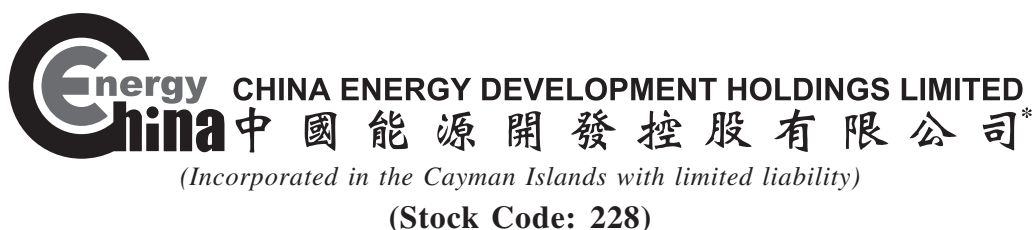


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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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



**ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an Extraordinary General Meeting of China Energy Development Holdings Limited to be held at the Conference Room, 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 25 June 2013 at 3:30 p.m. is set out on pages 18 to 19 of this circular.

A proxy form for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

* For identification purposes only

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DEFINITIONS

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

“Articles of Association”	the memorandum and articles of association of the Company as amended, supplemented or modified from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which securities are traded on the Stock Exchange
“Company”	China Energy Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at the Conference Room, 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Tuesday, 25 June 2013 at 3:30 p.m., notice of which is set out on pages 18 to 19 of this circular, or any adjourned meeting thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	22 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange with responsibility for Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Old Share Option Scheme”	the old share option scheme adopted by the Company on 28 January 2002 and as amended on 2 November 2006

DEFINITIONS

“Options”	options (if any) granted or to be granted (where applicable) under the Old Share Option Scheme or Share Option Scheme, as the context require
“Participants”	any person who satisfies the eligibility criteria under the Share Option Scheme as summarised on page 7 herein
“PRC”	the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.05 each in the existing share capital of the Company, or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the EGM, the principal terms of which are set out in Appendix
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 228)

Executive Directors:

Mr. Zhao Guoqiang
Mr. Chui Kwong Kau
Mr. Liu Baohe
Mr. Zhang Zhenming
Mr. Huang Changbi

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Fu Wing Kwok, Ewing
Mr. Sun Xiaoli
Mr. Wang Yongguang

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

Units 5611-12, 56/F.
The Centre
99 Queen's Road Central
Hong Kong

27 May 2013

To the Shareholders

Dear Sir or Madam,

ADOPTION OF SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with the relevant information regarding the adoption of the Share Option Scheme, and to give you notice of EGM at which ordinary resolution will be proposed to consider, and if thought fit, approve at the EGM, among other matters, the adoption of Share Option Scheme.

ADOPTION OF SHARE OPTION SCHEME

The Directors propose to adopt the Share Option Scheme which will be put to the Shareholders for approval at the EGM. The Old Share Option Scheme was adopted on 28 January 2002 and expired on 28 January 2012.

* For identification purposes only

LETTER FROM THE BOARD

The adoption of the Share Option Scheme is subject to:

- (a) the approval of the Shareholders at the EGM; and
- (b) the Stock Exchange granting approval of the listing of and permission to deal in the Shares to be allotted and issued upon the exercise of options to be granted under the Share Option Scheme.

As at the Latest Practicable Date, there was no Options which remain outstanding and unexercised.

As at the Latest Practicable Date, there were 7,921,120,000 Shares in issue. Assuming there are no further allotment and issue of Shares from the Latest Practicable Date up to the date of approval of the Share Option Scheme, Options to subscribe for up to 792,112,000 Shares may be issued under the Share Option Scheme and any other schemes of the Company pursuant to Rule 17.03(3) of the Listing Rules, representing 10% of the Shares in issue as at the date of approval of the Share Option Scheme.

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the option value which have not been determined. Such variables include the subscription price, exercise period, any lock-up period and performance targets which the Directors may set under the Share Option Scheme and other relevant variables. In the premises, the Directors are of the view that the value of the options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believe that any calculation of the value of the Options will not be meaningful and may be misleading to the Shareholders in the circumstances. None of the Directors is or will be a trustee of the Share Option Scheme or have a direct or indirect interest in any such trustee.

A summary of the principal terms of the Share Option Scheme is set out in Appendix to this circular. This serves as a summary of the terms of the Share Option Scheme but does not constitute the full terms of the same. The full terms of the Share Option Scheme can be inspected at the principal place of business in Hong Kong of the Company at Units 5611–12, 56/F., The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of EGM and at the EGM.

APPLICATION OF LISTING

Application will be made to the Stock Exchange for the grant of listing of the permission to deal in the Shares to be allotted and issued upon the exercise of options to be granted under the Share Option Scheme representing up to 10% of the issued share capital of the Company as at the date of EGM.

LETTER FROM THE BOARD

REASONS FOR ADOPTING THE SHARE OPTION SCHEME

The Directors believe that attracting and motivating high quality personnel is a key to the success and growth of the Company. The Directors also believe that the Share Option Scheme will continue to provide Participants with the opportunity of participating in the growth of the Company by acquiring shares in the Company and may, in turn, assist in the attraction and retention of talents who have made contributions to the success of the Company. The purpose of the Share Option Scheme is to provide incentive to Participants to contribute further to the Company. The Board believes that the authority given to the Board under the Share Option Scheme to specify any minimum holdings period and/or performance targets as conditions in any Option granted and the requirement for a minimum subscription price as well as the authority to select the appropriate Participants as prescribed by the rules of the Share Option Scheme will serve to protect the value of the Company as well as to achieve these purposes of retaining and motivating high quality personnel to contribute to the Company. Given that the Old Share Option Scheme expired on 28 January 2012, the Directors consider that it is in the interest of the Company to adopt the Share Option Scheme in compliance with Chapter 17 of the Listing Rules.

EGM

A notice convening the EGM is set out on pages 18 to 19 of this circular, ordinary resolution will be proposed to approve the adoption of Share Option Scheme. To the best knowledge of the Directors, no Shareholders have a material interest in the Share Option Scheme different to that of any other Shareholders and accordingly, no Shareholders will have to abstain from voting at the EGM.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, the resolution proposed at the EGM shall be voted by poll.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the ordinary resolution for approving the adoption of the Share Option Scheme and is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

Yours faithfully,
For and on behalf of
China Energy Development Holdings Limited
Zhao Guoqiang
Chief Executive Officer and Executive Director

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme proposed to be approved at the EGM.

1. Purpose of the Share Option Scheme

- (a) The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Persons (as defined below) had made or may make to the Group.
- (b) The Share Option Scheme will provide the Eligible Persons with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:
 - (i) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Persons whose contributions are or will be beneficial to the long term growth of the Group.
- (c) For the purpose of the Share Option Scheme, “Eligible Person” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. Who may join and basis for determining eligibility

- (a) The Board may at its discretion grant options to: (i) any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Person, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved in accordance with the requirements of the Listing Rules.

- (d) Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, the Company would be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed.

3. Grant of options

- (a) On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time on a Business Day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Person as the Board may in its absolute discretion select in accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be deemed accepted when the Company receives, within 14 days from the date of offer, the letter containing the offer of the grant of an option duly signed by the grantee together with a non-refundable payment of HK\$1 (or such other sum in any currency as the Board may determine).
- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where the Board resolves that the grantee fails/has failed or otherwise is or has been unable to meet the continuing eligibility criteria, any outstanding option (to the extent not already exercised) shall lapse;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent not already exercised) will lapse unless otherwise resolved to the contrary by the Board;
 - (iii) in the event that the Eligible Person is a corporation, that any material change of the management and/or shareholding of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Person is a trust, that any material change of the beneficiary of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Person is a discretionary trust, that any material change of the discretionary objects of the Eligible Person shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;

- (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
 - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.
- (c) The Board shall not offer the grant of an option to any Eligible Person:
- (i) after inside information has come to its knowledge and until it has announced the information; or
 - (ii) during the period commencing one month immediately before the earlier of:
 - (1) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and
 - (2) the deadline for the Company to announce its results for any year, half-year under the Listing Rules or any other interim period (whether or not required under the Listing Rules)

and ending on the date of the results announcement. No option may be granted during any period of delay in the publishing a results announcement.

- (d) Any grant of options to a Director, chief executive, management shareholder or substantial shareholder of the Company, or any of their respective associates, must be approved by the independent non-executive Directors (but excluding, for all purposes, any independent non-executive Director who is a proposed grantee). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the total number of the Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. The Company must send a circular to its shareholders. All connected persons of the Company must abstain from voting in favour at such general meeting.

4. Exercise price of Shares

The exercise price for any Share under the Share Option Scheme will be a price determined by the Board and notified to each grantee and will be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a Business Day; (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a Share. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10.

5. Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of the Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of EGM, being 792,112,000 Shares, (the “**Scheme Mandate Limit**”) unless shareholders' approval has been obtained pursuant to sub-paragraph (d) below.
- (c) The Scheme Mandate Limit may be refreshed by shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so refreshed must not exceed 10% of the issued share capital of the Company at the date of the approval of the refreshment by the shareholders of the Company. Upon any such refreshment, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option scheme of the Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the shareholders of the Company containing such information from time to time required by the Stock Exchange.
- (d) The Board may seek separate shareholders' approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought and the Company must issue a circular to the shareholders of the Company containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Persons.

- (e) No option may be granted to any Eligible Person which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to certain requirements provided under rule 17.03(4) of the Listing Rules pursuant to which such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting. The Company must send a circular to the shareholders and the circular must disclose the identity of the participant, the number and terms of the options to be granted (and options previously granted to such participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note 1 to rule 17.03(9) of the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as the auditors of the Company or the independent financial adviser of the Company shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. Time of exercise of option

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

7. Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option, failing which the option (to the extent it has not already been exercised) shall lapse. Until exercised, holder of options shall have no voting rights or rights to dividends by virtue of their holding of options only.

8. Rights on ceasing to be an Eligible Person

Where an option was granted subject to certain continuing conditions, restrictions or limitations on the grantee's eligibility and the Board resolves that the grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse.

9. Rights on death/ceasing employment

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his/her death and not exercised) within a period of 12 months following his/her death or such longer period as the Board may determine.
- (b) If the grantee who is an employee ceases to be an employee for any reason other than his/her death or the termination of his/her employment on one or more of the following grounds that:
 - (i) he/she has been guilty of serious misconduct; or
 - (ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his/her debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
 - (iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty, the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.
- (c) If the grantee is an employee, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliate at the time of the grant of the relevant option(s) and his/her employment or service to the Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.

- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of the Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his/her becoming a director of the Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of the Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. Effects of alterations to capital

In the event of any alteration in the capital structure of the Company while an option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares which are the subject of unexercised options, the exercise price or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled and shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Company's shareholders in general meeting, no such adjustments may be made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, the independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

11. Rights on a takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeovers Code), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeovers Code).

12. Rights on a scheme of arrangement

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a voluntary winding up

In the event notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and the Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. Rights attaching to Shares upon exercise of an option

Shares issued and allotted upon the valid exercise of an option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

15. Lapse of options

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the option period;
- (b) the expiry of the periods referred to in paragraph 9;
- (c) the date of commencement of the winding-up of the Company;
- (d) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Laws) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or the Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any Director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any Director of the grantee (being a corporation) in any jurisdiction;
- (g) the date on which a situation as contemplated under paragraph 7 arises;

- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

The Board shall have the absolute discretion to cancel any options granted at any time at the request of the grantee provided where an option is cancelled and a new option can only be proposed to be granted to the same grantee if there are available Shares in the authorised but unissued share capital of the Company comprising in un-granted options (excluding all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Options may be granted to Eligible Persons under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and termination

- (a) The Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of the Company in general meeting. The amended terms of the scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (b) Any alteration to the terms and conditions of the Share Option Scheme which is of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.
- (d) Options granted during the life of the Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.
- (e) Any change to the authority of the directors or scheme administrators in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders of the Company in general meeting.

19. Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (a) shareholders' approval; and (b) the Listing Committee granting approval of the listing of and permission to deal in any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be administered by the Board whose decision (save otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no options have been granted by the Company under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

NOTICE OF EGM



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 228)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China Energy Development Holdings Limited (the “**Company**”) will be held on Tuesday, 25 June 2013 at 3:30 p.m. at the Conference Room, 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong for the purposes to consider and, if thought fit, pass the following resolution (with or without amendments) as ordinary resolution:

ORDINARY RESOLUTION

“THAT

conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares falling to be allotted and issued pursuant to the exercise of any options to be granted under the Share Option Scheme referred to in the circular dispatched to the Shareholders on the same day as this Notice, the terms of which are set out in the printed document marked “A” now produced to the Meeting and for the purpose of identification signed by the Chairman hereof (the “**Share Option Scheme**”), the Share Option Scheme be approved and adopted to be the Share Option Scheme for the Company and that the Directors of the Company be authorised to grant options thereunder and to allot and issue shares pursuant to the exercise of options to be granted under the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme.”

By order of the Board
China Energy Development Holdings Limited
Zhao Guoqiang
Chief Executive Officer and Executive Director

Hong Kong, 27 May 2013

As at the date of this notice, the Board comprises (i) five Executive Directors, namely Mr. Zhao Guoqiang, Mr. Chui Kwong Kau, Mr. Huang Changbi, Mr. Liu Baohe and Mr. Zhang Zhenming; and (ii) three Independent Non-executive Directors, namely Mr. Fu Wing Kwok, Ewing, Mr. Sun Xiaoli and Mr. Wang Yongguang.

* For identification purposes only

NOTICE OF EGM

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.