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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 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 shares 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 RETIRING DIRECTORS**  
**(2) GENERAL MANDATES TO ISSUE SHARES**  
**AND TO REPURCHASE SHARES**  
**AND**  
**(3) NOTICE OF ANNUAL GENERAL MEETING**

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The notice convening an annual general meeting of China Environmental Resources Group Limited (the “**Company**”) to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 21 November 2012 at 10:30 a.m. is set out on pages 13 to 16 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.

19 October 2012

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## DEFINITIONS

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*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 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 21 November 2012 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 of the Letter from the Board in this circular
“Latest Practicable Date”	12 October, 2012, 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 of the Letter from the Board in this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 16 December 2005 for a period of ten years from the date of adoption

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## DEFINITIONS

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“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
“%”	per cent

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LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. Zhou Hongbo (*Chairman*)  
Ms. Kam Yuen (*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:***

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

19 October 2012

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR**  
**(1) RE-ELECTION OF RETIRING DIRECTORS**  
**(2) GENERAL MANDATES TO ISSUE SHARES**  
**AND TO REPURCHASE SHARES**  
**AND**  
**(3) NOTICE OF ANNUAL GENERAL MEETING**

**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 retiring Directors, (ii) granting to the Directors of the Issuance Mandate and Repurchase Mandate, and (iii) notice to convene the AGM to approve, among other things, re-election of retiring Directors and granting of the Issuance Mandate and Repurchase Mandate and extension of Issuance Mandate.

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## LETTER FROM THE BOARD

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### 2. RE-ELECTION OF RETIRING DIRECTORS

Pursuant to the 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.

Pursuant to the Article 99 of the Articles of Association, Mr. Zhou Hongbo was appointed as an Executive Director by the Board on 1 June 2012 and shall hold office until the forthcoming AGM and will offer himself for re-election. In addition, pursuant to Article 116 of the Articles of Association, Mr. Leung Kwong Choi and Mr. Cheung Ngai Lam, being the existing Directors longest in office, will retire by rotation 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. Brief biographical details of the retiring Directors proposed to be re-elected are set out in Appendix I to this circular.

### 3. GENERAL MANDATE TO ISSUE SHARES AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 28 November 2011, ordinary resolutions were passed for the granting of general mandates 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**”) and to repurchase Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at that date (the “**Existing Repurchase Mandate**”).

The Existing Issuance Mandate and Existing Repurchase Mandate will lapse upon the conclusion of the AGM. The Directors consider that the Existing Issuance Mandate and Existing 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:

- (i) 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 (the “**Issuance Mandate**”); and

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## LETTER FROM THE BOARD

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- (ii) 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 (the “**Repurchase Mandate**”).

Assuming that there is no further issuance, allotment of and dealing in new Shares from the Latest Practicable Date to the date of AGM, a maximum of 513,079,160 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. Resolution 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. 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, re-election of retiring Directors, granting of the Issuance Mandate and the Repurchase Mandate and extension of the Issuance Mandate.

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 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 the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

#### **5. VOTING BY WAY OF POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for every resolution put to the vote at the AGM pursuant to the Articles of Association and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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## LETTER FROM THE BOARD

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### 6. RECOMMENDATION

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

### 7. 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**  
**Zhou Hongbo**  
*Chairman*

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

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The biographical details of the Directors who will retire from office at the AGM and, being eligible, will offer themselves for re-election are as follows:

1. **Mr. Zhou Hongbo**, aged 41, was appointed as an Executive Director and the Chairman of the Board on 1 June 2012.

Mr. Zhou received a Bachelor of Business Management Degree. Mr. Zhou is certified with a qualification in forestry administrative enforcement of law and administration engineer by the State Forestry Administration. Mr. Zhou has 17 years of experiences in forestry production and operation management. He was a business manager and deputy manager of Forestry Storage Plant in the Forestry Bureau of Jidong County, Heilongjiang Province, as well as a manager of Forest Protection Plant in the State Forestry Administration. He was responsible for the operation and fire protection for eight forest zones under the Jidong Forestry Bureau.

Save as disclosed above, Mr. Zhou does not hold any other positions in the Company or any subsidiary of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Zhou has entered into a service agreement with the Company for a term of three years commencing on 1 June 2012, subject to the relevant provision of retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Pursuant to a services agreement, Mr. Zhou is entitled to receive a director's fee of HK\$240,000 per annum, which is determined by the Board 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. Zhou does not have any relationship with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at Latest Practicable Date, Mr. Zhou did not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Zhou which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

2. **Mr. Leung Kwong Choi**, aged 56, was appointed as an Executive Director on 6 October 2008. He is also a member of investment committee of the Company.

Mr. Leung holds a Bachelor of Social Science Degree from the Chinese University of Hong Kong. He had been working for 10 years in the marketing department of Hang Lung Development Ltd. since graduation. Mr. Leung had also served the positions of executive director of Top Glory Holdings Ltd., China Food Ltd. and Cheung Tai Hong Holdings Ltd.,

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

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all of which are companies with shares listed on the Stock Exchange. Mr. Leung has over 28 years of real estate and business experience in Hong Kong and the PRC concentrating in property investment and development, acquisition and merger, deal making and investment projects arrangement.

Save as disclosed above, Mr. Leung does not hold any other positions in the Company or any subsidiary of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Leung has entered a services agreement with the Company for a term of three years commencing 6 October 2011 subject to the relevant provision of retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Pursuant to a services agreement, Mr. Leung is entitled to receive a director's fee of HK\$180,000 per annum, which is determined by the Board 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. Leung does not have any relationship with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at Latest Practicable Date, Mr. Leung did not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Leung which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

- 3. Mr. Cheung Ngai Lam**, aged 43, was appointed as an Independent Non-executive Director on 4 July 2008. He is also the chairman of audit committee, remuneration committee and nomination committee of the Company.

Mr. Cheung is a member of the American Institute of Certified Public Accountants and CPA Australia. Mr. Cheung obtained a Bachelor Degree in Social Sciences from the University of Hong Kong in 1991, a Master of Accounting Degree from Curtin University of Technology, Perth, Australia in 1997 and a Master of Science (Investment Management) Degree in Finance from the Hong Kong University of Science and Technology in 2001. Mr. Cheung currently works as the corporate development director for Profound Heavy Industrial Limited. He was an independent non-executive director of Sun Century Group Limited (formerly Hong Long Holdings Limited, Stock Code: 1383), a Hong Kong listed company, during the period from 31 January 2007 to 1 June 2012. Mr. Cheung has extensive

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

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experience in accounting and capital markets; he served at Deloitte Touche from 1991 to 1994, and he was the vice president and executive vice president of Daiwa Securities and Japan Asia Securities from 1994 to 2002 and 2002 to 2005 respectively. Mr. Cheung also worked as the corporate finance director of Grant Thornton from 2005 to 2008.

Save as disclosed above, Mr. Cheung does not hold any other positions in the Company or any subsidiary of the Company and did not hold any directorships in any listed public companies in the last three years.

Mr. Cheung has entered a letter of appointment with the Company for a term of three years commencing 4 July 2011, subject to the relevant provision of retirement and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Pursuant to a letter of appointment, Mr. Cheung is entitled to receive a director's fee of HK\$120,000 per annum, which is determined by the Board 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. Cheung does not have any relationship with the directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at Latest Practicable Date, Mr. Cheung did not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Board is not aware of any other information in relation to Mr. Cheung which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

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## **APPENDIX II      EXPLANATORY STATEMENT AS TO REPURCHASE MANDATE**

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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, the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. As compared with the financial position of the Company as at 30 June 2012 (being the date to which the latest audited financial statements of the Company have been made up), the Directors consider that there would 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 2,565,395,800 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 256,539,580 Shares.

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## APPENDIX II EXPLANATORY STATEMENT AS TO REPURCHASE MANDATE

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### 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, the memorandum of association of the Company and the Articles of Association.

### 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 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> )	304,104,000	11.85%	13.17%
Capital Master International Limited ( <i>Note 1</i> )	304,104,000	11.85%	13.17%
The Cathay Investment Fund, Limited	263,920,000	10.29%	11.43%

*Note 1:* The entire issued share capital of Capital Master International Limited is beneficially owned by Mr. Choy Ping Fai. Accordingly, Mr. Choy Ping Fai is deemed to have interests in these shares.

On the basis that no further Shares are issued or repurchased prior to the AGM, 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.

In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25%.

### 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.

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**APPENDIX II EXPLANATORY STATEMENT AS TO REPURCHASE MANDATE**

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**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 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:

	<b>Shares</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2011</b>		
October	0.100	0.060
November	0.094	0.070
December	0.096	0.068
<b>2012</b>		
January	0.075	0.061
February	0.087	0.044
March	—	—
April	—	—
May	—	—
June	—	—
July	—	—
August	—	—
September	—	—
October (till the Latest Practicable Date)	—	—

*Note:* Trading in Shares has been suspended since 24 February 2012.



**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 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Wednesday, 21 November 2012 at 10:30 a.m. for the following purposes:

**ORDINARY BUSINESS**

1. To received and adopt the audited consolidated financial statements for the year ended 30 June 2012 together with the report of the directors and the independent auditor ’s report.
2. (a) To re-elect the following retiring directors of the Company:
  - (i) Mr. Zhou Hongbo
  - (ii) Mr. Leung Kwong Choi
  - (iii) Mr. Cheung Ngai Lam
- (b) To authorise the board of Directors (“**Board**”) to fix the Directors’ remuneration.
3. To re-appoint Lau & Au Yeung C.P.A. Limited as auditor of the Company and to authorise the Board to fix the remuneration of auditor of the Company.

**SPECIAL BUSINESS**

**ORDINARY RESOLUTIONS**

The following resolutions 4 to 6 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 articles of association 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 to allot, issue and deal with New Shares 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.”

Yours faithfully,  
By Order of the Board  
**China Environmental Resources Group Limited**  
**Zhou Hongbo**  
*Chairman*

Hong Kong, 19 October 2012

**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 of members in respect of the joint holding.