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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 licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Environmental Resources Group Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other 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)

SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

A notice convening an extraordinary general meeting (“EGM”) of China Environmental Resources Group Limited to be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. is set out on pages 9 to 10 of this circular. A form of proxy for the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the EGM, 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

24 December 2010

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	2
Letter from the Board	3
Notice of EGM	9

DEFINITIONS

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

“Articles of Association”	the Articles of Association adopted by the Company
“Board”	the board of Directors
“Company”	China Environmental Resources Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	consolidated ordinary share(s) of HK\$0.05 each in the issued and unissued share capital of the Company upon completion of the Share Consolidation
“Convertible Notes”	the convertible note with an aggregate outstanding principal amount of HK\$70,000,000 conferring rights to convert to a total of 1,093,750,000 ordinary shares of HK\$0.01 of the Company at a conversion price of HK\$0.064
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider an ordinary resolution to be proposed to approve the Share Consolidation
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	17 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Consolidation”	the proposed consolidation of every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company into one (1) Consolidated Share of HK\$0.05 each
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company or, as the context may require, the Consolidated Shares
“Shareholder(s)”	holder(s) of the Share(s) or as the context may require, the Consolidated Share(s) from time to time
“Share Options”	the share options granted under the share option scheme adopted by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation is as follows:

Despatch of this circular	24 December 2010
Publication of the notice of EGM	24 December 2010
Latest time for lodging the form of proxy for the EGM	10:30 a.m. 12 January 2011
EGM.....	10:30 a.m. 14 January 2011
Effective date of the Share Consolidation.....	17 January 2011
Dealings in the Consolidated Shares commence	9:30 a.m. 17 January 2011
Original counter for trading in Shares in board lots of 20,000 Shares (in the form of existing share certificates in green) temporarily closes	9:30 a.m. 17 January 2011
Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates in green) opens	9:30 a.m. 17 January 2011
First day for free exchange of existing share certificates in green for new share certificates in orange.....	17 January 2011
Original counter for trading in Consolidated Shares in board lots of 8,000 Consolidated Shares (in the form of new share certificates in orange) reopens	9:30 a.m. 31 January 2011
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares.....	9:30 a.m. 31 January 2011
Parallel trading in Consolidated Shares commences.....	9:30 a.m. 31 January 2011
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. 22 February 2011
Temporary counter for trading in Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates in green) closes.....	4:00 p.m. 22 February 2011
Parallel trading in consolidated shares ends	4:00 p.m. 22 February 2011
Latest time for free exchange of share certificates	24 February 2011

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 Kwong 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, P.O. Box 309

George Town, Grand Cayman

Cayman Islands

British West Indies

*Head Office and Principal Place of
Business in Hong Kong:*

Rooms 2003-06

20th Floor

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

24 December 2010

To the Shareholders

Dear Sir or Madam,

**SHARE CONSOLIDATION
AND
CHANGE OF BOARD LOT SIZE**

INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2010 in respect of the proposed Share Consolidation. The purpose of this circular is to provide you with the information relating to (i) the Share Consolidation; (ii) change of board lot size; and (iii) the notice of EGM.

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board proposes that every five (5) issued and unissued Shares of HK\$0.01 each in the capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.05 each. As at the Latest Practicable Date, there are 9,023,839,000 Shares of HK\$0.01 each in issue which are fully paid or credited as fully paid. Assuming no further Shares will be issued from the Latest Practicable Date up to the date of the EGM, there will be 1,804,767,800 Consolidated Shares of HK\$0.05 each in issue which are fully paid or credited as fully paid following the Share Consolidation. The Company approved an increase of the authorised share capital 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 at the annual general meeting of the Company held on 6 December 2010. Accordingly, after the Share Consolidation, the authorised share capital of the Company will be HK\$300,000,000 divided into 6,000,000,000 Consolidated Shares of HK\$0.05 each.

As at the Latest Practicable Date, save for the Convertible Notes entitling the holder(s) thereof to convert to a total of 1,093,750,000 Shares at a conversion price of HK\$0.064 (equivalent 218,750,000 Consolidated Shares) and the Share Options granted under the share option scheme adopted by the Company entitling the holders thereof subscribe for 938,880,000 Shares (equivalent 187,776,000 Consolidated Shares), there are no outstanding options, warrants or securities convertible or exchangeable into Shares.

The implementation of the Share Consolidation is conditional upon:

- (i) the passing of the necessary ordinary resolution by the Shareholders at the EGM to approve the Share Consolidation; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares. All necessary arrangements will be made for the Consolidated Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited. The Share Consolidation will be conducted in accordance with the provisions in the articles of association of the Company.

The securities of the Company is also listed or dealt in the Singapore Exchange Securities Trading Limited.

CHANGE OF BOARD LOT SIZE

As at the Latest Practicable Date, Shares are traded in board lots of 20,000 Shares. Following the Share Consolidation, it is proposed that the Consolidated Shares will be traded in board lots of 8,000 Consolidated Shares.

LETTER FROM THE BOARD

Based on the closing price of HK\$0.051 per Share as at the Latest Practicable Date, the value of each board lot of 8,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$2,040.

STATUS OF THE CONSOLIDATED SHARES

The Consolidated Shares will rank pari passu in all respects with each other and the Share Consolidation will not result in any change in the relative rights of the Shareholders. Fractional Consolidated Shares will not be issued by the Company to Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company. In order to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure Hani Securities (H.K.) Limited to arrange for matching services regarding the sale and purchase of odd lots of Consolidated Shares from 31 January 2011 to 22 February 2011 (both days inclusive). Shareholders of odd lots of the Consolidated Shares may contact Ms Scarlett Tsang of Hani Securities (H.K.) Limited (telephone number: 2868-0307) during the aforesaid period. Shareholders should note that matching of the sale and purchase of odd lots of Consolidated Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. The Company will bear the costs relating to the matching of sale and purchase of odd lots of the Consolidated Shares.

TRADING ARRANGEMENTS

Subject to the approval of the Shareholders at the EGM, it is expected that the effective date of the Share Consolidation would be 17 January 2011, the next business day immediately following the date on which the relevant resolution is passed. The trading arrangements in respect of the Share Consolidation are as follows:

Original counter for trading in Shares in board lots
of 20,000 Shares (in the form of existing share certificates
in green) temporarily closes.9:30 a.m. 17 January 2011

Temporary counter for trading in Consolidated Shares
in board lots of 4,000 Consolidated Shares (in the form of
existing share certificates in green) opens9:30 a.m. 17 January 2011

First day for free exchange of existing share certificates
in green for new share certificates in orange17 January 2011

Original counter for trading in Consolidated Shares in board
lots of 8,000 Consolidated Shares (in the form of
new share certificates in orange) reopens.9:30 a.m. 31 January 2011

LETTER FROM THE BOARD

Designated broker starts to stand in the market to provide
matching services for odd lots of the Consolidated Shares9:30 a.m. 31 January 2011

Parallel trading in Consolidated Shares commences9:30 a.m. 31 January 2011

Designated broker ceases to stand in the market to provide
matching services for odd lots of the Consolidated Shares4:00 p.m. 22 February 2011

Temporary counter for trading in Consolidated Shares
in board lots of 4,000 Consolidated Shares (in the form of
existing share certificates in green) closes4:00 p.m. 22 February 2011

Parallel trading in Consolidated Shares ends4:00 p.m. 22 February 2011

Latest time for free exchange of share certificates24 February 2011

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE OF BOARD LOT SIZE

The shares of the Company have been trading below HK\$0.10 since 4 January 2010. The Directors believe that the Share Consolidation could increase the trading price of the Shares of the Company. Moreover, as the market value of each board lot upon the Share Consolidation and change of board lot size becoming effective will be higher than the market value of each existing board lot, the transaction cost as a proportion of the market value of each board lot will be lower. In particular, based on the closing price of HK\$0.051 per Share as at the Latest Practicable Date, the value of each existing board lot of 8,000 Shares would only be HK\$2,040. It is expected that the liquidity in trading of the Shares will increase accordingly and the market value of the Shares will be more precisely reflect the intrinsic value of the Company. Accordingly, the Board is of the view that the Share Consolidation and the change of board lot size are beneficial to and are in the interests of the Company, the Shareholders and public investors as a whole.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the interests and rights of the Shareholders.

EXCHANGE OF CERTIFICATES FOR CONSOLIDATED SHARES

Subject to the Share Consolidation becoming effective, which is currently expected to be 17 January 2011, being the business day immediately after the date of the EGM, Shareholders may on or after 17 January 2011 and until 4:00 p.m. on 24 February 2011 (both days inclusive), submit their existing share certificates in green for the Shares to the Company's Branch Share Registrar ("Share Registrar") in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange for share certificates in orange for the Consolidated Shares at the expense of the Company.

LETTER FROM THE BOARD

Shareholders should note that after the prescribed time for free exchange of share certificates, a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the Registrar for exchange of share certificates.

With effect from 22 February 2011, trading will only be in Consolidated Shares which share certificates will be issued in orange. The Consolidated Shares are to be consolidated on the basis of five (5) existing Shares to one (1) Consolidated Share. Existing share certificates in green for the Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

ADJUSTMENTS IN RELATION TO THE CONVERTIBLE NOTES AND THE SHARE OPTIONS

The Share Consolidation will cause adjustments to the subscription price and the number of Consolidated Shares to be issued under the Convertible Notes and the Share Options. As to the adjustments to the number of Consolidated Shares to be issued and the conversion and exercise price in respect of the Convertible Notes and the Share Options, the Company has instructed its auditors to review and certify the basis of such adjustments as soon as possible. Further announcement will be made by the Company in respect of such adjustment upon receipt of corresponding certificates on the adjustments by the Company.

EGM

A notice convening the EGM of the Company to be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. is set out on pages 9 to 10 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to 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 in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

No Shareholder has any material interest in the Share Consolidation. Therefore no Shareholder is required to abstain from voting at the EGM in respect of the resolution to approve the same.

Pursuant to Rule 13.39(4) of the Listing Rules, voting on all resolutions at the EGM will be taken by poll.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

RECOMMENDATION

The Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution at the EGM.

By order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

NOTICE OF EGM



CHINA ENVIRONMENTAL RESOURCES GROUP LIMITED

中國環境資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1130)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Environmental Resources Group Limited (the “Company”) will be held at 4th Floor, Opulent Building, 402-406 Hennessy Road, Wanchai, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the granting by the Listing Division of The Stock Exchange of Hong Kong Limited of the listing of, and permission to deal in, the Consolidated Shares (as defined below):

- (a) every five existing issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one ordinary share of par value HK\$0.05 (“**Consolidated Share**”) and such consolidation shall take effect on the next business day, being any day (other than Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours, immediately following the date on which this resolution is passed;
- (b) the Consolidated Shares shall rank pari passu in all respects with each other in accordance with the memorandum and articles of association of the Company;
- (c) all fractional Consolidated Shares will be disregarded and not be issued to the holders of the existing ordinary shares of the Company but all fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and
- (d) the directors of the Company be and are generally authorised to do all such acts and things and execute all such documents, including under the seal of the Company, where applicable, as they consider necessary or expedient to implement and give effect to the arrangements set out in this resolution.

By order of the Board
China Environmental Resources Group Limited
Kam Yuen
Chairman

Hong Kong, 24 December 2010

NOTICE OF EGM

Registered Office:

Ugland House
South Church Street
Post Office Box 309
George Town, Grand Cayman
Cayman Islands
British West Indies

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

Rooms 2003-06,
20th Floor,
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged 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 together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.