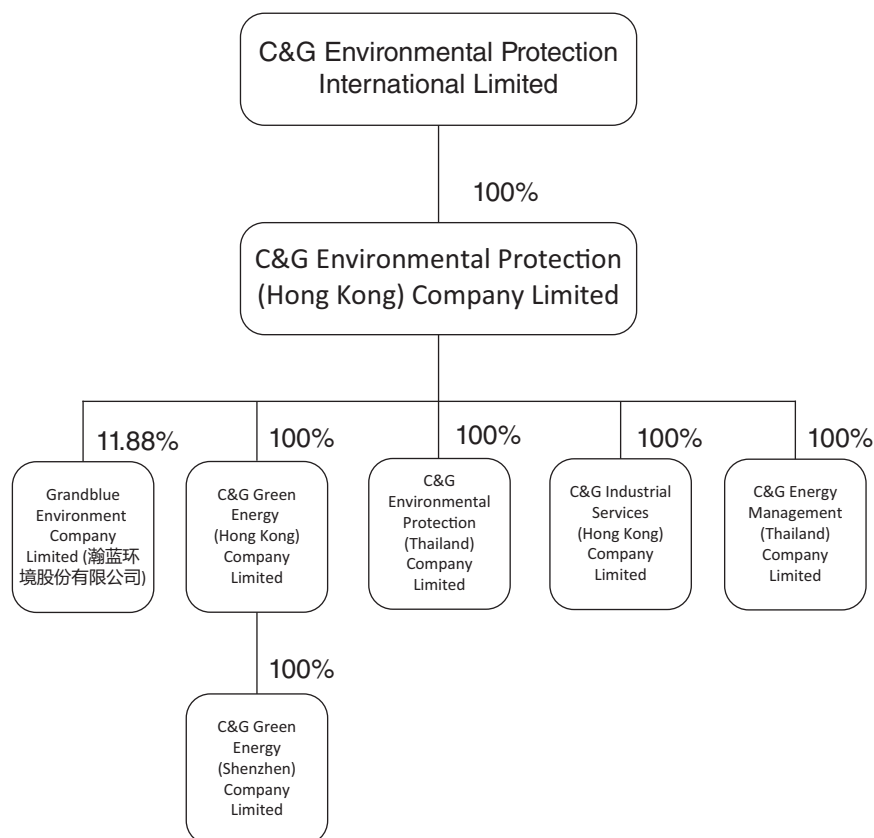
- (1) C&G Green Energy (Shenzhen) Company Limited was largely involved in trading. It has a registered capital of RMB16 million. C&G Green Energy (Shenzhen) Company Limited had incurred a net loss of approximately HK\$1 million for the financial period ended 30 June 2016 as disclosed in the Company's unaudited consolidated financial results for the first six months of FY2016.

As at 30 June 2016, the unaudited NAV of C&G Green Energy (Shenzhen) Company Limited stood at approximately HK\$2.1 million. This comprised approximately HK\$2.5 million of fixed assets and HK\$0.3 million in net liabilities. Its fixed assets comprised principally of furniture, fixtures, office equipment and leasehold office renovation. The Company is of the view that these assets have no significant resale value.

Due to its net loss position, no value was placed on C&G Green Energy (Shenzhen) Company Limited in the determination of the purchase consideration for the C&G International Sale Shares.

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The structure of C&G International and its group of companies as at the Latest Practicable Date is as follows:–



4.2. Information of C&G International's holding of quoted shares in Grandblue Environment Co. Ltd through C&G HK

- 4.2.1. As at the Latest Practicable Date, C&G International held 91,019,417 shares in the share capital of Grandblue Environment Co. Ltd (瀚蓝环境股份有限公司) (“**Grandblue**”) (representing 11.88% of its share capital), a public limited company established under the laws of the PRC and listed on the Shanghai Stock Exchange, through its wholly-owned subsidiary C&G HK (“**Grandblue Quoted Shares**”). The Grandblue Quoted Shares are currently subject to a moratorium.
- 4.2.2. The Grandblue Quoted Shares were acquired by the Group in 2014 as part of the sale consideration paid by Grandblue when the Company disposed of its then WTE business and operating assets in the PRC to Grandblue. By an agreement entered into between the Company's wholly-owned subsidiary, C&G HK and Grandblue (the “**WTE Sale Agreement**”), the Company had agreed to dispose of all its WTE business and operating assets in the PRC to Grandblue through the sale of the entire issued and paid up capital of C&G Environmental Protection (China) Company Limited (“**C&G China**”). C&G China was a wholly owned subsidiary of the Company which held all the Group's then WTE business and operating assets in the PRC. The disposal was subject to Shareholders' approval at a general meeting of the Company. Details of the disposal are set out in the Company's circular to Shareholders dated 14 April 2014.

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- 4.2.3. The WTE Sale Agreement stipulated that the Grandblue Quoted Shares were subject to a moratorium pursuant to which C&G HK was prohibited from selling, assigning, transferring or otherwise disposing of any of the Grandblue Quoted Shares for a period of 36 months (the “**Moratorium Period**”). The Moratorium Period will expire on 24 December 2017.
- 4.2.4. The Grandblue Quoted Shares were issued and allotted to C&G HK at an issue price of RMB8.24 per Grandblue Quoted Share. Based on the closing price of Grandblue Quoted Shares on the Shanghai Stock Exchange of RMB14.06 per Grandblue Quoted Share on the trading day immediately preceding the signing of the C&G International SPA, the market value of Grandblue Quoted Shares amounted to approximately RMB1,280 million.
- 4.2.5. The Company has obtained a legal opinion from its PRC legal counsel, Beijing Be Wu & Associates G.P.*, dated 28 July 2016, that the Moratorium Period imposed on the Grandblue Quoted Shares “**will not prohibit the proposal sale of 100% of the issued and paid up share capital of “C&G International” and such a transaction will not require approval, ratification or delegation from “Grandblue” to be valid.**”

In connection therewith, Beijing Be Wu & Associates G.P. has given and has not withdrawn its consent to the issue of this Circular with the inclusion herein of its name and references thereto in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

Accordingly, the Company did not seek to obtain approval from Grandblue in the proposed disposal of the Grandblue Quoted Shares.

- 4.2.6. In connection with the WTE Sale Agreement, C&G HK had also entered into a clawback agreement (the “**Clawback Agreement**”) with Grandblue pursuant to which C&G HK provided an undertaking to Grandblue that it shall compensate Grandblue in the event that C&G China failed to meet certain profit targets over a period of financial years. Further details of the profit targets and compensation for the shortfall in the profit targets are set out at Section 4 – Compensation for Profit Shortfall in the Company’s circular to Shareholders dated 14 April 2014.

As at the Latest Practicable Date, C&G HK is still liable under the Clawback Agreement to meet the profit target of RMB163.7995 million for FY2016 and in the event that the said profit target is not met, C&G HK will be liable to compensate Grandblue for any shortfall between the actual profits and the said profit target in accordance with the formula set out in the Clawback Agreement.

***Note:** Beijing Be Wu & Associates G.P. was retained by the Group as its PRC legal counsel to advise on the disposal of C&G China to Grandblue in 2014. The PRC firm was incorporated in 1998. Mr. Wu, the lawyer in charge of the Company’s matter, has been in practice for 23 years. He has advised on listing and initial public offerings on the Shanghai Stock Exchange and mergers and acquisitions in the PRC. Mr Wu has also been involved as a PRC lawyer in the handling of listing and initial public offerings and reverse takeover projects for USA, Canada and Singapore companies.

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4.3. Principal terms of the C&G International SPA

4.3.1. Agreement to sell the entire issued and paid up share capital of C&G International

- (a) Subject to the terms and conditions of the C&G International SPA, the Company shall sell, and Ahead Auto shall acquire, the C&G International Sale Shares comprising the entire issued and paid up share capital of C&G International, free and clear from all encumbrances, and together with all rights, benefits, entitlements, title and interests attaching thereto, with effect from the completion date of the C&G International SPA.
- (b) Ahead Auto acknowledged and agreed that C&G Thailand shall be disposed of by C&G International prior to the completion of the C&G International SPA and shall not form part of the C&G International group of companies on completion thereof.
- (c) Ahead Auto further acknowledged and agreed that the Company shall be entitled to the proceeds (after deducting all related costs and expenses) arising from the disposal of C&G Thailand, and the Company and/or C&G International shall be entitled to distribute such proceeds at any time and in any manner on or before the completion of the C&G International SPA in their absolute discretion as deemed appropriate.
- (d) The completion date of the C&G International SPA shall be on the date falling 10 business days immediately after the last of the conditions precedent is fulfilled and satisfied or waived (if capable of being waived), provided that such date shall not be later than the date falling eight months from the date of the signing of the C&G International SPA.

4.3.2. Consideration

The consideration for the C&G International Sale Shares shall be the sum of HK\$600 million. The said consideration was arrived at after arm's length negotiations and agreed upon a "*willing-buyer-willing-seller*" basis, taking into account the following:–

- (a) the average closing price of Grandblue Quoted Shares on the Shanghai Stock Exchange for a six-month period from January to June 2016 being RMB12.342 per Grandblue Quoted Share;
- (b) the Moratorium Period imposed on Grandblue Quoted Shares, ending in December 2017;
- (c) a discount of 25% being applied to the market value of the Grandblue Quoted Shares as set out in (a) above in order to recognise the lack of marketability due to the Moratorium Period of the Grandblue Quoted Shares;
- (d) the potential liability for compensating Grandblue in the event of C&G China's failure to meet the profit target for FY2016 under the Clawback Agreement. For further details of the said profit target and the Clawback Agreement, please refer to Section 4.2.6 of this Circular; and

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- (e) the potential liability for compensating Grandblue for any excess capital expenditure incurred on Langfang Project, Huian Phase II Project and Jinjiang Sludge Project up to the phase where these three projects pass the respective requisite governmental inspection tests. For more information on these three projects and the potential liability, please refer to Section 4.4(c) of this Circular.

4.3.3. Conditions Precedent

- (a) The C&G International SPA contains customary conditions precedent for transactions of this nature, including but not limited to the following:–
 - (i) the outcome of the due diligence carried out by Ahead Auto in relation to the legal, financial, tax, accounting and business of the Group Companies being reasonably satisfactory to Ahead Auto provided that Ahead Auto shall not deem the outcome of such due diligence unsatisfactory without reasonable cause and without first giving the Company (i) notice in writing setting out the relevant default; and (ii) a period of 20 Business Days (or such longer period as the Parties may agree in writing) from receipt of such notice to remedy the relevant default;
 - (ii) all necessary approvals, consents and waivers of requisite governmental or other regulatory or supervisory body or authority for such other transactions contemplated by the C&G International SPA shall have been duly obtained, including without limitation:–
 - (1) the approval of the Directors being obtained for the sale of the Sale Shares to Ahead Auto;
 - (2) the approval of Shareholders being obtained at a general meeting for the sale of the C&G International Sale Shares to Ahead Auto; and
 - (3) the clearance of the SGX-ST being obtained by the Company in respect of the circular to Shareholders for the disposal of the C&G International Sale Shares to Ahead Auto, and if such clearance is granted subject to conditions, such conditions being reasonably acceptable to Ahead Auto and the Company, and such approvals, consents and waivers not having been amended, withdrawn, revoked, rescinded or cancelled prior to the completion date of the C&G International SPA, and where such approvals, consents and waivers are obtained subject to conditions which are required to be fulfilled on or before the completion date thereof, they have been fulfilled;
 - (iii) the Company shall have disposed of its wholly owned subsidiary, C&G Thailand prior to completion of the C&G International SPA;
 - (iv) the bank loans borrowed by C&G Hong Kong having being repaid;

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- (v) all material contracts and licenses shall be and shall continue to be valid and effective;
 - (vi) all existing third party loans and agreements will not be in default due to a change of control in the C&G International group companies' ownership;
 - (vii) there being (i) no default and no cross default to any indebtedness or other contingent liabilities of the C&G International group companies with respect to payment of any sum; (ii) no acceleration of any such indebtedness or contingent liabilities of the C&G International group companies prior to its specified maturity or due date of payment; and (iii) no cancellation or suspension of any creditor commitment to the C&G International group companies resulting from a default of any contractual obligations binding upon it;
 - (viii) there not having been at any time hereafter any material change from that set forth in the audited consolidated accounts of C&G International for FY2015 which is likely to have a material adverse effect on the businesses, operations, prospects or condition (financial or otherwise) of the C&G International group companies;
 - (ix) there being no circumstance or event occurring that may have a material adverse effect on the businesses, operations, prospects or condition (financial or otherwise) of the C&G International group companies;
 - (x) the business of the C&G International group companies being carried out in the normal manner and the C&G International group companies not having disposed of any assets or assumed or incurred any liabilities (including contingent liabilities) other than those in connection with its ordinary course of business from the date of the C&G International SPA to the Completion Date; and
 - (xi) (i) all the representations, warranties and undertakings of Ahead Auto and the Company shall be true, accurate and correct in all material respects at, and as if made on, the completion date of the C&G International SPA, with reference to the facts then subsisting; and (ii) Ahead Auto and the Company shall have performed in all material respects all of their undertakings and/or obligations hereunder to be performed on or before the completion date thereof.
- (b) In the event that any of the above conditions precedent which is required to be fulfilled or satisfied by Ahead Auto or the Company, as the case may be, is not fulfilled or satisfied by the completion date thereof, the party entitled to the benefit or the right to waive such condition precedent may do so by giving notice in writing to the other party, provided always that if the condition precedent is expressed to be capable of being waived jointly by both Ahead Auto and the Company, it may only be waived by way of written agreement of both Ahead Auto and the Company.

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- (c) If any of the above conditions precedent are not fulfilled and satisfied or waived, if capable of being waived, by Ahead Auto or the Company, as the case may be, on or before the Long Stop Date, the C&G International SPA shall *ipso facto* cease and the parties shall be released and discharged from their respective rights and obligations under the C&G International SPA save for certain provisions relating to confidentiality and disclosures.

4.3.4 Limitation of Liabilities

- (a) The respective liability of the Company and Ahead Auto under the C&G International SPA shall cease following the date falling three months after the date of termination of the C&G International SPA or the date falling six months after the completion date of the C&G International SPA, whichever is the earlier.
- (b) In addition, the Company and Ahead Auto shall not be liable for any breach of their respective obligations under the C&G International SPA, unless and until the amount of any individual claim for compensation of actual loss or damage caused by the breach exceeds HK\$100,000 and provided that the aggregate liability of that party shall not exceed the sum of HK\$30,000,000.

4.3.5 Representations, Warranties and Undertakings

The Company and Ahead Auto have furnished each other with customary representations, warranties and undertakings for transactions of this nature.

4.3.6 Governing Law

The C&G International SPA shall be governed by and construed in accordance with the laws of Singapore.

4.4. **Rationale for the Proposed Disposal of All Group Companies (other than C&G Thailand)**

The Directors are of the view that the Proposed Disposal of All Group Companies (other than C&G Thailand) is in the best interest of the Company for the following reasons:-

- (a) As set out in Section 4.2.6 of this Circular, as at the date of this Agreement, C&G HK remains liable to Grandblue under the Clawback Agreement to meet the profit target of RMB163.7995 million as set out therein in respect of FY2016. In the event that the said profit target is not met, C&G HK shall be liable to compensate Grandblue for the shortfall in accordance with the formula set out in the Clawback Agreement.
- (b) The proposed sale of C&G International pursuant to the terms of the C&G International SPA requires Ahead Auto to assume C&G HK's profit undertakings to Grandblue under the Clawback Agreement. Following the completion of the C&G International SPA, the Company will no longer be liable to meet the profit target for FY2016 and accordingly, to compensate Grandblue under the Clawback Agreement.

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- (c) In addition, pursuant to an asset transfer agreement entered into with Grandblue dated 17 December 2014, C&G HK has undertaken to bear any excess capital expenditure incurred on Langfang Project, Huian Phase II Project and Jinjiang Sludge Project up to the phase where these three projects pass the respective requisite governmental inspection tests. For more information on these three projects, please refer to pages 90-91 of the Company's annual report for FY2014. As of the Latest Practicable Date, these three projects have yet to obtain the requisite approvals.

The Company has also set out its potential obligations thereunder as a contingent liability of the Group under note 35 of its financial statement for FY2015 in the Company's annual report for FY2015 which disclosed that the Group had in the course of FY2015 compensated Grandblue a sum of HK\$92 million being excess capital expenditure for Langfang Project.

As at the Latest Practicable Date, the Company is unable to accurately quantify the actual amount of compensation for the excess capital expenditure for FY2016, if any, as the financial figures of C&G China and its group companies including the three projects would only be made available to the Company by Grandblue at the close of its financial year, in view that C&G China is no longer under the Group's control following the disposal of C&G China to Grandblue in 2014.

- (d) Besides releasing the Company from its obligations under the Clawback Agreement, the said asset transfer agreement and the potential liabilities thereunder, the Company is also able to realise the present value of the Grandblue Quoted Shares following the completion of the C&G International SPA without waiting for the expiry of the Moratorium Period. It allows the Company to have access to immediate cash by selling the said shares without the uncertainty in the fluctuations of trading prices of the Grandblue Quoted Shares in the next 14 months.
- (e) The Proposed Disposal of All Group Companies (other than C&G Thailand) on the back of the Proposed Disposal of C&G Thailand, the principal operating subsidiary of the Company operating the only WTE plant of the Group, would facilitate the Company being a clean shell for the purposes of sourcing a target company to be injected by way of a reverse takeover exercise in the coming months.

In addition, the Directors are of the view that being a shell company may facilitate the Company's attempts to acquire potential target businesses and assets via a reverse takeover exercise to satisfy the SGX-ST's listing requirements.

4.5. Net Asset Value of C&G International

The unaudited consolidated NAV of C&G International (excluding C&G Thailand) as at 30 June 2016 amounted to approximately HK\$965 million. On the assumption that the Proposed Disposal of All Group Companies (other than C&G Thailand) was completed as at 30 June 2016, the net loss on the Proposed Disposal of C&G International as at 30 June 2016 would have been approximately HK\$362 million.

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5. PROCEEDS FROM THE PROPOSED TRANSACTIONS

The sale proceeds arising from the Proposed Transactions are approximately HK\$814.7 million. After deducting estimated transactional costs and expenses of HK\$3.2 million, the net proceeds are approximately HK\$811.5 million (the “**Net Proceeds**”).

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

6.1. General

The *pro forma* financial effects of the Proposed Transactions on NAV per Share and LPS are set out below. The *pro forma* financial effects have been prepared based on the audited consolidated financial results of the Company for FY2015 and the unaudited consolidated financial results of the Company for the six months ended 30 June 2016 and are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Company and/or the Group after completion of the Proposed Transactions.

6.2. NAV

For illustrative purposes only, the *pro forma* financial effects of the Proposed Transactions on the NAV per Share, assuming that the Proposed Transactions had been completed on 31 December 2015 and 30 June 2016, being the end of the most recently completed financial year and the end of the most recently completed six months ended 30 June 2016 respectively, are set out below:–

	As at 31 December 2015		As at 30 June 2016	
	Before the Proposed Transactions	After Completion of the Proposed Transactions (unaudited)	Before the Proposed Transactions (unaudited)	After Completion of the Proposed Transactions (unaudited)
NAV	HK\$1,529,687,000	HK\$1,022,921,000	HK\$1,225,504,000	HK\$1,013,391,000
Number of Shares	977,755,354	977,755,354	977,755,354	977,755,354
NAV per Share	HK\$1.5645	HK\$1.0462	HK\$1.2534	HK\$1.0364

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6.3. LPS

For illustrative purposes only, the *pro forma* financial effects of the Proposed Transactions on the LPS, assuming that the Proposed Transactions had been completed on 1 January 2015 and 1 January 2016, being the beginning of the most recently completed financial year and the beginning of the most recently completed six months ended 30 June 2016 respectively, are set out below:-

	For the financial year ended 2015		For the financial period ended June 2016	
	Before the Proposed Transactions	After Completion of the Proposed Transactions (unaudited)	Before the Proposed Transactions (unaudited)	After Completion of the Proposed Transactions (unaudited)
Loss attributable to Shareholders	HK\$138,551,000	HK\$1,081,489,000	HK\$3,082,000	HK\$508,022,000
Number of Shares	977,755,354	977,755,354	977,755,354	977,755,354
Loss per Share	HK\$0.1417	HK\$1.1061	HK\$0.0032	HK\$0.5196

7. STATUS AS A CASH COMPANY – COMPLIANCE WITH RULE 1018 OF THE LISTING MANUAL

7.1. Upon completion of the Proposed Transactions, the Company will cease to have any operating business and will be deemed to be a cash company under Rule 1018 of the Listing Manual (“**Rule 1018**”).

7.2. Under Rules 1018(1)(a) and (b), an issuer’s securities would normally be suspended from trade until such time that the issuer has a business which is able to satisfy the SGX-ST’s requirements for a new listing, and all relevant information has been announced. Further, upon completion of the disposal of its operations and/or assets, an issuer must do the following:

7.2.1. place 90% of its cash and short-dated securities (including existing cash balance and the consideration arising from the disposal(s) undertaken by the issuer) in an account opened with and operated by an escrow agent which is part of any financial institution licensed and approved by the Authority. The amount that is placed in the escrow account cannot be drawn down until the completion of the acquisition of a business which is able to satisfy the SGX-ST’s requirements for a new listing, except for payment of expenses incurred in a reverse takeover approved by shareholders and *pro-rata* distributions to shareholders; and

7.2.2. provide monthly valuations of its assets and utilization of cash, and quarterly updates of milestones in obtaining a new business, to the market via SGXNET,

(collectively, the “**Rule 1018 Escrow Requirements**”).

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7.3. Taking the above compliance into account, Rules 1018(1)(c) and (d) further provide that the SGX-ST may allow continued trading in a cash company's securities on a case-by-case basis, subject to:

7.3.1. contractual undertakings from the issuer's directors, controlling shareholders, chief executive officer and their associates, to observe a moratorium on the transfer or disposal of all their interests, direct and indirect, in the securities of the issuer, and

7.3.2. the period of the moratorium commencing from the date the shareholders approve the disposal of business, up to and including the completion date of the acquisition of a business which is able to satisfy the SGX-ST's requirements for a new listing,

(collectively, the "**Rule 1018 Moratorium Undertakings**").

7.4. In the present case, on the assumption that the Proposed Transactions are approved at the SGM, with a view to facilitate the continued trading of the Shares on the SGX-ST, the Company, in compliance with Rules 1018(1)(c) and (d), will obtain the Rule 1018 Moratorium Undertakings, from each of:

7.4.1. Mr Lam Chik Tsan (in his capacity as a Director and indirect Controlling Shareholder of the Company); and

7.4.2. C&G Holdings (Hong Kong) Limited (in its capacity as direct Controlling Shareholder of the Company),

agreeing to observe a moratorium on the transfer or disposal of their respective interests, direct and indirect, in the Company, commencing from the date of the SGM and continuing up to and including the completion date of the acquisition of a new business by the Company which is able to satisfy the SGX-ST's requirements for a new listing.

7.5. The Company has applied to the SGX-ST for a waiver of Rule 1018(1)(a) of the Rule 1018 Escrow Requirements in relation to the following:

7.5.1. approximately HK\$777.7 million, or such other amount as shall be recommended by the Directors, to be utilised to effect payment of the Proposed Special Dividend, as this payment will be effected immediately following or shortly after completion of the Proposed Transactions, on a *pro-rata* basis to the Shareholders; and

7.5.2. a sum of approximately HK\$11.2 million, subject to the approval of the Audit Committee of the Company for subsequent disbursement(s) of this amount, on the basis that this portion is essentially intended to cover the Company's general working capital requirements and the costs of acquiring a new business for a period of 12 months after completion of the Proposed Transactions (the "**Retained Cash**").

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Shareholders, please note that the Proposed Special Dividend amount of HK\$777.7 million was arrived at by deducting (a) transactional costs of approximately HK\$3.2 million, (b) the projected ongoing expenses of the Group's working capital requirements until completion of the Proposed Transactions of approximately HK\$22.6 million, and (c) the Retained Cash amount of approximately HK\$11.2 million, from the total sale proceeds arising from the Proposed Transactions of HK\$814.7 million. The aggregate of the projected ongoing expenses of the Group's working capital requirements until completion of the Proposed Transactions of HK\$22.6 million and the Retained Cash amount of HK\$11.2 million represents 4.17% of the Net Proceeds.

The Company is of the view that it would be impractical for the Retained Cash amount to be put in escrow pursuant to the Rule 1018 Escrow Requirement as it is intended to cover the Company's continuing ongoing operating costs and expenditure for a period of 12 months after completion of the Proposed Transactions and the costs of acquiring a new business.

- 7.6. The SGX-ST has, by a letter dated 28 October 2016, stated that it is of the view that Rule 1018(1)(a) has been complied with and a waiver is not required.
- 7.7. **Shareholders should note that, pursuant to Rule 1018(2), the SGX-ST will proceed to remove an issuer from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The issuer may apply to the SGX-ST for a maximum 6-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the 6-month extension period. The extension is subject to the issuer providing information to investors on its progress in meeting key milestones in the transaction. In the event the issuer is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the issuer will be required to delist and a cash exit offer in accordance with Rule 1309 of the Listing Manual be made to its shareholders within 6 months.**
- 7.8. The Company is currently considering various options available to the Company after it becomes a cash company and Shareholders will be informed in due course once a definitive decision has been made. Although the Company will be actively pursuing the acquisition of a new business following completion of the Proposed Transactions, there is no assurance that this will be achieved or that it will be achieved within the timeframes prescribed in Rule 1018(2) of the Listing Manual and there is a risk that the Company may be delisted if it is unable to meet the applicable requirements for the listing of a new business.

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8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of the Directors' and Substantial Shareholders' interests in the Shares as at the Latest Practicable Date, as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders respectively, are set out below:-

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	Percentage of issued and paid up share capital of the Company (%)	Number of Shares	Percentage of issued and paid up share capital of the Company (%)	Number of Shares	Percentage of issued and paid up share capital of the Company (%)
Directors						
Lam Chik Tsan	–	–	774,537,355	79.22	774,537,355	79.22
Tam Sau Fung	798,000	0.08	–	–	798,000	0.08
Alfred Cheong Keng Chuan	–	–	–	–	–	–
Ng Li Yong	–	–	–	–	–	–
Substantial Shareholders						
C&G Holdings (Hong Kong) Limited ¹	774,537,355	79.22	–	–	774,537,355	79.22
Design Time Ltd ²	–	–	774,537,355	79.22	774,537,355	79.22
Central Huijin Investment Ltd ³	–	–	774,537,355	79.22	774,537,355	79.22
China Construction Bank Corporation ³	–	–	774,537,355	79.22	774,537,355	79.22
CCB International Group Holdings Limited ³	–	–	774,537,355	79.22	774,537,355	79.22
CCB Financial Holdings Limited ³	–	–	774,537,355	79.22	774,537,355	79.22
CCB International (Holding) Limited ³	–	–	774,537,355	79.22	774,537,355	79.22
CCB Investments Limited ³	–	–	774,537,355	79.22	774,537,355	79.22

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Notes:–

1. Lam Chik Tsan owns 72.7% of C&G Holdings (Hong Kong) Limited, therefore, pursuant to Section 7(4) Companies Act, he is deemed to have an interest in all the Shares held by C&G Holdings (Hong Kong) Limited.
2. The 774,537,355 Shares beneficially owned by C&G Holdings (Hong Kong) Limited are charged in favour of Design Time Limited pursuant to an investment agreement dated 28 September 2012.
3. Central Huijin investment Ltd. holds 57.13% of the total equity interest of China Construction Bank Corporation (CCB). CCB indirectly wholly owns Design Time Limited through its wholly owned subsidiaries, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited and CCBI Investments Limited.

Save for their respective shareholdings in the Company, none of the Directors or Substantial Shareholders of the Company have any interest, direct or indirect, in the Proposed Transactions, Ahead Auto and its group of companies, New Sky and its group of companies or any of their respective shareholders or directors.

9. THE PROPOSED SPECIAL DIVIDEND

The Company proposes to seek Shareholders' approval for the declaration of the Proposed Special Dividend of approximately HK\$777.7 million or such other amount as shall be recommended by the Directors, which Shareholders will receive in cash on such date after the Proposed Transactions are completed as the Directors shall decide.

On the basis of HK\$777.7 million, the Proposed Special Dividend will amount to HK\$0.7954 (equivalent to S\$0.143) per Share and will represent approximately 95.8% of the Net Proceeds.

Following the completion of the Proposed Transactions, the Proposed Special Dividend will be paid to Shareholders whose names appear in the Register of Members of the Company, as at a books closure date to be determined by the Directors, in cash and on a *pro-rata* basis.

The Company will make further announcements on the books closure date which Shareholders' entitlements are determined, as well as the date of payment, in respect of the Proposed Special Dividend at the relevant time.

9.1. Rationale for the Proposed Special Dividend

The Directors have proposed that part of the Net Proceeds from the Proposed Transactions be distributed to Shareholders by way of the Proposed Special Dividend.

9.2. Conditions for the Proposed Special Dividend

The Proposed Special Dividend is subject to the following conditions:–

- (a) the passing of the Ordinary Resolutions and Special Resolution as set out in the Notice of SGM by the Shareholders to approve the Proposed Transactions as well as the Proposed Special Dividend and the Proposed Share Premium Account Reduction, at the SGM;
- (b) the completion of the Proposed Transactions; and

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- (c) the satisfaction of any statutory requirements and regulatory approvals under the applicable Bermuda Companies Act which may be applicable in connection with the Proposed Transactions, and the declaration and payment of the Proposed Special Dividend.

Shareholders should note that in the event that Shareholders do not approve the Proposed Disposal of C&G Thailand and/or the Proposed Disposal of All Group Companies (other than C&G Thailand) and/or the Proposed Share Premium Account Reduction, and/or the completion of the Proposed Transactions does not take place, the Company will not proceed with the Proposed Special Dividend.

10. PROPOSED SHARE PREMIUM ACCOUNT REDUCTION

The Company proposes to seek Shareholders' approval for the reduction of the entire amount of HK\$188,517,477 standing to the credit of the Share Premium Account and transfer the credit arising from the Proposed Share Premium Account Reduction to the Contributed Surplus Account.

10.1. Details of the Proposed Share Premium Account Reduction

- 10.1.1. The Proposed Share Premium Account Reduction is for the entire amount of HK\$188,517,477 standing to the credit of the Share Premium Account pursuant to Sections 40(1) and 46 of the Bermuda Companies Act and Bye-law 6 of the Bye-laws of the Company.
- 10.1.2. The credit arising from the Proposed Share Premium Account Reduction is to be transferred to the Contributed Surplus Account.
- 10.1.3. Following the transfer of credit from the Share Premium Account, there will be a balance of HK\$890,668,477 in the Contributed Surplus Account.

10.2. Rationale for the Proposed Share Premium Account Reduction

- 10.2.1. Under the Bermuda Companies Act, amounts standing to the credit of the share premium account may only be applied for certain purposes as provided under Section 40(2) of the Bermuda Companies Act, which does not include application for cash dividend or distribution to shareholders. Pursuant to Section 54 of the Bermuda Companies Act, the Company may pay dividends or distributions to its members out of contributed surplus if there are reasonable grounds for believing that the Company is, or would after the payment, be able to pay its liabilities as they become due and the realisable value of the Company's assets would not be less than its liabilities.
- 10.2.2. The Proposed Share Premium Account Reduction and the subsequent transfer of the credit arising therefrom to the Contributed Surplus Account will therefore increase funds legally available for dividend or distribution payment and hence enhance the Company's flexibility in relation to its dividend policy and distributions in the future. The increased credit in the Contributed Surplus Account will be used, *inter alia*, for the payment of dividends, including the Proposed Special Dividend if it is approved by Shareholders at the SGM and for such other purposes as allowed under the Bermuda Companies Act.

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10.3. Effects of the Proposed Share Premium Account Reduction

Save for the expenses to be incurred in relation to the Proposed Share Premium Account Reduction, the implementation of the Proposed Share Premium Account Reduction will not, in itself, have any material adverse effect on the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders in the underlying assets of the Company.

10.4. Conditions for the Proposed Share Premium Account Reduction

The Proposed Share Premium Account Reduction is conditional upon:–

- 10.4.1. the due compliance with Section 46(2)(a) of the Bermuda Companies Act, including the publication of a notice in an appointed newspaper in Bermuda in respect of the Proposed Share Premium Account Reduction; and
- 10.4.2. the due compliance with Section 46(2)(b) of the Bermuda Companies Act which requires that on the Effective Date, there being no reasonable grounds for believing that the Company is, or after the Proposed Share Premium Account Reduction would be, unable to pay its liabilities as they become due.

Subject to the fulfilment of the above conditions, it is expected that the Proposed Share Premium Account Reduction will become effective on the next business day immediately following the date of the SGM.

11. DIRECTORS' RECOMMENDATIONS

11.1. The Proposed Disposal of C&G Thailand

Having considered, *inter alia*, the rationale and the terms of the Proposed Disposal of C&G Thailand, the Directors are of the opinion that the Proposed Disposal of C&G Thailand is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution relating to the Proposed Disposal of C&G Thailand.

11.2. The Proposed Disposal of All Group Companies (other than C&G Thailand)

Having considered, *inter alia*, the rationale and the terms of the Proposed Disposal of All Group Companies (other than C&G Thailand), the Directors are of the opinion that the Proposed Disposal of All Group Companies (other than C&G Thailand) is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution relating to the Proposed Disposal of All Group Companies (other than C&G Thailand).

11.3. The Proposed Special Dividend

Having considered, *inter alia*, the rationale and the terms of the Proposed Special Dividend, the Directors are of the opinion that the Proposed Special Dividend is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution relating to the Proposed Special Dividend.

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11.4. The Proposed Share Premium Account Reduction

Having considered, *inter alia*, the rationale and the terms of the Proposed Share Premium Account Reduction, the Directors are of the opinion that the Proposed Share Premium Account Reduction is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution relating to the Proposed Share Premium Account Reduction.

12. THE SGM

The SGM, notice of which is set out on page N-1 of this Circular, will be held on 2 December 2016 at 9:30 a.m. at Studio 1&2, 3rd Level (Lobby Level), Concorde Hotel Singapore, 100 Orchard Road, Singapore 238840 for the purpose of considering and, if thought fit, passing with or without modification, the Ordinary Resolutions and Special Resolution.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the SGM and wish to appoint a proxy to attend and vote at the SGM on their behalf must complete, sign and return the Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be deposited at the office of the Singapore Share Transfer Agent of the Company, namely, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time fixed for holding the SGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the SGM in place of his proxy if he finds that he is able to do so. However, any appointment of a proxy by such Shareholder shall be deemed to be revoked if the Shareholder attends the SGM in person, and in such event, the Company reserves the right to refuse to admit any person, appointed under the instrument of proxy, to the SGM.

For the avoidance of doubt, Depositors holding Shares through CDP are not to be treated, under the Bye-Laws and the Bermuda Companies Act, as members of the Company in respect of the number of Shares credited to their respective Securities Accounts. Accordingly, Depositors do not have a right under the Bermuda Companies Act to attend and to vote at the SGM. Depositors will only be able to attend and to vote at the SGM through CDP, the latter being the registered holder of Shares in the Company's Register of Members.

However, administrative arrangements have been made with CDP to allow Depositors to attend and to vote at the SGM. Depositors who wish to attend and vote at the SGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the SGM supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the SGM in person need not take any further action and can attend and vote at the SGM without the lodgement of any proxy form. Such Depositors who are unable to attend personally and wish to appoint a nominee to attend and vote on his behalf, and such Depositors who are not individuals, must complete, sign and return the Depositor Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the office of the Singapore Share Transfer Agent of the Company, namely, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time fixed for holding the SGM. The completion and return of a Depositor Proxy Form by a Depositor who is an

LETTER TO SHAREHOLDERS

individual does not preclude him from attending and voting in person at the SGM in place of his nominee if he finds he is able to do so. However, any appointment of a nominee by such Depositor shall be deemed to be revoked if the Depositor attends the SGM in person, and in such event, the Company reserves the right to refuse to admit any person, appointed under the instrument of proxy, to the SGM.

For the purpose of this Circular, the term “**Shareholders**” has been defined to also include reference to Depositors where the context admits and they will accordingly be treated administratively herein, where the context admits, as shareholders of the Company.

14. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal of C&G Thailand, the Proposed Disposal of All Group Companies (other than C&G Thailand), the Proposed Special Dividend, the Proposed Share Premium Account Reduction, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

15. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Singapore Share Transfer Agent of the Company, namely, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours (Monday to Friday, from 9.00 a.m. to 4.00 p.m.) for three months from the date of this Circular:-

- 15.1. the C&G Thai SPA;
- 15.2. the C&G International SPA;
- 15.3. the Company’s announcement dated 29 August 2016 in relation to the Proposed Transactions;
- 15.4. the Company’s Annual Report 2014;
- 15.5. the Company’s Annual Report 2015;
- 15.6. the Company’s unaudited, consolidated financial statement for the six months ended 30 June 2016; and

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- 15.7. the Company circular to Shareholders dated 14 April 2014; and
- 15.8. the Moratorium Undertakings from Mr Lam Chik Tsan and C&G Holdings (Hong Kong) Limited dated 8 November 2016 respectively.

Yours faithfully,

For and on behalf of the Board of Directors of

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Lam Chik Tsan

Executive Chairman and Group Chief Executive Officer

NOTICE OF SPECIAL GENERAL MEETING

C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

(Incorporated in Bermuda on 24 September 2004)
(Company Registration Number: 35842)

All capitalised terms in this Notice of Special General Meeting which are not defined herein shall have the same meaning ascribed to them in the Company's Circular to Shareholders dated 8 November 2016.

NOTICE IS HEREBY GIVEN that a Special General Meeting of the Shareholders of the Company will be held on 2 December 2016 at 9:30 a.m. at Studio 1&2, 3rd Level (Lobby Level), Concorde Hotel Singapore, 100 Orchard Road, Singapore 238840 for the purpose of considering and, if thought fit, passing with or without modification, the Ordinary Resolutions and Special Resolution set out below.

Shareholders should note that:

- (i) **Ordinary Resolution 1, Ordinary Resolution 2 and Ordinary Resolution 3 are inter-conditional upon the passing of one another. This means that if a Shareholder votes in favour of Ordinary Resolution 1, such Shareholder should vote in favour of Ordinary Resolution 2 and Ordinary Resolution 3. If a Shareholder votes against Ordinary Resolution 1, such Shareholder should vote against Ordinary Resolution 2 and Ordinary Resolution 3.**
- (ii) **Ordinary Resolution 3 is conditional upon the passing of the Special Resolution, the completion of the Proposed Transactions and the Company having received the proceeds from the Proposed Transactions. This means that if a Shareholder votes in favour of Ordinary Resolution 3, such Shareholder should vote in favour of the Special Resolution. If a Shareholder votes against Ordinary Resolution 3, such Shareholder should vote against the Special Resolution.**

ORDINARY RESOLUTION 1

THE PROPOSED DISPOSAL OF C&G THAILAND

That subject to and contingent upon the passing of Ordinary Resolution 2 and Ordinary Resolution 3:–

- (a) approval be and is hereby given for the Proposed Disposal of C&G Thailand, particulars of which are set out in the Company's Circular to Shareholders dated 8 November 2016;
- (b) the entry into and the execution of the C&G Thai SPA and the transactions contemplated therein be and are hereby ratified, confirmed, approved and authorised; and
- (c) the Directors of the Company, and each of them, be and are hereby authorised to complete and/or do all such acts and things, including but not limited to executing all such documents and to approve any amendments, alterations or modifications to any documents as may be required under or pursuant to or in connection with the C&G Thai SPA, or otherwise required under or pursuant to the Proposed Disposal of C&G Thailand or as they may consider expedient or necessary or in the interest of the Company, in connection with the subject matter of, or to give effect to, the Proposed Disposal of C&G Thailand or any part of this Ordinary Resolution 1.

NOTICE OF SPECIAL GENERAL MEETING

ORDINARY RESOLUTION 2

THE PROPOSED DISPOSAL OF ALL GROUP COMPANIES (OTHER THAN C&G THAILAND)

That subject to and contingent upon the passing of Ordinary Resolution 1 and Ordinary Resolution 3:–

- (a) approval be and is hereby given for the Proposed Disposal of All Group Companies (other than C&G Thailand), particulars of which are set out in the Company's Circular to Shareholders dated 8 November 2016;
- (b) the entry into and the execution of the C&G International SPA and the transactions contemplated therein be and are hereby ratified, confirmed, approved and authorised; and
- (c) the Directors of the Company, and each of them, be and are hereby authorised to complete and/or do all such acts and things, including but not limited to executing all such documents and to approve any amendments, alterations or modifications to any documents as may be required under or pursuant to or in connection with the C&G International SPA, or otherwise required under or pursuant to the Proposed Disposal of All Group Companies (other than C&G Thailand) or as they may consider expedient or necessary or in the interest of the Company, in connection with the subject matter of, or to give effect to, the Proposed Disposal of All Group Companies (other than C&G Thailand) or any part of this Ordinary Resolution 2.

ORDINARY RESOLUTION 3

THE PROPOSED SPECIAL DIVIDEND

That subject to and contingent upon the passing of Ordinary Resolution 1, Ordinary Resolution 2 and the Special Resolution, the completion of the Proposed Transactions and the Company having received the proceeds from the Proposed Transactions:–

- (a) approval be and is hereby given to the Company for the Proposed Special Dividend of approximately HK\$777.7 million of the Net Proceeds from the Proposed Transactions to be declared and distributed to Shareholders of the Company, whose names appear in the Register of Members of the Company as at a books closure date to be determined by the Directors in cash and on a *pro-rata* basis following the completion of the Proposed Transactions, subject to the terms and conditions and in the manner described in the Company's Circular to Shareholders dated 8 November 2016; and,
- (b) the Directors of the Company, and each of them, be and are hereby authorised to complete and/or do all such acts and things, including but not limited to executing all such documents and to approve any amendments, alterations or modifications to any documents as may be required under or pursuant to or in connection with the Proposed Special Dividend or as they may consider expedient or necessary or in the interest of the Company, in connection with the subject matter of, or to give effect to, the Proposed Special Dividend or any part of this Ordinary Resolution 3.

NOTICE OF SPECIAL GENERAL MEETING

SPECIAL RESOLUTION

THE PROPOSED SHARE PREMIUM ACCOUNT REDUCTION

That subject to compliance with Section 46(2) of the Bermuda Companies Act and the Bye-laws of the Company:–

- (a) approval be and is hereby given to the Company for the reduction and cancellation of the amount of HK\$188,517,477 standing to the credit of the Share Premium Account and the transfer of the credit arising therefrom to the Contributed Surplus Account, such reduction, cancellation and transfer shall take effect from the business day next following the date on which this Special Resolution is passed; and
- (b) the Directors of the Company, acting singly or any number of them, be and are hereby authorised to apply amounts in the Contributed Surplus Account for such purposes as permitted under the Bermuda Companies Act and the Bye-laws of the Company, to give effect to the Proposed Share Premium Account Reduction or any part of this Special Resolution.

For and on behalf of the Board of Directors of
C&G ENVIRONMENTAL PROTECTION HOLDINGS LIMITED

Lam Chik Tsan
Executive Chairman and Group Chief Executive Officer
8 November 2016

Notes:–

1. A member of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall, in the case of an individual, be signed by the appointor or his attorney, and in the case of a corporation shall be either under its common seal or signed by its attorney or duly authorised officer on behalf of the corporation.
3. The instrument appointing a proxy must be deposited at the office of the Singapore Share Transfer Agent of the Company, namely, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898, not less than 48 hours before the time fixed for holding the Special General Meeting.

