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

If you have sold or transferred all your shares in **China Environmental Resources Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer 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)

**PROPOSED SHARE CONSOLIDATION
AND
CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting of China Environmental Resources Group Limited to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 29 March 2012, at 10:30 a.m. is set out on pages 10 and 11 of this circular. Whether or not you intend to attend and vote as such meeting, you are advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it 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 as soon as practicable but in any event no later than 48 hours before the time appointed for holding such 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 meeting or any adjourned meeting should you so wish.

12 March 2012

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DEFINITIONS

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

“Board”	the board of Directors
“business day”	has the meaning ascribed to it under the Listing Rules
“Capital Reorganization”	the proposed capital reorganization involving, among others, the reduction of the nominal value of all the issued and unissued Shares from HK\$0.05 to HK\$0.001 and the creation of an additional 294,000,000,000 authorized but unissued New Shares as set out in the Company’s circular dated 28 October 2011
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“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
“Consolidated Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 29 March 2012, at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Share Consolidation
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	8 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company after the Capital Reorganization becoming effective
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company prior to the Capital Reorganization becoming effective
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued New Shares into one (1) Consolidated Share
“Share Option Scheme”	the share option scheme adopted by the Company on 16 December 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

EXPECTED TIMETABLE

Set out below is a expected timetable for the implementation of the Share Consolidation and change in board lot size. The timetable is subject to the results of the EGM and the Capital Reorganization becoming effective. The Capital Reorganization is subject to approval from the Grand Court of the Cayman Islands to which the Company has no control. The Company will notify the Shareholders of any significant changes to the expected timetable by way of announcement(s) as and when appropriate.

Despatch of circular with notice of EGMMonday, 12 March 2012

Latest time for lodging proxy form. 10:30 a.m., Tuesday, 27 March 2012

Date of EGM10:30 a.m., Thursday, 29 March 2012

Announcement on results of EGMThursday, 29 March 2012

Tentative effective date for the Share Consolidation
(subject to and immediately after the Capital
Reorganization becoming effective).Wednesday, 16 May 2012

First day for free exchange of existing share certificates
for new share certificatesWednesday, 16 May 2012

Original counter for trading in Shares in board
lots of 8,000 New Shares (in the form of
existing share certificates) temporarily closes9:00 a.m., Wednesday, 16 May 2012

Temporary counter for trading in Consolidated Shares
in board lots of 400 Consolidated Shares
(in the form of existing share certificates) opens9:00 a.m., Wednesday, 16 May 2012

Original counter for trading in Consolidated Shares
in new board lots of 4,000 Consolidated Shares
(in the form of new share certificates) re-opens9:00 a.m., Wednesday, 30 May 2012

Parallel trading in Consolidated Shares
(in the form of new share certificates and
existing share certificates) commences9:00 a.m., Wednesday, 30 May 2012

Designated broker starts to stand in the market
to provide matching services for odd lots of
Consolidated Shares9:00 a.m., Wednesday, 30 May 2012

EXPECTED TIMETABLE

Temporary counter for trading in Consolidated Shares
in board lots of 400 Consolidated Shares (in the
form of existing share certificates) closes4:00 p.m., Tuesday, 19 June 2012

Parallel trading in Consolidated Shares in
the form of new share certificates and
existing share certificates closes4:00 p.m., Tuesday, 19 June 2012

Designated broker ceases to stand in the market to provide
matching services for odd lots of Consolidated Shares.Tuesday, 19 June 2012

Last day for free exchange of existing share certificates
for new share certificates.Thursday, 21 June 2012

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:

P.O. Box 309

Ugland House

South Church Street

George Town

Grand Cayman

Cayman Islands

British West Indies

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

2/F, Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

12 March 2012

To the Shareholders

Dear Sir/Madam,

**PROPOSED SHARE CONSOLIDATION
AND
CHANGE IN BOARD LOT SIZE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements dated 21 February 2012 and 2 March 2012 made by the Company relating to the Share Consolidation and change in board lot size. The purpose of this circular is to provide you with information on the Share Consolidation and change in board lot size and to give you a notice of the EGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Share Consolidation.

LETTER FROM THE BOARD

SHARE CONSOLIDATION

The Directors proposed to implement the Share Consolidation, immediately after the Capital Reorganization becoming effective, on the basis that every twenty (20) issued and unissued New Shares will be consolidated into one (1) Consolidated Share. Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the New Shares regardless of the number of share certificates held by such holder.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$300,000,000 divided into 6,000,000,000 Shares of HK\$0.05 each, of which 2,565,395,800 Shares have been issued and fully paid. After the Capital Reorganization becoming effective, the authorized share capital of the Company will be HK\$300,000,000 divided into 300,000,000,000 New Shares of HK\$0.001 each, of which 2,565,395,800 New Shares will have been issued and fully paid. After the Share Consolidation becoming effective immediately after the Capital Reorganization, the authorized share capital of the Company will be HK\$300,000,000 divided into 15,000,000,000 Consolidated Shares of HK\$0.02 each, of which 128,269,790 Consolidated Shares will have been issued and fully paid.

The Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business, operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following :

- (1) the passing of the necessary resolutions by the Shareholders to approve the Share Consolidation at the EGM;
- (2) the Capital Reorganization becoming effective; and
- (3) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares to be in issue.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation taking effect.

LETTER FROM THE BOARD

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

CHANGE IN BOARD LOT SIZE

The Directors also proposed to change in board lot size for trading in the shares of the Company from 8,000 New Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective. Based on the closing price of the Shares as at the Latest Practicable Date, the values per board lot before and after the change in board lot size are HK\$7,840 and HK\$3,920 respectively.

EXCHANGE OF SHARE CERTIFICATES

The new share certificates will be in the colour of brown in order to distinguish them from the existing share certificates which are orange in colour. Subject to the Share Consolidation becoming effective, Shareholders may during the specified period submit share certificates for existing Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for Consolidated Shares with new nominal value of HK\$0.02 each. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for Consolidated Shares at any time.

ARRANGEMENT ON ODD LOT TRADING

In order to facilitate the trading of odd lots of the Consolidated Shares, the Company has appointed Cheong Lee Securities Ltd., as an agent to provide matching service, on a best effort basis, for the sale and purchase of odd lots of Consolidated Shares arising from the Share Consolidation and change in board lot size. Shareholders who wish to take advantage of this facility should contact Mr. Antony Kwok of Cheong Lee Securities Ltd. at Room 1106, 11/F, Mass Mutual Tower, 38 Gloucester Road, Wanchai, Hong Kong at telephone number 3426-6326 during office hours. Shareholders should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Please refer to the section headed "EXPECTED TIMETABLE" on pages 3 to 4 of this circular for the period during which the Company will provide matching service for the sale and purchase of odd lots of the Consolidated Shares.

LETTER FROM THE BOARD

EXPECTED TIMETABLE

The expected timetable for the implementation of the Share Consolidation and change in board lot size is set out on pages 3 to 4 of this circular. The timetable is subject to the results of the EGM and the Capital Reorganization becoming effective. The Capital Reorganization is subject to approval from the Grand Court of the Cayman Islands to which the Company has no control. The Company will notify the Shareholders of any significant changes to the expected timetable by way of announcement(s) as and when appropriate.

OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, there are outstanding options granted under the Share Option Scheme to subscribe for 255,944,000 Shares. The Directors will determine according to the rules of the Share Option Scheme the adjustments (if any) required to be made in respect of the outstanding options as a result of the Share Consolidation. The Company will make further announcement(s) about the adjustments in due course.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

REASONS FOR THE SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

It is expected that the Share Consolidation would bring about a corresponding increase in the trading price of the Consolidated Shares. It is also expected that the change in board lot size would increase the trading amount for each board lot. As a result, the Share Consolidation and change in board lot size would enable the Company to comply with the trading requirements under the Listing Rules. Accordingly, the Board is of the view that the Share Consolidation and change in board lot size are in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Group has no concrete arrangement, intention, understanding or negotiation about possible fund raising exercises subsequent to the Share Consolidation.

EGM

A notice of the EGM is set out on pages 10 and 11 of this circular. The resolution to be proposed at the EGM will be voted on by poll and an announcement will be made by the Company following the conclusion of the EGM to inform its result.

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 advised to complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183

LETTER FROM THE BOARD

Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event no later than 48 hours before the time appointed for holding such 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 meeting or any adjourned meeting 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.

RECOMMENDATION

The Directors are of the opinion that the proposed Share Consolidation is in the interest of the Company and the Shareholders as a whole and so recommend you to vote in favour of the resolution to be proposed at the EGM.

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.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 5:00 p.m.) on Monday to Friday at the head office and principal place of business of the Company in Hong Kong at 2/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong from 12 March 2012, the date of this circular, up to and including 29 March 2012:

1. the memorandum and articles of association of the Company;
2. the annual report of the Company for the year ended 30 June 2011; and
3. the annual report of the Company for the year ended 30 June 2010.

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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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 of China Environmental Resources Group Limited (“**Company**”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 29 March 2012, at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** subject to (1) the Listing Committee of The Hong Kong Stock Exchange Limited granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue and (2) the Capital Reorganization (as defined in the Company’s circular dated 12 March 2012 (“**Circular**”)) becoming effective, with effect from the business day immediately following the day of the Capital Reorganization becoming effective :

- (a) every twenty (20) issued and unissued New Shares (as defined in the Circular) of HK\$0.001 each in the share capital of the Company be consolidated into one (1) share of HK\$0.02 each (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company; and
- (b) the directors of the Company be and are hereby authorised to do all such acts, deeds and things and to effect all necessary actions as they may consider necessary or desirable in order to effect, implement and complete any and all of the foregoing.”

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

Hong Kong, 12 March 2012

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Registered office:

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

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

2/F, Shui On Centre,
6-8 Harbour Road
Wanchai
Hong Kong

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 in Hong Kong, 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 holding of 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.

As at the date of this notice, the board of directors comprises three executive directors, namely Ms. Kam Yuen (Chairman and Chief Executive Officer), Mr. Kwok Wai, Wilfred and Mr. Leung Kwong Choi; and three independent non-executive directors, namely Mr. Cheung Ngai Lam, Mr. Wong Kwai Sang and Mr. Christopher David Thomas.