
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

PROPOSALS FOR

(1) RE-ELECTION OF DIRECTORS

**(2) GENERAL MANDATES TO ISSUE SECURITIES
AND TO REPURCHASE SHARES**

(3) RENEWAL OF SCHEME MANDATE LIMIT

AND

(4) INCREASE IN AUTHORISED SHARE CAPITAL

The notice convening an annual general meeting of China Environmental Resources Group Limited (the "Company") to be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Monday, 6 December 2010 at 10:30 a.m. is set out on pages 14 to 17 of this circular.

Whether or not you are able to attend the annual general meeting, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 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 the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

29 October 2010

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Monday, 6 December 2010 at 10:30 a.m.;
“AGM Notice”	the notice convening the AGM as set out in Appendix III to this circular;
“Articles of Association”	the articles of association of the Company;
“Board”	the board of Directors;
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock code: 1130);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Issuance Mandate”	as defined in paragraph 3(a) of the Letter from the Board in this circular;
“Latest Practicable Date”	25 October 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information included herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Repurchase Mandate”	as defined in paragraph 3(b) of the Letter from the Board in this circular;
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company, which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme or of the renewal of such limit;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 16 December 2005 for an option period of ten years from the date of adoption;
“Shareholder(s)”	registered holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers; and
“%”	per cent.

LETTER FROM THE BOARD



CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

Executive Directors:

Ms. Kam Yuen (*Chairman and
Chief Executive Officer*)

Mr. Leung Kwok Choi

Mr. Kwok Wai, Wilfred

Independent Non-executive Directors:

Mr. Cheung Ngai Lam

Mr. Wong Kwai Sang

Mr. Christopher David Thomas

Registered office:

Ugland House
South Church Street
Post Office Box 09
George Town,
Grand Cayman,
Cayman Islands,
British West Indies

Head office and

principal place of business:

Rooms 2003-06
Shui On Centre
6-8 Harbour Road,
Wanchai,
Hong Kong

29 October 2010

To the Shareholders

Dear Sir or Madam,

PROPOSALS FOR

(1) RE-ELECTION OF DIRECTORS

**(2) GENERAL MANDATES TO ISSUE SECURITIES
AND TO REPURCHASE SHARES**

(3) RENEWAL OF SCHEME MANDATE LIMIT

AND

(4) INCREASE IN AUTHORISED SHARE CAPITAL

1. INTRODUCTION

The purpose of this circular is to provide you with the information regarding resolutions to be proposed at the AGM relating to (i) re-election of Directors, (ii) the granting to the Directors of the

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Issuance Mandate and Repurchase Mandate, (iii) the renewal of the Scheme Mandate Limit, (iv) increase in authorised share capital, and (v) a notice to convene the AGM to approve, among other things, the re-election of Directors, the proposal for grant of the Issuance Mandate and Repurchase Mandate, the renewal of the Scheme Mandate Limit and increase in authorised share capital.

2. RE-ELECTION OF DIRECTORS

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

In accordance with the Articles of Association, Mr. Kwok Wai, Wilfred and Mr. Wong Kwai Sang will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

3. GENERAL MANDATE TO ISSUE SECURITIES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 7 December 2009, ordinary resolution was passed for the granting of general mandate to the Directors, inter alia, to allot, issue or otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at that date (the “**Existing Issuance Mandate**”).

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

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

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

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- (b) to repurchase Shares on the Stock Exchange of an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution (“**Repurchase Mandate**”).

Assuming that there is no further issuance, allotment of and dealing in new Shares of the Company from the Latest Practicable Date to the date of AGM, a maximum of 1,761,767,800 new Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company, shall be allotted, issued and dealt with under the Issuance Mandate.

The Issuance Mandate and Repurchase Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the AGM or any earlier date as referred to in ordinary resolutions 4 and 5 set out in the AGM Notice. Resolutions authorising the extension of the Issuance Mandate to include the aggregate nominal amount of Shares repurchased (if any) under the Repurchase Mandate will be proposed as ordinary resolution 6 set out in the AGM Notice. With reference to the Issuance Mandate and Repurchase Mandate, the Directors wish to state that they have no immediate plan to issue any Shares or repurchase any Shares pursuant thereto.

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

4. RENEWAL OF SCHEME MANDATE LIMIT

Background

The Share Option Scheme was adopted by the Shareholders at the annual general meeting of the Company held on 16 December 2005.

Under the Share Option Scheme, among other things:

- (i) the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other share option scheme of the Group (excluding options lapsed in accordance with the terms of the Share Option Scheme) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme (the “**Scheme Mandate Limit**”); and
- (ii) the overall limit on the 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 share option scheme of the Group must not in aggregate exceed 30% of the share capital of the Company issue from time to time.

The Company may renew the Scheme Mandate Limit at any time subject to approval of the Shareholders of the Company in a general meeting. However, the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of approval of the limit. Options previously granted under the Share Option Scheme and any other share option scheme of the Group (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit.

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The existing Scheme Mandate Limit is 880,883,900 Shares, being 10% of the Shares in issue as at the date of the annual general meeting of the Company held on 7 December 2009. As at the Latest Practicable Date, there were 1,016,340,000 options granted under the Share Option Scheme which remained outstanding.

Date		Scheme Mandate Limit	Number of Options
16 December 2005	Scheme adoption date	133,192,000	
10 January 2006	Options granted		66,600,000
6 December 2006	Annual general meeting	6,240,379,000	
12 December 2008	Annual general meeting	547,868,900	
22 May 2009	Options exercised		(50,600,000)
8 June 2009	Options exercised		(16,000,000)
7 August 2009	Options granted (Note 1)		547,860,000
7 December 2009	Annual general meeting	717,787,900	
19 January 2010	Options granted		354,000,000
14 April 2010	Options exercised		(35,000,000)
16 April 2010	Options exercised		(55,000,000)
23 April 2010	Options exercised		(53,500,000)
14 May 2010	Options lapsed		(46,400,000)
26 May 2010	Options granted		363,780,000)
31 July 2010	Options lapsed		<u>(59,400,000)</u>
Total Outstanding			<u><u>1,016,340,000</u></u>

Note 1: 201,260,000 options were granted conditional upon approval at the extraordinary general meeting held on 5 October 2009.

Note 2: The number of Shares which may be issued upon exercise of all outstanding options granted is 1,016,340,000 and the proposed Scheme Mandate Limit is 880,883,900 which does not exceed 2,642,651,000, being 30% of the Shares in issue as at the Latest Practicable Date.

The Directors consider that it is in the interests of the Group to renew the Scheme Mandate Limit to maintain the flexibility of the Group to provide incentives or reward to qualified participants under the Share Option Scheme for their contributions to the Group. On the basis of 8,808,839,000 Shares in issue as at the Latest Practicable Date, the Scheme Mandate Limit shall be renewed to 880,883,900 Shares, representing 10% of the Shares in issue as at the date of the AGM approving the renewed Scheme Mandate Limit.

Conditions

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution, as special business, will be proposed to the Shareholders at the AGM to approve the renewal of the Scheme Mandate Limit in the terms as set out in resolution 7 of the AGM Notice.

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The adoption of the renewed Scheme Mandate Limit of the Share Option Scheme is conditional upon:

- (a) the approval of the Shareholders at the AGM; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, such number of the Shares representing 10% of the Shares in issue as at the date of the AGM which may fall to be allotted and issued pursuant to the exercise of any options granted under the renewed Scheme Mandate Limit.

Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options granted under the Share Option Scheme under the renewed Scheme Mandate Limit.

5. INCREASE IN AUTHORISED SHARE CAPITAL

An ordinary resolution set out as resolution 8 in the AGM Notice will be proposed at the AGM to increase the Company's authorised share capital from HK\$100,000,000 to HK\$300,000,000 by the creation of an additional 20,000,000,000 Shares for facilitating the issue of new Shares in future.

6. ANNUAL GENERAL MEETING

The AGM Notice is set out in Appendix III to this circular. At the AGM, ordinary resolutions will be proposed to approve, inter alia, the re-election of Directors, the granting of the Issuance Mandate and the Repurchase Mandate, the extension of the Issuance Mandate, the renewal of Scheme Mandate Limit and increase in authorised share capital.

A form of proxy is enclosed with this circular for use at the AGM. Whether or not you are able to attend this meeting, you are requested to complete and return the enclosed form of proxy to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting in person if you so wish.

7. RECOMMENDATION

The Directors consider that the proposed ordinary resolutions for approval of the re-election of Directors, the grant of Issuance Mandate and Repurchase Mandate, the extension of the Issuance Mandate, the renewal of Scheme Mandate Limit and increase in authorised share capital are each in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders vote in favour of the relevant ordinary resolutions to be proposed at the AGM.

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8. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

9. GENERAL INFORMATION

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

Yours faithfully,
By Order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

APPENDIX I DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

1. **Mr. Kwok Wai**, aged 37, was appointed as Executive Director on 7 April 2009. Mr. Kwok possesses over 10-year frontier experiences in business and marketing in China. He specializes in project merge and acquisition and negotiation with central government, local governments and commercial corporations. Mr. Kwok served the publicly listed Vertex group and introduced international media projects into China market in 2002. In 2003, Mr. Kwok partnered the publicly listed King Fook group to form exclusive Hong Kong company serving privileged airport ground services in major Chinese airports.

Save as disclosed above, Mr. Kwok did not hold any directorship in any listed public companies in the last three years and he does not hold any other position in the Company or any subsidiary of the Company.

Pursuant to a letter of appointment entered into between the Company and Mr. Kwok, the Company appointed Mr. KWOK for a term of three years until 6 April 2012 and he will subject to the retirement and re-election at annual general meeting of the Company in accordance with the bye-laws of the Company. Mr. Kwok is entitled to a director's fee of HK\$180,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the approval of the Shareholders at the annual general meeting.

Mr. Kwok is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company.

As at the Latest Practicable Date, Mr. Kwok had a derivate interest in 62,400,000 Shares in the Company within the meaning of Part XV of the SFO, which represents Mr. Kwok's entitlement to subscribe for 62,400,000 Shares upon exercise of the Options granted to Mr. Kwok under the Share Option Scheme.

Save as disclosed above, the Board is not aware of any other information to be disclosed pursuant to the requirement of the Rules 13.51(2)(h) and 13.51h(2)(v) of the Listing Rules and there is no other matters that needs to be brought to the attention of the Shareholders of the Company.

2. **Mr. Wong Kwai Sang**, aged 58, appointed as an independent non-executive Director on 2 March 2009, is a property consultant. He is also a member of the audit committee and the remuneration committee of the Company.

Mr. Wong had been an independent non-executive director, member of audit committee and member of remuneration committee of the Company since 3 July 2002. He resigned on 4 July 2008 as he himself had a long term personal assignment stationed in Shanghai. Mr. Wong has now completed his assignment in Shanghai and returned to Hong Kong. He holds a Bachelor of Social Sciences degree from the University of Hong Kong. He is a fellow member of the Hong Kong Institute of Royal Estate Administration and the Australian Institute of Building respectively.

APPENDIX I DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

Save as disclosed above, Mr. Wong Kwai Sang did not hold any directorship in any listed public companies in the last three years and he does not hold any position in the Company or any subsidiary of the Company.

Pursuant to a letter of appointment entered into between the Company and Mr. Wong, the Company appointed Mr. Wong for a term of three years until 1 March 2012 and he will subject to the retirement and re-election at annual general meeting of the Company in accordance with the bye-laws of the Company. Mr. Wong is entitled to a director's fee of HK\$60,000 per annum which is determined with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation and subject to the approval of the Shareholders at the annual general meeting.

Mr. Wong is and was not connected with any Directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wong does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, the Board is not aware of any other information to be disclosed pursuant to the requirement of the Rules 13.51(2)(h) and 13.51h(2)(v) of the Listing Rules and there is no other matters that needs to be brought to the attention of the Shareholders of the Company.

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

1. LISTING RULES FOR REPURCHASES OF SHARES

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

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

2. FUNDING AND IMPACT OF REPURCHASES

Any repurchase will be made out of funds which are legally available for the purpose in accordance with the memorandum of association of the Company and Articles, the Listing Rules and the applicable laws of the Cayman Islands. As compared with the financial position of the Company as at 30 June 2010 (being the date to which the latest audited accounts of the Company have been made up), the Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period.

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

3. REASONS FOR REPURCHASES

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

4. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 8,808,839,000 Shares.

Subject to the passing of the relevant ordinary resolutions to approve the general mandates to issue and repurchase Shares and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the AGM, the Directors would be authorised to exercise the powers of the Company to repurchase a maximum of 880,883,900 Shares.

5. UNDERTAKING OF THE DIRECTORS

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

6. EFFECT OF THE TAKEOVERS CODE

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

Name of Shareholders	No. of Shares interested	Percentage of shareholding in the Company	
		As at the Latest Practicable Date	Exercise in full of the Repurchase Mandate
Choy Ping Fai (<i>Note 1</i>)	1,520,520,000	17.26%	19.18%
Kam Yuen (<i>Note 1</i>)	1,520,520,000	17.26%	19.18%
Capital Master International Limited (<i>Note 1</i>)	1,520,520,000	17.26%	19.18%
The Cathay Investment Fund, Limited	1,318,000,000	14.96%	16.62%
Edmond de Rothschild Asset Management	607,400,000	6.89%	7.66%

Note 1: The entire issued share capital of Capital Master International Limited (“**Capital Master**”) is beneficially owned by Mr. Choy Ping Fai, whom is the spouse of Ms. Kam Yuen. Accordingly, Mr. Choy Ping Fai and Ms. Kam Yuen are deemed to have interests in the shares.

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

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

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

8. SHARE REPURCHASE MADE BY THE COMPANY

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

9. SHARE PRICES

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

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2009		
October	0.156	0.137
November	0.149	0.118
December	0.131	0.114
2010		
January	0.097	0.071
February	0.088	0.071
March	0.112	0.087
April	0.120	0.096
May	0.105	0.067
June	0.074	0.069
July	0.075	0.066
August	0.077	0.067
September	0.072	0.067
October (till the Latest Practicable Date)	0.093	0.067

**CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED****中國環境資源集團有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock code: 1130)**

NOTICE IS HEREBY GIVEN that the annual general meeting of China Environmental Resources Group Limited (the “**Company**”) will be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Monday, 6 December 2010 at 10:30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements and the reports of the directors (“**Directors**”) and auditors of the Company for the year ended 30 June 2010.
2. (a) To re-elect the following persons:
 - i. Mr. Kwok Wai, Wilfred
 - ii. Mr. Wong Kwai Sang
- (b) To authorise the board of Directors (“**Board**”) of the Company to fix the Directors’ remuneration.
3. To re-appoint Zhonglei (HK) CPA Company Limited as auditors of the Company and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS**ORDINARY RESOLUTIONS**

The following resolutions 4 to 8 will be proposed to be considered and, if thought fit, passing with or without amendments, as ordinary resolutions of the Company:

4. “**THAT:**
 - (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (“**New Shares**”) and to make or grant offers, agreements and options which might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (b) the approval given in provisions of paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted and issued or agreed conditionally or unconditionally to be allotted, issued (whether pursuant to an option or otherwise) and dealt with by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of New Shares upon the exercise of rights of subscription or conversion under the terms of warrants of the Company or any securities which are convertible into shares; (iii) an issue of New Shares as scrip dividends or similar arrangement providing for the allotment of New Shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company from time to time; (iv) an issue of New Shares under any share option scheme or similar arrangement of the Company and/or any of its subsidiaries; or (v) a specific mandate granted by the shareholders of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

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

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

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

5. “**THAT:**

- (a) subject to the provisions of paragraphs (b) and (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to

repurchase the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) or listing rules of any other stock exchange as amended from time to time and the Bye-laws of the Company, be and is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of Shares hereby authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly;
- (c) for the purpose of this resolution:

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

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

6. “**THAT** conditional on the passing of resolutions 4 and 5 in the notice convening this meeting, the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company pursuant to paragraph (a) of resolution 4 above be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of the Shares repurchased by the Company under the authority granted pursuant to paragraph (a) of resolution 5 above, provided that such extended amount shall not exceed 10% of the issued share capital of the Company as at the date of the passing of this resolution.”

7. “**THAT**:

- (a) the renewal of the limit in respect of the granting of share options of the Company (the “**Share Options**”) under the share option scheme of the Company (the “**Share Option Scheme**”) adopted on 16 December 2005 or any other schemes of the Company or its subsidiaries, as the case may be, (the “**Renewed Scheme Mandate Limit**”) be and is hereby approved and confirmed and the total number of New Shares which may be issued upon exercise of Share Options to be granted under the Share Option Scheme as renewed shall not exceed 10% of the issued Shares as at the date of passing of this resolution. Share Options and other options previously granted under the Share Option Scheme or any other

- schemes of the Company or its subsidiaries, as the case may be (including options outstanding, cancelled, exercised or lapsed in accordance with the terms of the Share Option Scheme or any other schemes of the Company or its subsidiaries, as the case maybe) shall not be counted for the purpose of calculating the Renewed Scheme Mandate Limit;
- (b) the Directors of the Company be and are hereby authorised, subject to compliance with the Listing Rules, to grant Share Options under the Share Option Scheme up to the Renewed Scheme Mandate Limit and to exercise all the powers of the Company to allot, issue and deal with the Shares pursuant to the exercise of such Share Options; and
- (c) any Director of the Company be and is hereby authorised to do all such acts and execute all such documents to effect the Renewed Scheme Mandate Limit.”
8. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$100,000,000 to HK\$300,000,000 by the creation of an additional 20,000,000,000 new shares of HK\$0.01 each in the capital of the Company (the “**Capital Increase**”) and the Directors be and are hereby authorised for and on behalf of the Company to execute all such documents and to do all such acts and things as they consider necessary or expedient in connection with and to give effect to the Capital Increase.”

Yours faithfully,
By Order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 29 October 2010

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint a proxy or, if such member is a holder of two or more shares, proxies to attend and vote in his stead. A proxy need not be a member of the Company but must attend the Meeting in person to represent the appointing member.
2. To be valid, the form of proxy must be deposited with the branch share registrar of the Company, Computershare Hong Kong Investor Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.